THE PHILIPPINES

Not so rosy

Despite many concrete achievements over the past several years, neither the Filipino public nor resident foreign observers view the current situation in rosy terms

by Bertil Lintner

When President Ferdinand Marcos recently visited the United States, he made a point of emphasizing the economic and political stability of the Philippines.

"You are welcome home for a visit to the Philippines, to see for yourself all the dynamic developments taking place," he said in an address to Filipino-American community leaders in New York.

As signs of progress, Marcos gave his audience a long list of improvements achieved during his years in power:

- In 1966, there were only 55,544 km of roads. Today the network extends to about 160,000 km and most cities, small and mediumsized towns are now linked to each other.
- Seven years ago, only 1.9 million families had electricity. Last year, the figure was up to 3.2 million families across the country.
- Today, 1.4 million hectares of land are irrigated compared to only 780,158 hectares in 1972.
- The Philippines has now become self-sufficient in cereals, fish, vegetables, poultry and piggery products.

However, back home in Manila neither the public nor foreign observers were willing to see things in such rosy colours. As one diplomatic source in the capital observed: "The careful optimism which was prevalent within international financial circles right up to the end of the 70s, the talks about an imminent economic take-off, have now taken on a more negative note".

During the last decade, inflation has been soaring between 12% and 23% annually. The prices of the Philippines' traditional exports — copra, sugar and copper — have reached rock-bottom and at least 25% of the workforce is either out of work or underemployed.

Hardest hit in 1981 were the 14 million people who depend on the coconut industry for their livelihood. Coconut prices dropped by more than 50% between 1979 and 1981. When the government-backed monopoly Unicom (United Coconut Oil Mills Inc) stopped buying in September 1981, the prices went through the floor. The economic crisis in the coconut industry turned into a political controvery when the coconut farmers became burdened by the government-imposed levy on the sale of copra.

The levy was first introduced in 1973 at a time of high coconut prices and heavy export demand which resulted in local shortages of cooking oil and other consumer items. Its original purpose was to subsidize the production of these items and, through the United Coconut Planters Bank (UCPB), create a fund for scholarships for children of coconut farmers as well as for insurance and replanting programs.

But the ones who had to pay for the whole show were the group at the bottom of the scale whom the program was aimed at helping: the impoverished coconut farmers. As writer Guy Sacerdoti explained it in the 8 Jan 1982 issue of the *Far Eastern Economic Review:* "Officially the levy is paid by the exporter,

who passes it on to the buyer. However, the coconut-oil price reflects the world vegetable-oil price and is little influenced by coconut-oil supplies and even less by Philippine tax policy. Thus, in reality the levy is a direct tax on producers, to whom the exporters pass it back."

There were also allegations of mishandling of the funds, secrecy surrounding the accounts of the levy and the accusations that certain groups within the government were taking advantage of levy funds for their own personal interests.

The coconut levy became an issue that was easily exploited by political radicals and it even created deep divisions within the Marcos administration itself. After years of a heated national debate, with harsh charges and counter charges, the levy was eventually lifted on Aug 28 this year. At the time it was stopped, the levy was 32 pesos per 100 kg (or 32 centavos per kg) and total levy collection amounted to more than 8 billion pesos.

Marcos had relieved himself of a political burden and a serious source of discontent – but other sectors of the Philippine economy are still in disarray.

For over two years, the local pulp and paper industry has been having severe setbacks, and one Manila newspaper went as far as calling the situation "desperate" in a headline in August this year. In 1979, considered a good year for the industry, capacity utilization was 83% or better. This dropped to 68% in 1980 and to 60% in 1981. Current estimates point to a capacity utilization this year of only 55%.

The vital copper industry is not doing as badly, although the Philippines suffers in having to export its copper concentrates in an unprocessed form. Japan has been buying 70% of these concentrates for smelting – before re-exporting it to the US. The government is now working on correcting this neo-colonial situation and the first copper smelter in the Philippines is under construction and is scheduled to go into operation in 1983.

