

Economy seen to continue growth

But political stability necessary

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Reuters

The Philippine economy is expected to continue to grow in 1987 after a modest upturn in 1986, but a major revival depends on an end to political uncertainty, bankers, economists, diplomats and businessmen said.

Economic Planning Minister Solita Monsod has said the gross national product (GNP) grew 0.13% in 1986 after declining a total of 10% over 1984 and 1985, and has projected GNP growth at 6.5% in 1987.

But the private Center for Research and Communication (CRC) is predicting 3% to 4%.

CRC forecaster Jun Trinidad said copra prices rose in the second half of 1986. In the third quarter, government pump-priming, improved capacity utilization in basic consumer industries, and increased exports of non-traditional items like garments, processed food and prawns led to a turnaround in the economy, he said. "But all the investments needed are not coming in fast enough," he told Reuters.

UNSTABLE. He said the Feb. 2 plebiscite on a draft constitution and congressional elections in May would preoccupy President Corazon Aquino. "The political situation is still unstable and the government will be distracted by political

restructuring."

Trinidad said the abolition of price controls and monopolies in sugar and copra have boosted the farm sector.

Central Bank governor Jose Fernandez said in a report to Aquino last month the agricultural sector accounted for some 30% of gross domestic product (GDP) in the third quarter of 1986, with production up an annualized 4.9% after 4.4% growth in the same period a year earlier.

The government's National Economic and Development Authority (NEDA) has projected farm sector growth of 4% in 1987, against an estimated 3.3% in 1986 and an actual 3.2% in 1985.

STUNTED. Western diplomats said lack of financing has hurt support prices of the staple crops rice and corn, and absence of a sound agricultural credit policy has stunted farm sector growth.

They said the US decision to cut sugar imports from the Philippines to 143,780 short tons in 1987 from 248,028 in 1986 further depressed the sugar industry, once the main export earner, but now suffering from low world prices.

They said plantation owners have been slow to diversify and the govern-

ment has taken no steps to retrain farmers, although it knew a crisis in the industry was coming.

However, Philippine businessmen who supported Aquino in the revolt that toppled President Ferdinand Marcos 11 months ago are elated at the turnaround in the economy, Washington SyCip, head of the Manila firm of auditors and management consultants SyCip Gorres Velayo and Co., told Reuters.

"The honest businessman wanted competition, but not with Marcos's cronies," he said. "The business culture has changed." He said a recent surge in stock market prices represents an adjustment to more realistic values.

But a senior Central Bank official said most people perceive the government as lacking cohesion.

GOODY-GOODY. "In the Marcos era, there were good ideas with bad intentions. Aquino is seen as goody-goody but eventually she may grow horns, she may grow more stern," the official said.

A leading foreign banker said the government must review its investment policy and raise the normal 40% ceiling on foreign investment if

it wants to woo overseas businessmen.

"But political instability persists and foreign investors have adopted a look-and-wait attitude," the banker said.

CRC's Trinidad said despite the uncertainty foreign investors are still eyeing the Philippines. "Manila is seen as an ideal launching-pad for the Asia-Pacific region."

Trinidad said the government is being indecisive in that it recognizes the need to promote non-traditional exports but shows no signs of allowing the peso-dollar exchange rate to weaken from about ₱20.50. Such a step would make Philippine exports competitive in international markets.

"But there is no overall export policy framework," he said.

He said the country's overall balance of payments account, protected by NEDA to run at a deficit of \$1.2 billion in 1987, is likely to move into a surplus after part of its \$27.8-billion foreign debt is restructured.

Trinidad said the CRC expects an end soon to the current deadlock in talks with creditor banks on rescheduling \$3.6 billion falling due between 1987 and 1991, with both sides yielding ground. Manila seeks better terms than those granted Mexico.