SITUATIONER

JANUARY-FEBRUARY, 1980 2/4

EARNINGS SOAR FOR U.S. OIL FIRMS

While the world blamed OPEC for causing inflation and the balance of payments crises as result of its jacking up prices of crude oil, US oil companies continued to garner profits. In 1979, these earnings swung sharply higher by some 65% on the average. Much of the increment stemmed from the recovery downstream margins for those with extensive foreign interests, in particular, the five US-based internationals whose aggregate net income reached $11.28 B, presenting a 69% increase from 1978. At this level, aggregate profits were 45% higher than those during the 1974 peak year.

US COMPANIES: NET INCOME
Million dollars

	Fourth quarter 1978 r)	Fourth quarter 1979	% change	Calendar year 1978 r)	Calendar year 1979	% change
Exxon	853.0	1 365.0	+ 60	2 763.0	4 295.0	+ 55
Gulf Oil	237.0	366.0	+ 54	785.0	1 322.0	+ 68
Mobil	315.0	541.0	+ 72	1 131.0	2 010.0	+ 78
SoCal	316.0	524.0	+ 66	1 089.0	1 785.0	+ 64
Texaco	328.3	533.0	+ 63	852.5	1 759.1	+ 106
Total, majors	2 049.3	3 329.9	+ 62	6 620.5	11 171.1	+ 69
Amerada Hess	41.6	156.9	+ 277	138.9	507.1	+ 265
Atlantic Richfield	222.6	343.0	+ 54	804.3	1 165.9	+ 45
Cities Service	54.2	106.2	+ 96	202.5	347.5	+ 72
Conoco	155.2	190.7	+ 23	451.3	815.4	+ 81
Getty Oil	101.5	182.6	+ 80	330.1	604.4	+ 83
Marathon Oil	73.9	54.3	− 27	225.2	323.2	+ 44
Phillips Petroleum	279.5	306.5	+ 10	718.1	891.1	+ 24
Shell Oil	192.3	331.2	+ 72	813.6	1 130.0	+ 39
Standard (Indiana)	216.7	368.7	+ 70	1 076.4	1 506.6	+ 40
Standard Ohio)	164.5	451.0	+ 174	450.2	1 186.1	+ 163
Sun Co	107.6	222.9	+ 107	414.7	699.9	+ 69
Union Oil	123.8	152.3	+ 23	382.3	500.6	+ 31
Total, others	1 733.4	2 866.3	+ 65	6 007.6	9 677.8	+ 61
Grand total	3 782.7	6 196.2	+ 64	12 628.1	20 848.9	+ 65

r) Restated where appropriate.

Petroleum Economist, March 1980

Last year's gains by the majors (i.e. Exxon, Gulf Oil, Mobil, Socal, and Texaco) ranged from 55% for Exxon to 106% for Texaco. (See table)

From among the twelve other oil companies, Atlantic Richfield, Phillips, Shell Oil, Standard (Ohio) had earnings beyond the $1 billion mark. Runners-up are Phillips Petroleum, Conoco, Sun Co., Getty Oil, Amerada Hess, and Union Oil.

For the majors, available figures of income by sources suggest that foreign oil and gas operations account for as much as $3.5 billion out of the total rise of $4.5 billion. (Petroleum Economist, March 1980)

The SITUATIONER is a bi-monthly synthesis of news gathered from the Philippines' major newspapers and the international news magazines to facilitate trend analysis in current politico-economic and social developments here and abroad. The SITUATIONER is produced by the Research Office of the National Secretariat of Social Action, Justice and Peace, 2655 F.B. Harrison, Pasay City, Philippines. Subscription rates: ₱24 for domestic; $8 for overseas (to cover cost and postage.)

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I. GENERAL ECONOMIC SITUATIONER

RP has highest inflation rate in Asia. -- The International Monetary Fund (IMF) said that the Philippines registered the highest rate of consumer price increase in 1979 at 22.5 %.

It was followed by Korea with 17.9%, China with 12%, Pakistan with 11.5%, and Thailand with 11.1%. (BT, 25 Jan 80). The President denied the report. (BT, 28 Jan 80)

ECONOMIC INDICATORS

	1979	1978	% change
Balance of payments deficit	$570 M	$54 M	90.52
Balance of trade deficit	$1.76M		
Outstanding foreign debt	$9.62B	$ 8 B	16.62

(CB/ BD, 7 Jan 80)

Inflation at 23.7%. -- A Central Bank report indicates that consumer prices in Metro Manila increased by 23.7% in January, bringing the peso value to 37.51 centavos. (TJ, 26 Feb 80).

CB to change base year. -- Central Bank sources say that the base year used in CB indices will be changed from 1972 to 1978 as the former is no longer realistic. (TJ, 26 Feb 80)

75% of product price goes to marketing. -- Dante Santos, president and general manager of the Philippine Appliance Corp. (Philacor) attests that 75% of what a consumer pays for a grocery product is for marketing alone. (BD, 27 Feb 80)

Gas prices go up by 50%. --The joint Cabinet-NEDA board decided to increase gasoline (premium, regular and aviation gas) prices by 50% and other oil products such as kerosene, industrial fuel and diesel by 36% from their present levels. The hike was made effective on 8 Feb. 80.

Only gasoline products were subjected to new specific taxes. (BD, 8 Feb 80)

Subsequent to the hike in oil prices was a 20% increase in jeepney and bus fares effective 21 Feb 80. (BT, 21 Feb 80)

Prices of basics frozen. -- Frozen for three months starting February, according to the president's directive, are the prices of rice, corn grits, canned milk, canned mackerel and sardines, pork cuts, poultry eggs, cooking oil,

Peso remains stable vs. dollar. -- Despite the country's big balance of payments deficit, the Philippine peso remained stable against the US dollar last year.