As the crisis in the Philippine economy deepens, labour unrest and the number of strikes have drastically increased. Between the lifting of martial law on 17 Jan 1981 and 2 Sept in the same year, the Philippines saw 204 strikes involving more than 75,000 workers, and the trend continues. This figure for the first eight months of "civilian rule" was almost the same as the total in 8½ years of martial law, from September 1972 to January 1981 – but then there was a ban on strikes and lock-outs except in non-vital industries.

Not only has the number of strikes been increasing, but the militancy of the workers has intensified as left-wing labour organizations such as the Kilusang Mayo Uno (KMU, May First Movement) seem to gain on the more moderate trade unions. The KMU has an estimated 500,000 members and its sister organization, the Pagkakaisang Managagawang Pilipino (PMP, United Filipino Workers) includes 30% of the Philippines' approximately 1.8 million organized workers.

The KMU/PMP has been accused of having close ties with the National Democratic Front, which has been set up by the outlawed Communist Party of the Philippines to unite various groups opposing Marcos' regime.

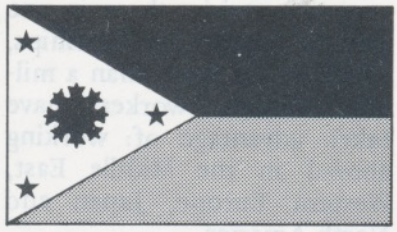
Just before Marcos left for the US, KMU

'Small-scale' private enterprise





Tourist attraction



country — which makes the Philippines No 10 of the world's most indebted countries — Laya said that the "debt service ratio" was still within the 20% limit set by the government. This means that what the country pays in interest and amortization yearly is still less than 20% of everything it produces. This was still within manageable limits, Laya said, and disputed International Monetary Fund figures saying that the current debt service ratio had reached 23%.

Laya also emphasized that the Philippines' debts were mostly long term. Only 1% of the US$16 billion is due within the next 5 years, while 9% is due within the 7 years following that and 40% not due until 1994.

chairman Felixberto Olalia and 12 other radical labour leaders were rounded up in Manila, charged with subversion and conspiracy.

But despite the mounting economic crisis, labour unrest and an increasingly militant opposition, government spokesman in Manila maintain their optimism and assert that things will be brighter in the future. A good example of this attitude is a briefing given by Central Bank Governor Jaime Laya in Manila this August. When commenting on the record-breaking US$16 billion debt incurred by the

The government's most ambitious program to improve the standards of living of the people and put the economy back on the tracks again, is what economic planners in Manila call the "centrepiece of development strategy," the Kilusang Kabuhayan at Kaunlaran (KKK, Movement for Livelihood and Development). Under this program, the government is going to provide funding and technical advice for small-scale enterprises in the country's 42,000 *barangays,* the smallest administrative unit and comparable to Thailand's *mu*

FILIPINOS ABROAD

In times of rising unemployment and mounting economic crisis, there is one way to escape the hardships, which so far more than a million Filipino workers have taken advantage of: working abroad in the Middle East, Western Europe, Japan and North America.

On the average, 16,000 Filipino workers and professionals leave the country each month. The majority end up in the Middle East as construction workers, service workers in hotels or in manufacturing. Of the more than 500,000 Filipinos working in the Middle East, 132,000 have found jobs in Saudi Arabia, most of them as labourers.

Those who go to Europe are often employed as servants of all kinds, as are those in Hong Kong and Singapore. The US and Canada are of course traditionally preferred by Filipino nurses, doctors and medical personnel. Those with musical talent can be found in the honkytonk districts of Tokyo and Osaka as well as in Hong Kong, where every pub or club with self respect seem to have at least one Filipino folk singer. In addition, there are some 60,000 Filipino seamen who sail worldwide under the flags of almost 110 countries.

Filipino workers are in high demand in many countries and the reasons given are usually that they are reliable, well-qualified and hard-working. Their education is comparable to that of many western countries and even those with just a few years of primary school behind them can speak English reasonably well.

Due to the difficult employment situation in their homeland, Filipino workers also tend to stay longer and are more willing to have their contracts renewed than, for instance, the Thai workers who often return home after a year or two.

