

PHILIPPINES

Introduction

The Philippines is an archipelago of some 7,000 islands with a population of approximately 56 million. It has extensive natural resources in minerals, agriculture and fisheries, and a reasonably well trained industrial work force. However, the manufacturing and industrial base was greatly weakened during the Marcos regime by financial irregularities and excesses. Since the Aquino government came to power in February 1986, there have been some signs of growth in the economy, reversing the earlier shrinkage in economic activity which had become evident as early as 1982. Future prospects are clouded by political uncertainty occasioned by a lack of loyalty in certain pro-Marcos groups within the Armed Forces, and the strength more generally of the pro-Marcos lobby in certain areas; by popular dissatisfaction with the progress of land reform; by the communist insurgency; and by the agitation for Muslim autonomy in southern provinces. As long as the resolution of these issues is perceived to remain elusive the hope for business and foreign investment is not likely to materialize in the volumes needed to sustain economic growth and the governments burden of servicing foreign debt will continue to be substantial. Nonetheless, President Aquino in particular, and the Government more generally, enjoys continuing strong and widespread popularity and support.

Political and Economic Situation

Over the past two years the Aquino government has made a start on addressing the major issues facing the government and the nation. One of the most urgent is land reform, for which a presidential commission has been created and on which President Aquino has issued an executive order initiating the reform process. This has been one of the first items of business for the new Congress which is expected to consider legislation regarding holding limitations, land distribution and program duration.

The New People's Army (NPA), the military wing of the Communist Party of the Philippines (CPP), continues to be an active insurgency movement. Recently the NPA has adopted the strategy of utilizing assassination squads, principally in Manila, as a means of keeping itself in the public eye and creating a sense of instability.

Another major issue facing the government is that of the Muslim autonomy movement in the southern islands. Although Muslims are a majority in only 4 or 5 provinces in the Muslim autonomy movement wants autonomy for 13 provinces. This remains a contentious problem.

Performance of the economy has rebounded dramatically under the Aquino government reaching a growth rate in 1986 of 1.5% after two years of negative growth and 5% in 1987. The growth has in large part been public sector led, with construction and public works experiencing high levels of activity. However, for this level of economic growth to be maintained, it will be essential for the government to