Central Bank statistics show that the peso exchange rate averaged at $7.3775 last year, down by only 0.16 percent from the 1978 average of ₱7.3658.

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The relative stability of the peso is due to the country's appreciable level of international reserves and the depreciation of the dollar against the deutschemark and other major European currencies. (TJ, 5 Jan 80)

Gov't to cut peso-dollar ties. -- Finance Minister Cesar Virata confirmed reports that the government plans to break the peso-dollar link amid fears that such a move may subject the Philippine peso to further devaluation.

The alternative plan would be to price the peso based on a "basket" of several foreign currencies which would be composed of the dollar, the yen, and the German deutschemark. The switch could result in a more stable local currency in the long run as fluctuations in the foreign currencies are expected to be less wild than the US dollar. (DE, 9 Jan 80)

NEDA cuts GNP target to 6%. --The National Economic and Development Authority has scaled down the economic growth target this year to 6.0% in real terms, lower than the 7.5% eyed in the five-year development plan and the 6.5% which Director General Gerardo Sicat earlier forecast.

Sicat explained that the $6 per barrel increase in the price of crude was the main reason for the reduction in the economic growth target for 1980. (BT, 3 Jan 80)

CB submits program to IMF. -- The Central Bank has outlined the country's financial program for 1980 in connection with the government's request for a new three-year standby facility amounting to 410 million special drawing rights or SDRs (equivalent to $533 million).

The key elements of the program include the maintenance of "prudent domestic demand management policies, efforts to increase domestic resource mobilization, and a number of measures designed to strengthen the balance of payments position."

The program intends to cut down the balance of payments deficit which has been estimated by the IMF to have reached $575 million in 1979.

The government would also put additional emphasis on diversification of exports and reducing dependence on imported oil. Other steps will include reduction of protection to industries in order to open import-substitution industries to the test of external competition and to encourage labor-intensive and domestic resource-based industries.

The CB also committed to maintain its policy of regulating external borrowing on commercial terms in order to ensure a manageable flow of debt service payments in future years. The IMF, however, has allowed an increase in the country's commercial loan ceiling from $975 million last year to $1.2 billion this year.

After the Philippines completed in 1978 a three-year economic program under the IMF's extended fund facility, she was granted in 1979 a standby arrangement to support the financial program for that year. In IMF's evaluation, the Philippines met the performance criteria under the standby arrangement. (BT, 3 Jan 80)

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3 sectors spurred RP's growth. --Agriculture, construction, and manpower-based services were the sources of the economy's strength during the past decade.

Despite the setbacks suffered by the sugar industry in the mid-decade, the agricultural sector made impressive, though erratic, gains. The green revolution in the rice industry, the rise of the banana industry as a significant foreign exchange earner, and the strides in fish and meat production were among the many significant gains made by agriculture.

The construction industry cushioned the impact of the long recession that bugged the economy throughout the decade. Construction spending moderated the recession that set in after the initial shock of the oil crisis.

Manpower services which include professional and personal services, like tourism, export services, and finance, --heretofore hardly discussed as an economic potential -- were harnessed effectively as "income earners". (DE, 2 Jan 80)

II. TRADE

PHILIPPINE EXPORTS AND IMPORTS
1979

	Value($ million)	%
I. EXPORTS	3,780	100%
Non-traditional manufactures	976.49	25.83
garments	253.59	6.70
electric and electric equipment & parts	105.69	2.80
textile yarns & fabrics	68.0	1.80
wood manufactures	58.37	1.54
furniture & fixtures	54.85	1.45
chemicals	54.31	1.43
machineries & transport	53.14	1.40
nonmetallic mineral manuf.	30.86	.81
Coconut products	943.24	24.95
coconut oil	675.56	17.87
copra	114.61	3.03
desiccated coconut	88.18	2.33
Mineral products	594.33	15.72
copper concentrates	373.39	9.88
gold	112.49	2.30
Forest products	468.7	12.40
Fruits & vegetables	266.6	7.05
Sugar products	228.81	6.05
Nontraditional unmanufactured products e.g. rice	136.39	3.60
Marine products	87.01	2.30
Unmanufactured tobacco	30.95	.82
Abaca fibers	27.18	.72
Petroleum products	21.67	.57

II. IMPORTS	5,540		
Producer goods	5,280		95.30
semi-processed raw mat.	2,600	(approx)	46.93
unprocessed raw mat.	1,670		30.14
machinery & equipment	778.22		14.05
supplies	224.38		4.05
Consumer goods	259.67		4.69
III. BALANCE OF TRADE	-1,760		-
IV. BALANCE OF PAYMENTS	-570.29		-

(BD, 29 Jan 80)
CB Report

Coconut firms top list of exporters. --Holding 31.77% of total sales by the 100 top leading exporters, coconut products earned P3,850M to place Legaspi Oil, Granexport, Lu Do & Lu Yu, and Southern Islands Oil in the list of the ten largest exporters in 1978.

The top ten commodities exported were coconut products, copper and copper concentrates, logs and lumber, construction services, garments, bananas, sintered iron ore, gold pineapples, and cement.

THE TEN LARGEST EXPORTERS IN 1978
(sales in thousand pesos)

1.	Atlas Consolidated Mining and Development Corp.	1,475,029
2.	Legaspi Oil Co., Inc.	711,592
3.	Granexport Manufacturing Corp.	640,924
4.	Lu Do & Lu Ym Corp.	526,240
5.	Marcopper Mining Corp.	520,311
6.	Marinduque Mining and Industrial Corporation	518,470
7.	Philippine International Trading Corporation	474,803
8.	Philex Mining Corp.	445,116
9.	Philippine Sinter Corp.	414,516
10.	Southern Is. Oil Mill Corp.	379,672

SOURCE - Financial statements, BD survey
BD, 14 Jan 80

Declining export prices seen. --A study by the Chamber of Agriculture and Natural Resources of the Philippines shows that the country's major export products will continue to experience a decline in prices in the world market.