Monthly remittances from overseas-employed contract workers and seamen have helped prop up the Philippines' faltering economy and provided the country with badly needed hard currency. In fact, this flow of remittances from abroad is now the third most important source of foreign exchange. The manpower export industry realized $3,147.9 million in the last 6½ years, according to statistics from the Ministry of Labour and Employment (MOLE).

Whereas many Thai workers looking for job opportunities abroad have been victims of fraud and phony employment agencies, job placement for most Filipinos leaving for the Middle East or other destinations is done through the government-controlled Philippine Overseas Employment Administration. In this way, much of the abuse normally associated with this business has been prevented. The contracts are generally given out for 2-3 years, and in return the recruits are obliged to send home 60%-70% of their foreign-earned income.

These remittances not only provide the state treasury with a constant stream of "petro dollars" – they also keep unemployment figures down and, most important of all, the prospect of getting a well-paid job abroad functions as a social safety valve.

The latter is a vital consideration in a country which in recent years has experienced increasing political unrest. Remittances from abroad have lit new lights of hope even in the poorest of Manila's squatter colonies. With the money the workers in the Middle East have been sending back to their families, they have been able to give their children a better education, help their wives set up little general stores and buy consumer goods, which they could never even have dreamt of if they had been earning Philippine wages. Cassette-decks, television sets and refrigerators are not uncommon sights in Manila's slum districts nowadays and thoughtful fathers have sent their families Nescafe, Del Monte fruit cocktail, Quaker Oats and other western delicacies by parcel post, so that their children could sample the exotic delights of a developed consumer society.

The price they have to pay is years of separation of fathers from their families and loneliness for the wives back home – things which are hard to bear for such a family-centred, child-loving people as the Filipinos. As one housewife in Manila bravely confessed: "It's a sacrifice at night."

But as long as there are no options for them in their own country, Filipinos will continue to seek their fortune elsewhere in the hope of a better, more human life.

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THE PHILIPPINES: BASIC DATA

Land area:

115,830 square miles (300,000 sq km). The Philippines is an archipelagic country, comprising more than 7,000 islands and islets, stretching some 1,100 mi from within 150 mi of Taiwan in the north and less than 15 mi from the Malaysian state of Sabah in the south.

Population:

50,285,000, mainly of Malayo-Polynesian stock. Minorities include the hill-dwelling Igorots of Northern Luzon, Negrito aborigines scattered all over the country, and a sizable community of Mesticos of mixed Filipino-Spanish or Filipino-American descent.

Main urban centres:

Metro Manila, capital, 7,800,000; Davao 515,000; Cebu 420,000; Iloilo 247,000; Zamboanga 240,000.

Climate:

Tropical with typhoons as a seasonal hazard from May to November. Temperatures range from the hot steaming jungles of Mindanao and the lowlands on other islands to the cool, pine-clad highlands of Northern Luzon.

Languages:

Pilipino (Tagalog) is the national language; English is widely spoken and Spanish is still being used in certain quarters of the Manila aristocracy. Many local dialects, such as Ilocano in northern Luzon and Cebuano in Mindanao and the Visayas. Malay dialects spoken among the Muslims in the south.

Religions:

Roman Catholics 83%, Protestants 9%, Islam 5%, Animism 3%.

Government:

The republic is in a transient period between martial law (lifted in January 1981) and restoration of democracy. President: Ferdinand Marcos (since 1965); Prime Minister: Cesar Virata. The Interim National Assembly has 192 members.

Main political parties:

KBL (Kilusang Bagong Lipunan; New Society Movement) led by Marcos. UNIDO (United Nationalist Democratic Opposition) is a united front including eight different opposition groups led by ex-senator Salvador H Laurel. The outlawed Communist Party of the Philippines (CPP) has set up a "front" called "the National Democratic Front" (NDF), which has gained considerable momentum over the past years.

Leading industries:

Agriculture (rice, abaca, coconuts, sugarcane, corn, tobacco, livestock, vegetables); food processing; manufacturing (tobacco, textiles, clothing, cars, oil refining); forestry and lumbering; fishing; mining (gold, silver, copper, iron, chromite, nickel).

Foreign trade:

Major exports: coconut products, sugar, wood, abaca.

