The strength of the Philippine currency is due primarily to the weakness of the American dollar. Filipino national leaders tout the “robust” currency as an “unprecedented” achievement of the Philippine economy. It may be just a fleeting claim, if not the result of manipulation.

First we have to analyze why the American currency is experiencing weakness in the international market. The American federal government is borrowing lots of money to finance the wars against international terrorism in Iraq, Afghanistan and other countries. The American public debt is now more-than ten trillion (spelled with a T). The United States has hundreds of billions in trade deficit per year. The cost of crude oil is inching to the level of $100 per barrel and the country continues to be the biggest oil importer and user of petroleum products. Many of the American industrial giants like General Motors are losing billions of dollars in form of lower sales, unfunded pension funds and accounting adjustments. The American real-estate industry is in turmoil because of the subprime-mortgage mess and the rising bankruptcy rate among home owners. The country is facing the task of repairing its vast infrastructures, many of which are old, if not crumbling, and even state governments do not know where they will get the trillions of dollars to do it.

In spite of the financial difficulties and economic doldrums, the American economy is still the world’s biggest and busiest. Foreign countries and their biggest corporations continue to invest in Wall Street and gobble shares of stocks of American companies not engaged in the defense industry. Foreign investors like to keep their money in stable countries like the United States where there are no military uprisings, civil unrest, rebellion, etceteras, etc. Ergo, the American dollar is still a very stable currency, in spite of its current but temporary weakness.

Now let us consider the Philippine economy. It has one of the highest unemployment and underemployment levels in Southeast Asia, if not in the Third World. Many Filipinos earn the equivalent of an American dollar per day and the poverty level is actually increasing. The country has to budget more-than $12-billion (spelled with a B) just to service its local and foreign public debts in 2008. If a strong natural disaster would hit its metropolitan areas like the National Capital Region (NCR), the government does not have the resources to mount rapid rescue operations and much more repair and/or rebuild the destroyed infrastructures – from bridges to roads, government buildings and ports. The importation alone of crude oil and refined petroleum products and debt servicing eat up what has been estimated as more-than half of the GNP. And what little the government could budget in capital expenditure for socioeconomic development is lost to corruption and inefficiency. The percentage of military expenditures in the national budget is bound to increase as the national government faces more attacks from communist rebels and Muslim secessionists.

As this writer has been warning the Overseas Filipinos and their kin in the Philippines, the homeland’s real estate is overvalued, especially in Metro Manila. Some condominium units in the NCR are priced higher than comparable condos in Las Vegas, Nevada, and other places in the United States. And real-estate developers in the Philippines have not factored the disastrous effects of Global Warming (Climate Change) in their risk analysis of their land-development projects.

The reality is that if one compares the peso to the currencies of the country’s neighbors (or even just in the ASEAN), the peso is weak. One cannot use the peso in buying items even in Indonesia and much more in Singapore, Bangkok and Kuala Lumpur. Even taxi drivers in Bangkok would not accept the Philippine peso as a tip.

A currency is really strong if people can exchange it for other currencies such as the US dollar or the Euro in Hong Kong, Taipei, Tokyo or Beijing. It seems that the Vested Establishment (AKA The Imperial Manila) in the Philippines is taking advantage of the Overseas-Filipino remittances, so as to be able to acquire US dollars (for salting abroad?) for fewer pesos. After all, the Philippine government just prints the pesos without backing them with gold reserves or deposits in foreign financial institutions or foreign central banks.

There is a strong suspicion among Overseas-Filipino Workers’ (OFW’s) political leaders that there is manipulation to reduce the buying power of the OFWs. If the OFW remittances to their kin in the homeland can be converted into fewer pesos, then their economic clout is reduced drastically. Now that Filipinos – both abroad and in the Philippines – are contemplating to form an OFW-led political party, the current national and local leaders fear the economic clout of the Overseas Filipinos. The OFW-led political party may be able to outspend, outmaneuver and outthink the traditional domestic Filipino politicians and their political machineries that run on grease money and not on sound platforms of government and economics. In reality the OFW remittances keep the Philippines—its government and economy—afloat. But the powers that be do not want the OFWs to have political power in the homeland. The Imperial Manila just wants the OFW remittances but not their participation in Philippine politics and national leadership.

The seemingly-strong Philippine currency is actually doing much harm to the Philippine export industry. Philippine exports are coming to a crawl. This monetary mirage cannot last long. Once the price crude oil exceeds $100 per barrel, there is no way that the Philippines will be able to afford the importation of fossil fuels. All of these could lead to a repeat of the 1998 financial crisis that started in Asia when the overheated real-estate market in Bangkok collapsed. And once the OFWs realize that Global Warming may put much of the NCR under water, the bubble of expensive real estate will burst. Many land-development projects will be left to the foreclosing banks to finish or write off. Please read an earlier article about this topic at this link Global-warming Articles Not Meant to Destroy RP Property Values If Metro Manila Will Be Under Water .

What this writer and other OFW leaders have been telling the Filipino leaders is to undertake honest-to-goodness fundamental structural reforms in the country. The Philippines is a social volcano that may soon erupt and disintegrate because of corruption, a growing population that lacks the bare necessities to survive and other man-made factors. The remittances of the OFWs will soon come down to a trickle in less than a decade or so. There will be no more $15-billion or so OFW money per year to fall back on. Please read a reprint of a 2003 article about the coming end of OFW remittances as a major portion of the country’s foreign-exchange income and its GNP. The link is The Need for a Filipino Version of "The Manhattan Project" and End of the OFW Remittances (Part2)

Need we say anything more? # # #