Coconut products, for instance, face serious competition from corn and soybeans. Other major factors cited were the recent US grain embargo imposed on the USSR, the high costs of credit in the US, and the rising costs of freight rates. (TJ, 26 Feb. 80)

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RP exports to US will increase. --The senior vice president of the United California Bank, Dr. Raymond Jallow, said that Philippine exports to the US are forecast to approach $1.8 billion, an increase of 22% over 1979. A major factor contributing to the increased volume of exports is the new RP-US trade agreement which removed duties from coconut oil, copra, mahogany, copper ore and hard cordage fiber, he said. (BT, 29 Jan 80)

Rationale for US trade. --Clarence Brown, vice chairman of a mission from the US Congress joint economic committee said that "in the past, our broad-based domestic economy made it unnecessary for US businessmen to be aggressive about overseas markets, "But if oil and other needed imports are to be financed without reducing American living standards, we must increase earnings on sales and investments abroad." (BD, 8 Jan 80)

III. FOREIGN AID AND LOANS

RP foreign debt is $ 9.6-B . --The Philippines' foreign debt in 1979 rose by 20% to reach $9.6 billion, Central Bank Governor Licaros reported. Of the total, 53% or $5.1 billion was in loans granted by foreign lenders to the Philippine government. This amount does not include CB's own borrowings of $ 395 million.

The private sector took the smaller share of 43 % or $4 billion.

PHILIPPINE FINANCIAL POSITION IN THE FUND
(As of Nov. 30, 1979)

Quota	SDR 210 million. The Philippines has agreed to the proposed maximum quota under the seventh review of SDR 315 million.
Use of fund resources:	Total outstanding purchases under the various fund facilities are as follows:
	regular tranches..... SDR 91.2M
	Extended Fund Facility..... SDR217.0M
	Compensatory financing facility..... SDR 81.7M
	Oil facility (1975)..... SDR120.9M
	Buffer stock financing facility..... SDR 36.1M
SDR position	Net cummulative allocations amount to SDR 73.3 million. Holdings amount to SDR 25.6 million or 34.9 percent of net cummulative allocations. The Philippines will receive further allocations of SDR 22 million on Jan. 1, 1980 and 1981.

continued

Gold Distribution:	Received 99.491 thousand fine ounces of gold in the first three phases.. Received profits amounting to US$14.5 million in the first three distributions
Trust fund:	Received loans totaling SDR 64.2 million for the first period and has qualified for Trust Fund loans in the second period estimated to amount to SDR 70 million of which SDR 47 million has already been disbursed.

All amounts are expressed in special drawing rights (SDRs). The current conversion rate between the SDR and the US dollar is approximately 1 SDR for $1.3. (Source: BT, 3 Jan 80)

20% debt ceiling retained. --The Central Bank will retain the 20 percent ceiling in its foreign borrowings, a figure described as conservative by some monetary and economic officials.

The debt ceiling pegs the amount of foreign borrowings during the year to 20 percent of the export earnings in the previous year.

Critics of the 20 percent-ceiling have said that this self-imposed limit had restricted efforts to generate more funds to finance large-scale industrial projects. It was pointed out that other developing countries in Asia do not have similar debt ceiling policies. Others have much higher foreign debt ceilings, while others do not have ceilings at all.

Licaros explained that "it is unhealthy to always change the terms of reference" in foreign borrowings. (DE, 9 Jan 80)

RP to received WB loan (again). --Industry Minister Roberto Ongpin disclosed that the Philippines will receive a $400 million loan package from the World Bank this year.

Of the loan package, $200 million will be in the form of a program loan, which the government may use to finance any project. The loan is part of a $1 billion official development assistance (ODA) earmarked for the Philippines by international financing institutions and industrialized donor countries.

The terms of the loans, Ongpin said, will still be negotiated. This is the first time that the Bank has agreed to such a concept of a program wherein a borrowing country can use the loan to finance any program or project. (DE, 11 Jan 80)

Foreign banks extend loan to CB. --Eighteen international banks, 10 of them the biggest in the United States, have committed $180 million for the first Eurodollar loan raised by the Central Bank of the Philippines this year.

The "club loan", which is considered to be an innovation by the Central Bank, was worked out by the CB and its agent, Manufacturers Hanover Trust of New York. Those banks with which the CB "had close relationships" in the past were approached for the loans. They include: Mantrust, Chemical Bank, Crocker National Bank, Morgan Guaranty Trust, Bankers Trust, Citibank, Bank of America, Security Pacific National Bank, Chase Manhattan, First National Bank of Chicago, Hongkong and Shanghai Banking Corp., Barclays Bank, Bank of Nova Scotia, Dresdner Bank, Toronto Dominion Bank, Lloyds Bank International Ltd., Banque Nationale de Paris and Societe Generale. (BT, 27 Jan 80)

RP to get $126M from IMF. -- The Philippines has obtained an equivalent of $126.7M from the International Monetary Fund under its compensatory financing facility (CFF) to compensate for the export shortfall recorded by the Philippines in 1978 when prices of sugar and copper fell sharply.

The government is also seeking another $533 million in two-year standby credit to finance anticipated balance of payments shortfalls in 1980 and 1981. (BT, 17 Feb 80)

$12M from WB for Iloilo agri project. -- The loans will finance an agriculture multi-cropping project, Kabusugan sa Kaumahan, a self-sufficiency program to increase the production of rice, feedgrains, and vegetables. (TJ, 29 Feb 80)

32.9% of ADB loans to agriculture. -- Of the total $1.25 billion the ADB disbursed in lendings in 1979, 32.9% went to loans for agriculture and agro-industries. Twenty-six per cent went to loans to the energy sector.