Major imports: food, petroleum, consumer goods.

Total workforce:

About 17 million; 12.1% commerce and services, 10.9% manufacturing, 52.7% agriculture and fishing, 3.2% construction, 9.7% government and public authorities.

Currency:

1 peso = 100 centavos; exchange rate in September 1982 US$1 = 8.65 pesos.

baan.

The program was first launched in September 1981 and has been billed as "patterned after the New Deal of Franklin Roosevelt with the scope of the Great Leap Forward by Mao Tse-tung and the supplyside economics of Ronald Reagan."

What this actually means, is difficult to say, but the program is supposed to generate 250,000 new jobs or one job for every 10,000 pesos loaned out of the program funds. But out of the program's total budget of 1 billion pesos, only 300 million are allotted for loans. This would mean only 30,000 new jobs, which is not much considering that 500,000 people enter the labour force each year.

"The intentions behind the KKK program are no doubt good and it's a sincere attempt to ease the people's hardships. But there simply isn't enough money for it," noted one western source in Manila.

A faltering economy, enormous foreign debts, unemployment and lack of funds for large enough development projects together form a vicious circle which will have a decisive effect on the future economic and political development of the Philippines. Of the five Asean countries, the Philippines seems at present to have the heaviest burden for its government to shoulder.



INSURGENCY

Like most other countries in Southeast Asia, the Philippines has for years been plagued by communist insurgency – but unlike for insance Thailand and Malaysia, the Philippine communists are on the offensive rather than the defensive.

With an armed strength of 5-7,000, the New People's Army (NPA), the armed wing of the outlawed Communist Party of the Philippines (CPP), is the only communist insurgency in Southeast Asia that has actually gained considerable momentum over the past few years. The fact is that the NPA began in 1969 with only 60 men and 35 vintage rifles in a small province of Central Luzon.

Where the main centres of NPA activity up to the late 70s were northeastern Luzon, the Mountain provinces, Central Luzon, Samar and the Davao provinces of Mindanao, the last years have seen the rapid development of guerrilla zones in Zamboanga del Sur and Misamis Occidental in Mindanao, Panay Island in the Visayas, Mindoro, and Ilocos Sur and Abra in Marcos' own backyard in Northwestern Luzon.

But despite their unquestionable success, it is still far too early to call the NPA a well-organized guerrilla army, analysts say. The majority of the party leaders as well as the NPA's commanders are former student activists from Manila and other cities; politically dedicated but militarily inexperienced. Young and idealistic, they seem to have a long way to go before they could be anything like, let us say, the Vietcong during the Vietnam war or the PLO in West Asia. During his recent visit to the US, President Marcos was eager to stress that insurgency was not really a big problem in the Philippines and that foreign investors did not need to worry.

One obvious and big difficulty for the CPP/NPA has to face is that in contrast to the Vietcong and other former insurgents in Southeast Asia, they have no safe havens in friendly neighbouring countries, simply because the Philippines is an isolated archipelago. Another is the problem of ensuring a continuous supply of arms and ammunition. At present 90% of the NPA's armoury is said to be captured from the Philippine army and the remainder obtained on the illegal gun markets inside the country or through contacts with the PLO, with whom they maintain friendly contacts. Although the CPP is a Maoist party, China has so far showed little interest in supporting the NPA with guns and ammunition, presumably so as not to jeopardize Peking's good relations with Asean.

The NPA has to face the might of the entire armed forces of the Philippines, numbering approximately 250,000 men, supported by tanks, artillery, aircraft and foreign aid. It is obvious that the NPA is not only outnumbered but also ill-equipped and the likelihood of its seizing power in the immediate future is practically nil.

The long-term perspectives, however, are something else. The CPP has been called the fastest-growing communist party in Southeast Asia and it is understandable that the Philippine Government does not plan to sit and watch the CPP/NPA get any stronger. Steps have already been taken to mount perhaps the most sustained counterinsurgency efforts since the late 50s. How successful they will be, remains to be seen. It should, however, be remembered that it was the government which came out of the struggle victoriously, when it was fighting the "old people's army" – the Huk guerrillas of the 1950's.