IV. INDUSTRY AND FINANCE

Government's industrial policy. --Industry Minister Roberto Ongpin announced that as a result of increased oil prices and the resulting inflation which made 1979 a "difficult year" for Philippine industry, the country will follow an industrial policy that will:

- accelerate implementation of industrial projects
- organize export promotion efforts
- rationalize industry

The World Bank had earlier pointed out that Philippine industry was besieged by tendencies towards protectionism, excessive focus on domestic markets, defects in the incentive system, lack of cost competitiveness, and a cumbersome export administrative system.

The government is thus launching an anti-protectionist program that will include the following.

1. Introduction of a tariff reform which will cause a gradual and orderly but significant reduction.

2. Review of list of overcrowded industries to eventually reduce the list from 33 industries to less than 10 .

3. Launching of an industry-by-industry review with the aim of developing a more modern and more competitive industry.

4. Increased emphasis on the development of small industries.

5. Acceleration of the industry dispersal program by encouraging the private sector to locate operations outside the metropolitan area.

(DE, 1 Jan 80)

CAPITAL MOVEMENTS

	1978	1979	%change
I. CAPITAL RECEIPTS		$3,940m	
govt foreign borrowings	$894.32m	1,070m	16.41
private foreign "	856.13m	731.17m	(14.6)
direct foreign investment	135.93m	157.79m	13.85
II. DISBURSEMENTS		2,750m	
debt payments(govt)	n.a.	405.42	-
debt payments(private)	n.a.	685.55	-
withdrawals of foreign investments	20.52m	85.07m	75.88
investments abroad by Phil. entities	13.76m	40.83m	66.30
III. NET CAPITAL INFLOWS	716.02m	729.85m	1.93

CB Statistics

Withdrawals of foreign investments up 75.88%. --Withdrawals of foreign investments reached $85.07M or four times the $20.52 million in 1978. The CB also reported that investments abroad by Philippine entities almost tripled. (BD, 30 Jan 80)

Direct foreign investments at $1.17 B. --The Central Bank reported that direct foreign equity investments has reached $1.17 billion as of 30 Sept 1979. (See table next page)

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THE BIGGEST INVESTORS

		%
United States	$604.7M	51.
Japan	228 M	19
Hong Kong	57 M	4.87
Canada	57 M	4.87
United Kingdom	42.7M	3.64
Switzerland	37.5M	3.20

INVESTMENTS BY INDUSTRY

Manufacturing	$620M	52.7%
Banks and other financial institution	227M	19%
Mining	144M	12.2%
Commerce	72.4M	6.16%

(BT 23 Fe 80)

FM rejects nationalization of industries. --President Marcos rejected the idea of nationalizing industries and said he stood four-square behind the free enterprise system. He declared that the proposed nationalization of industries would pose a threat to the economy. (BT, 29 Jan. 80)

Unibanking justified. -- Chairman of the Central Bank committee on banking reforms, Armand Fabella, justified unibanking by saying that it is more important for the economy to allow some banks to grow big and powerful than to maintain the status quo and suffer shortages in funds. He stressed that any bank should be allowed to do any type of function to enhance fairer competition. Fabella also admitted the inevitability of some banks gaining economic power. (TJ, 8Feb 80)

The main objective for the adoption of universal banking is to increase the supply of medium and long term funds in the financial system. The system allows banking institutions, particularly commercial banks, to engage in underwriting debt and equity issues and to invest in non-banking related enterprises.

The Central Bank approved the system in principle on 13 Jan 1980 upon consultation with the International Monetary Fund (BT,13 Jan 80),(TJ, 8 Feb 80)

Delist 29 industries from overcrowded list. -- Regulations on investments in 29 industries which have been considered overcrowded were removed by the NEDA in a move to spur major expansion on production for the domestic and export markets and to encourage open and more free-wheeling competition.

Previously, these industries enjoyed government protection through credit priorities and government guarantees on foreign loans. (DE, 13 Feb 80)

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Lower tariffs to make RP goods competitive. --Tariff Commissioner Chulia Azarcon revealed that the government is considering lower levels of tariff protection for local industries ranging from 10% to 50% duties on competing foreign products. She indicated that 100% ad valorem duties would be banished from the tariff schedules and rates of over 50% will almost certainly be cut down.

The commissioner pointed out that the projected tariff restructuring is tied up with the effort to promote export growth. Firms registered with the BOI, however, will not lose incentives (in terms of tariff protection for local industries). (BD, 5 Feb 80)

12 new export sites identified. --The Export Processing Zone Authority identified the following as sites for the establishment of new export processing zones--Currimao, Ilocos Norte; Poro Point, San Fernando, La Union; Clark Field Air Base area near the Sacobia Human Settlements site; the Filoil Refinery site in Rosario Cavite; Infanta-Real, Quezon; Batangas City; Legaspi City near the Tiwi geothermal fields; the Marsteel reclamation area in Bacolod; Iloilo; Tacloban, Leyte, the Daratex compound in Davao City and Zamboanga City.

They will each cover 20 to 50 hectares and will avoid whenever possible purchase or expropriation of land to minimize capital outlay. Construction will start this year and extend from 3 to 5 years.

First to be developed will be the zones located in Rosario, Cavite (which will be an electronics zone) and in Davao City. (BD, 22 Feb 80)

Industrial estate at Dagat-dagatan. --An industrial estate will rise on a 130-hectare Dagat-dagatan reclamation site in Navotas. BLISS homes are also going to be built in the area. (BT, 29 Feb 80)

Small and medium industries to get export incentives. --The ministry of trade will encourage small and medium-scale industries beginning this year to produce non-traditional export products which are in demand in Europe, Middle East and South Africa.

To prevent competition among the producers, each group of Nacida producers or cooperatives will be allowed to manufacture only one exportable handicraft product. The scheme would also benefit BLISS housing dwellers who will be assigned to the production of one handicraft item per housing project. (TJ, 1 Jan 80)

Gov't to invest in multinat'l bank. -- The government plans to invest in a multinational bank based in Bahrain to bring in petrodollars to finance Asian projects including those in the Philippines.

The investment will be made through three state-owned financial institutions: Land Bank of the Philippines, the Development Bank of the Philippines and the Philippine National Bank.

Philippine share in the equity will be 40%. By setting up a multinational bank in Bahrain, the government hopes to tap excess funds generated in the oil producing countries by the increase in oil prices. (DE, 3 Jan 80)

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Reynolds to build aluminum smelter. --Reynolds Aluminum Co. of the US has agreed to build a ₱450M aluminum smelter in Claveria, Misamis Oriental. The plant is envisaged to go into full-operation by 1985 (BD, 25 Feb 80) Reynolds and the Philippine government will split the costs.

More incentives for labor contractors. --New grants provided for under PD 1657 include more tax credits, accelerated depreciation, additional deduction of labor training expenses, and net operating loss carry-over. (BD 21 Feb 80)

UNICOM to establish $25M cocochem plant. --The United Coconut Oil Mills, in another step towards the complete rationalization and integration of the coconut industry is establishing a cocochemical complex estimated to cost $25M. The complex is expected to generate foreign exchange savings approximating $30M per year. The plant output will displace the imported petrochemical compound that is being used in the manufacture of soaps and detergents. (BT, 6 Feb 80)

WB tightens reins on construction. The International Bank for Reconstruction and Development (IBRD) or World Bank has imposed stricter controls on the participation of construction firms in IBRD-financed projects in the Philippines.

The Bank has called for stricter examination of the technical, equipment and capital capabilities of construction firms before they are allowed to bid. It has also asked the Ministry of Public Highways to thoroughly check the past and present performance of construction firms, local or foreign.

The controls are in line with the fourth IBRD loan which consists of a foreign component of $60 million and a counterpart of the Philippine government. The loan will finance road and bridge projects mostly in the Visayas, consisting of 600 kilometers of major roads and 200 kilometers of minor roads. (BT, 13 Jan 80)

Bank of America places RP among most profitable. --The Bank of America, the largest bank in the world, recorded a 51.7% increase in its profitability in its Asian operations last year. Its Manila branch was considered among the top ten most profitable overseas branches (BT)

Group of 77 to compete with MNC's. -- The Asian regional meeting of the group of 77 is set to come up with measures to "compete effectively with multinational companies" in the trading of primary commodities among developing countries. The meeting will also try to unify the position of the group on the strategies to be adopted for the coming meeting of the United Nations Conference on Trade and Development (UNCTAD)

Deputy Trade Minister Vicente Valdepeñas, who presided over the ASEAN preparatory meeting, however, said that the measures are not intended "to ease out the multinationals" but to have "close coordination in the production program, pricing policies, and perhaps financial assistance" in the multilateral trade on prime commodities.

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Other areas of concern for the meeting are: discussion on the cooperation among state trading organizations, establishment of multinational marketing enterprises, and the strengthening of sub-regional, regional and inter-regional economic integration and cooperation. (TJ, 6 Jan 80)

V. ENERGY AND NATURAL RESOURCES

From the barrel to the pump. --When a barrel of crude oil arrives in the Philippines, it costs about $27. Adding local charges, costs rise to ₱245/barrel. As one barrel is equivalent to 159 liters, the cost of crude comes down to ₱1.54/liter. The crude is processed and comes out of the refinery costing (industry costs) ₱2.12/liter for premium and ₱2 for regular gasoline. This is doubled when government imposts are added (plus ₱2.21 per liter to premium and ₱2.11 to regular gasoline). Add the dealer's mark-up or margin of profit of 16 to 17 centavos per liter and the pump or retail price results.

Industry cost		Equalization Differential	Special Fund	Specific Tax	Energy Dev't Impost	Dealer's Mark-up	Pump Price
premium	₱2.12	0.73	0.29	1.00	0.19	0.16	4.50
regular	2.00	0.77	0.24	1.91	0.19	0.17	4.30
diesel	1.97	0.06	0.03	0.17	none	0.15	2.40

(DE, 9 Fe 80)

Slap energy tax on autos and jeeps. --The Ministry of Finance approved the BIR proposal providing that beginning Jan. 1, owners of cars and jeeps will pay an energy tax in addition to the ordinary car registration fees. The rates, graduated according to the age of the vehicle, range from ₱250 for new bantams to ₱10,000 for extra heavy cars. (BT, 4 Feb 80)

More loans will get nuke work started. -- Finance Minister Cesar Virata has announced that discussions with American Export-Import Bank officials have begun on the possibility of raising more money to offset the effects of inflation and other factors such as safety features that added up the original $1.18 estimated cost. Virata believes that approval from the US Nuclear Regulatory Commission is forthcoming. (BD, 21 Fe 80) The USNRC earlier decided against considering the health and environmental angles in its deliberations.

Electricity rates up by 31%. -- The National Power Corporation will raise electic rates by eight centavos per kilowatt hour in view of the nearly 37% increase in the cost of fuel oil. (BT, 13 Fe 80)

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POLITICAL SITUATION

I. GOVERNMENT PROGRAMS

5-Year Plan hit.-- In an article, Mahar Mangahas of the Philippine Center for Economic Development, assailed the Five-Year Development Plan for not containing sufficient numerical data to support its announced targets.

Among others, he notes: (1) While the Plan claims an improvement in the distribution of the wealth in the country between 1971 and 1975, it does not have 1971 statistics to compare with 1975. Neither does it contain any numerical projection of future income distribution; and (2) there is no official poverty line. Comments Mangahas, "How can one expect reduction in the proportion of the numbers who are poor if there is no official estimate of the present magnitude of poverty and what the government aims it to be?" (BD, 26 Fe 80)

7-Point Aggie Program. -- The President drew up an agricultural program to cushion the impact of the world economic crisis in a talk before Bureau of Plant Industry personnel. The program includes:

1. full attainment of self-sufficiency in food crops through continued increase in cereal production
2. continued development of plants as sources of protein for people
3. continued and intensified development of energy crops such as cassava, corn and sweet potatoes
4. planting of a variety of exportable crops and development of import-substitution crops
5. quality improvement and greater production in the country's traditional export crops
6. increase of farmers' productivity and income through greater processing of farm products
7. institutionalization of the multi-cropping strategy. (BT, 9 Fe 80)

FL plans for Mindanao. -- Shortly after her appointment as chairman of the Southern Philippine Development Administration (SPDA), the First Lady announced that the development program of Mindanao will be patterned after that of Metro Manila. (TJ, 14 Fe 80)

Mrs. Marcos stressed that the SPDA plan will be people-oriented, giving priority to small and medium labor-intensive industries which will provide livelihood opportunities. She also emphasized the organization of barangays throughout the 427 towns. (BT, 14 Fe 80)

MM plans ₱28-B infrastructures.-- Between now and 1983, the government will be investing at least P28 billion for a wide range of major infrastructure projects in Metro Manila.

The bulk of the projects, ₱22.5 billion worth, will be financed by foreign loans. Around ₱8 billion has already been contracted while ₱687 million is awaiting approval. International lending institutions such as the World Bank have committed another ₱14.1 billion. (BT, 27 Jan 80)

The projects include:

1. zonal improvement program (ZIP) of all of Metro Manila's depressed areas;

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2. the delivery of water through pipelines, deep wells, or water pumps in all four cities and 13 towns of the metropolis;
3. the construction of more health centers and schools; and
4. improvement and maintenance of roads. (TJ, 25 Jan 80)

₱700-B projects set for C. Visayas. -- The National Economic and Development Authority disclosed that the government has lined up ₱700 billion worth of development projects for Central Visayas for the next five years.

The most ambitious of the projects is the billion-peso Lusaran Dam which will provide water to Cebu and the adjoining areas. Other projects include the reclamation of foreshore areas in Cebu City and nearby cities and towns, and the construction of better roads, bridges and other infrastructure projects. (DE, 10 Jan 80)

Land Bank chalks up ₱4-B in assets:-- The Land Bank of the Philippines, the government's financing arm for the agrarian reform program, recorded total resources of ₱4.8 billion at the end of 1979, up by nearly 40% from the previous year's level of ₱3.4 billion.

Despite its heavy involvement in agrarian reform activities, the bank was able to post a net income of ₱65 million last year, the bank's president Basilio Estanislao said.

At the end of 1979, the bank was also able to pay over ₱1 billion to landowners whose landholdings were transferred to tenants. These payments represent roughly 20% of the total estimated cost of land covered by Operation Land Transfer. (DE, 8 Jan 80)

II. GOVERNMENT

The making of an opposition.-- "If there is no opposition, it will be best therefore if the NP becomes the opposition party." President Marcos, in giving his assent to the downgrading of the Nacionalista Party to a minority party, stopped the Kilusang Bagong Lipunan from proceeding with its legal action questioning the right of the NP to block voting. More importantly, it gave rise to the much-needed opposition in the first local elections under martial law. (DE, 13 Jan 80)

The Comelec later affirmed the status of both groups as parties, the KBL as a full-fledged political party and the Nacionalista as the opposition in a split vote of 3-2 as election day neared. (DE, 26 Jan 80)

How did this all come to be? Assemblyman Laurel in a privilege sppech before the IBP on Feb. 11, questioned the nature of the KBL. Presenting the affidavits of former Senate President Gil Puyat, former Speaker Jose B. Laurel, Jr. and former Senate President Protempore Jose J. Roy, Laurel argued that the KBL as proposed by the former speaker, accepted by the President, and approved during a Feb. 1, 1978 meeting, was a mere modus vivendi or temporary alliance of political parties.

Citing decisions of the Supreme Court in the case of Peralta vs. Comelec (Mar. 11, 1978) and in Laban vs. Comelec (Mar. 25, 1978), he stressed that the Nacionalista Party never lost its identity as a separate

political organization and that the KBL is not a political party but a temporary group.

He added that, furthermore, the Comelec as late as Dec. 26, 1979, affirmed that the KBL's participation in the last local elections was on the basis of its application for registration in 1978 as a "movement." (We, 23-29 Fe 80)

In the same speech, Laurel tendered his resignation from all standing committees of the IBP and called for the lifting of martial law. He rallied for the creation of a strong opposition or face the rigors of a revolution.

Resigning on the same question of political affiliation was Public Information Minister Francisco Tatad following the issuance of a letter from the President castigating him for supporting the Nacionalista Party. Tatad has announced that he was titular head of the NP in Catanduanes and subsequently proclaimed the NP candidates. (Tatad resigned from the Cabinet.)

These moves came shortly after Tatad took strong exception to the decision of the President and the KBL central committee denying him the KBL leadership in Bicol. (BT, 14 Jan 80)

Even the President's political affiliation came into question. Nacionalista Party president Jose Roy, in reversing a statement he made in November, declared that the President had ceased to be a Nacionalista. (BT, 20 Jan 80)

The relegation of the NP to a minority party in the IBP, moreover, has drawn protests from the Pusyon Bisaya. The latter insists that it is the legitimate opposition and should thus be assured seats in the various standing committees. (TJ, 16 Fe 80)

Jesus Bigornia, in an editorial, argued that neither the Pusyon nor the Nacionalista Party is the new opposition. He pointed out that while the NPs did field more candidates, even complete tickets, than any other political group besides the KBL, they won only one gubernatorial contest and a sprinkling of minor victories of little or no political consequence.

On the other hand, the Pusyon which was left in shambles in the recent polls, carried neither clout nor credibility. Bigornia suggested that the National Union for Liberation should be the new opposition as it stands against both martial rule and the Marcos administration. (BT, 18 Fe 1980)

The NUL, however, has been denied accreditation as a political party by the Comelec on the grounds that it was not a registered party in the 1978 elections and did not field candidates in that election in any region. (BT, 5 Jan 80)

Meanwhile, opposition leaders aiming at the next national elections plan to organize a single united front against the ruling party. Leaders of the National Union for Liberation, Concerned Citizens Aggrupation, Mindanao Alliance, Lakas ng Bayan, Liberal Party, Bicol Saro, and Pusyon Bisayas-Independent said they have agreed on the union in principle. (TJ, 13 Fe 80)

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Churchmen appalled.-- As the ruling party basked in the sunshine of expected victory and the opposition jostled for seats, the national dailies reported condemnations by citizens, particularly churchmen, of poll frauds and terrorism in their areas.

The Bulletin in its Feb. 8 issue included an article on the boycott of the priests of Legaspi. Thirty-two Catholic priests, the paper reported, declared that there could be no clean election under the present political setup. The priests demanded that martial law be lifted first before local elections could be conducted. They added that they had lost confidence in the electoral process.

In separate letters, the bishops and clergy of Zamboanga del Norte and Pampanga denounced the intimidation, terror, violence and other irregularities which marked the elections. Calling the events a mockery of the elections and of human rights, the clergymen told the President that there was documentation available on the cases. (BT, 13 Fe 80)

The Zamboanga church leaders later sought the ouster of Rizal Mayor Robert Poculan in the wake of post-election violence linked with the re-elected mayor. (BT, 20 Fe 80)

The President's scoreboard.-- President Marcos in his report to the nation at the second regular session of the IBP provided an unofficial scoreboard on the elections. Of the total number of registered voters throughout the country, 71.6% were reported to have voted. Of the 73 gubernatorial posts contested, the KBL won 69. Of the 60 cities, the KBL won in 47.

The President added that in five percent of the country, there were serious shortcomings in the elections. (DE, 13 Fe 80)

The council of elders.-- Early in January, former Senator Benigno Aquino Jr. bared to the President a proposal on the gradual lifting of martial law. The proposal involved the setting up of an advisory council composed of respected political, religious, military and other sectoral leaders and the freeing of the press from restraint.

The council was described as a "sort of grand ombudsman" which would facilitate the transition to power of a new government.

Aquino also proposed the (1) immediate lifting of the major effects of martial rule and the announcement of specific timetable for elections, both local and national; (2) without lifting martial law, the president resoind all general orders issued after 1081; (3) announce a schedule of local and national elections to determine once and for all whether the country would have a presidential or parliamentary form of government. (BT, 11 Jan 80)

The President himself said that he was ready to set up a council of leaders "to achieve a kind of deliberate consensus" because "all other alternatives have been tried and (have) failed." He saw the proposal as an aid to help the opposition prepare for the 1984 general elections. (DE, 9 Jan 80)

"I won't even touch it with a ten-foot pole," Diokno remarked upon hearing of the plan... The former Senator was reported to have been named by Aquino as one of the members of the council. "They don't know what they are talking about," he said. "I'm not accepting any position under Marcos." (DE, 10 Jan 80)

Former Senator Lorenzo Tañada and Jaime Cardinal Sin were other names suggested.

III. NATIONAL SECURITY

MFP scheme to finance uprising bared.-- The government verified reports that the US-based Movement for a Free Philippines adopted a resolution last November binding members of the group to finance an armed uprising in the country.

The MFP, led by former Sen. Raul Manglapus, is requiring its members to contribute $330 to buy an Armalite rifle to finance "freedom fighters" in the Philippines, the government said. (TJ, 21 Jan 80)

CIA complicity in terrorists' plan probed. -- Large quantities of explosives, sophisticated timing devices and manuals on the manufacture of incendiary bombs and urban guerrilla warfare which were seized by government agents were found to have CIA markings.

The devices, smuggled out of the US through the San Francisco International Airport on Dec. 10, were intercepted at the Manila International Airport last Dec. 14 from a courier working for a terrrorist group identified with the "Third Force."

Military experts, however, said that the CIA is not so stupid as to expose itself by allowing the use of CIA-marked documents. But what is clear here, another intelligence man said, is that the documents and arms were smuggled out through San Francisco airport with the help of very influential persons considering the tightness of the security there.

Philippine authorities have asked the help of the US in determining how the materials got through the US airport so easily. (TJ, 6 Jan 80)

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SOCIAL SECTOR

Additional Allowances. --As prescribed by PD 1634, all permanent employees earning salaries not more than ₱1,500 a month will receive a monthly ₱30 mandatory emergency living allowance, starting this month. The new provision is on top of the ₱60 allowance granted 1 Sept '79. (BD 3 Jan. 80) Exemptions were listed.

As February ended, another addition was stipulated. PD 1678, was issued providing private firm employees a daily provisional mandatory emergency allowance of ₱2.00 and agricultural workers of private firms of ₱1.50.

Temporarily distressed, dislocated enterprises or new enterprises were granted full or 50% exemption from compliance upon joint representation of labor and management. Employees already given increases in wages and/or allowances of at least ₱2.00 a day for non-agricultural workers or ₱1.50/day for agricultural workers on or after 8 Feb. 80 will not be covered by the decree. The measure is intended as temporary relief until the tripartite congress meets.

Imbalance between basic pay, allowances noted. --Labor Minister Blas Ople noted that the recent increases in the workers' income in the form of living allowances has resulted in a lopsided structure which left basic pay far behind. He cited retired employees and older workers facing retirement as the losers in the deal (BT 29 Feb. 80)

Real basic pay only ₱8.55. --The Ministry of Labor estimates that with a 14.3% hike in general prices, the ₱13 daily basic pay of a Metro Manila minimum wage earner will have a real value of ₱8.55 this year, after deducting the effects of inflation since 1972. The real value presents a 7.9% decline from the 1979 value of ₱9.28. Real salary for minimum wage earners outside Metro Manila is down to ₱7.73. (BD, 21 Jan 80)

TUCP to press for ₱28.65.-- The Trade Union Congress of the Philippines will press for the implementation of a daily minimum pay of ₱28.65 in the tripartite conference scheduled late in April. The proposed amount seeks to restore real wages to 1979 levels. (BD, 22 Feb 80)

RP labor 15% cheaper. -- Compared to those of Hongkong, Taiwan, Korea and Singapore, Philippine labor cost is estimated to be cheaper by about 15%. Only Indonesia has lower labor costs. (BD, 30 Jan 80)

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Employment rate up - MOL. -- The statistics service of the labor ministry reports that Philippine employment has been steadily climbing at a modest rate. The agency attributes the employment rise to the government's labor export policy, increased infrastructure spending and growth of export and non-agricultural activities. (BD, 28 Jan 80)

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EMPLOYMENT RATE

1972	94.6%
1973	95.2%
1974	96.8%
1975	95.8%
1976	95.0%
1977	93.7%
1978	93.9%
1979	95.4%

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NCSO

Using figures supplied by the National Census and Statistics Office, the agency said the labor force as of the second quarter of 1979 stood at 27.7 million. Excluded from the labor force are housewives, students, disabled or retired persons, and seasonal workers who were not working and not looking for work during the survey.

Only sixty-one percent (61%) of those aged 15 years and above are considered in the labor force. Of this, the Ministry of Labor reports that there were about 787,000 unemployed in 1979 as compared to 873,000 last year. (BD, 2 Jan 80)

121,005 MM workers terminated in 1979. -- The Ministry of Labor reports that most of the workers were in manufacturing firms. (BT 24 Feb 80).

655,000 women unemployed. -- The MOL also showed that at least 65,000 women are unemployed. This would mean that of the 1,245,500 unemployed in 1979, 52.54% were women. (BT 24 Feb 80). (Note discrepancy in estimate of unemployed)

RP farms lack animal power. -- Even as carabaos continue to be the primary source of power in the country, as much as 27% of farms less than two hectares in size have only hand labor. Even in larger-sized farms, some 18% still have no access to animal or machine power (BD 26 Jan 80).

Repayment rate in land reform program, 10%. -- Reynaldo Gregorio, executive vice president of the Land Bank revealed that the repayment rate of farmers to whom titles of the land they till have been transfered had hit an all time low of 10%. Gregorio attributed this to the small size of landholdings (1.4 to 1.7 hectares) and to the low entrepreneurial skills of the new landholders. (BT 28 Feb 80).

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380,000 kids drop out. -- The Ministry of Education and Culture reported that 380,000 grade school students (5% of the total enrolment of public schools) dropped out in school year 1978-79 causing the government to lose more than ₱100M.

Eastern Visayas had the highest dropout rate at 8.4%. Central Visayas followed with 8.31%, Central Mindanao with 7.06%, and Western Visayas with 7%. Metro Manila had the lowest dropout rate at 1.84%. (BT 18 Feb 80)

School costs will rise, too. -- Parents and students will have to brace themselves anew against the projected increases in the costs of education. Education Minister Onofre D. Corpus said that the education ministry is cutting costs but this would mainly be only in the area of administration. The government cannot yet cushion the increased costs since the new tuition policy being finalized by a special team cannot be used yet, he said.

Experts traced the perennial tuition problem to the overdependence of private schools on tuition as the main source of funds. Private schools provide more than 85 percent of higher education. (TJ 5 Jan 80)

Expired drugs sold to public? -- Health Minister Enrique M. Garcia ordered an investigation into the alleged recycling of old or expired drugs and the selling of such drugs to the public.

He also requested the National Bureau of Investigation and the Metrocom to determine if there were some health officials involved in the racket.

Garcia said he has received reports saying that a drug firm bought large quantities of expired medicines amounting to ₱65,000 and was able to re-sell them to the MOH for about ₱2 million.

Manila has less beggars. -- Manila's department of social welfare reported there are less beggars roaming city streets today than there were 15 years ago.

In 1978, the figure was reported to have been reduced to about 500. Last year, less than 100 were "observed" to still be engaged in begging as a "major form of livelihood." (BT 11 Jan 80)

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Geopolitics and the RP-US bases. -- With conflicts in Afghanistan, Iran and Kampuchea, the Philippines takes on more importance in the United States' global defense strategy and would thus be receiving the lion's share of American foreign aid. According to Rear Admiral Robert Long, commander-in-chief of the US naval forces in Asia and the Pacific, most of this aid would come through the military bases agreement (BT 19 Feb 80)

Currently, the bases in the Philippines are being used to house and train American soldiers for deployment in the Arabian Sea. The Philippines will also play a leading role in naval exercises involving US, Australian, and Japanese forces. These moves indicate an expanded use by the US of the bases for operations elsewhere. (FEER 7 Mar 80)

Long explained that the bases serve two purposes: "They are a visible display of US interest in our defense treaty with the Philippines; and second, they permit the US to protect not only its vital interests in this region as well as in the Indian Ocean, but also the vital interests of our allies."

Along with America's reiteration of its resolve and reliability to defend Asia, the Association of Southeast Asian Countries is debating whether the Manila Pact, made under the defunct SEATO, is still operational vis-a-vis the Kampuchean situation (BT 19 Feb 80)

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