

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila



THIRTEENTH CONGRESS
First Regular Session

House Bill No. 2916

Introduced by **Honorable PEDRO M. PANCHO**

EXPLANATORY NOTE

For more than fifteen (15) years, the Bangko Sentral ng Pilipinas (BSP) played the market to stabilize the peso using the same policies which effectively prevented depreciation of the peso. Over the years, however, the formula lost its strength thus leading to a grave and serious weakening of the value of the pesos in the foreign market. Moreover, the Bangko Sentral ng Pilipinas lost several billions of pesos by floating different kinds of instrument to support the purchase of dollars and payment of interests and to neutralize but has just the same caused damage to the ailing economy.

The interest rate paid for these securities is insufficient against the strength of the dollar due to the heavy and big volume of importation. The demand becomes greater but the export is comparably small to cover the expenses in maintaining stock of raw materials and finished products from abroad.

The loss of control in importation resulted to a fast development without, however noticing its harmful effects to the economic stability. The big corporations kept silent on the hidden decreasing improvement because of the good returns in their operations. Many did not raise their voices against trade liberalization and decentralization of agricultural importation. The only people who were very vocal are the vendors, consumers and their families who have not agreed to the same projections which had been proven ineffective in the past and now being repeated without giving consideration to their opinions thereby destroying their trust and respect that come from the simple and unschooled and non-expert people who are in the forefront in believing the common saying – Experience is the best teacher which has not been analyze carefully that even many are objecting to the purpose of our civil servants.

The BSP is spending a big amount of money acquiring the dollar and paying a high rate of interest only to give the dollars to the big businessmen and in the process depriving our small entrepreneurs and merchants the chance to share. The manufacturers are likewise being discouraged from expanding their local production because of the high cost of the dollar viz-a-viz the peso. The domestic products lost its chance to develop a foreign market due to the low-priced foreign goods being dumped into the country. The local producers preferred putting their money in acquiring dollar to import foreign products. This way, they are relieved of the problems connected with

investing money in building expansion structures, buying new and modern equipment and the headaches of hiring labor!

This method helps foreign countries in developing their own resources, generate employment and improve the value of their own resources. It also gives substantial income to their government and people especially the businessmen. These lucky foreigners cripple those who rely on importation just what we now feel in our country with our rich and vast resources compared to smaller Asian countries, we lost our opportunity to develop our big agricultural lands for the reason that the Bangko Sentral ng Pilipinas prefers to allot, as much as possible, dollars for imported products from successful countries!

This policy has been of great negative effect to our local producers. The high rate of interest imposed by the Bangko Sentral ng Pilipinas to absorb money in the market killed the small and medium scale industries and entrepreneurs. The banks prefer to deal with the Bangko Sentral ng Pilipinas than the millions of small and medium scale industries and entrepreneurs who are the more deserving partners for a stable economy.

This long practice by the technocrats failed to recognize the voice of the public not to follow the rules and regulations of the very progressive countries who looked and dumped their excess production in poor countries that will drain their dollar reserves. They convince the weak countries to join and participate in their ideology to create a big market for their own commodities and generate employment for their own people. The leaders misled the Asian members by patronizing their own produce and avoid using

dollars for non-essential items to destroy their small and medium industries and extend lower interest encourage them to manufacture for export unlike the BSP who gives more protection to the dollar users.

Corollarily, the private banks lost interest to give loan to the local producers and preferred to help those big importers who drain our dollar reserves that caused unemployment and poor income for our country. The public's hope and expectation for change translate to high cost of living and very low standard of life.

The failure and lack of foresight of the different department or agencies in government to assist the Bangko Sentral ng Pilipinas in improving the policies harmed the agencies and led to obscure the future of our public users. The one-way decision ignores the perfect solution formed from different selective opinions that will help remedy the existing problem.

Now, the governor of BSP failed to observe that the private banks who enjoy the benefits and profits from their policies are not cooperating to save the depreciation of the pesos. Therefore, the Governor should impose a new system to curb the power of the group that caused the fast disappearance of the dollar in the market, if we allow or tolerate this institutions to hold the market, the present condition of the economy will continue to suffer despite the strong sanctions enforced to regulate the dollar rate and interest. This failure contributed to the floating rate. Everybody is interested to keep the dollar because the floating rate jacked up the value of the dollar. Speculators thrive and did not invest their money for food production and development of

our wealth and expand their business to generate employment. This is what is happening now in our country. No attempt to harness and improve our resources; to develop and assist our small and medium businessmen. The Bangko Sentral ng Pilipinas must therefore, change its policies to lead market to a better position.

To save the BSP from this counter-productive process and to equalize the playing fields, this bill propose a solution requiring all importers and others who need to buy dollars for their business operations to post in advance a peso deposit equivalent to their dollar application and which can be used by the BSP as loan to small and medium scale businessmen. This will save the BSP from using its borrowed money in buying the dollars and the same time help our small businessmen to use low interest rates for their operation. Also, all dollar remittances from our Overseas Filipino Workers and export earnings shall be channeled through government banks to control the circulation and prevent the dollars from seeing their way to the money-changers and private banks who manipulate the foreign exchange that leads to the downfall of the economy.

The BSP or any borrower pays 34% interest without getting a single dollar that can otherwise be used for production. The buying of dollars is the lesser evil because for every P56.00 spent, one gets \$1 but in paying 34% interest one gets nothing for future development. These two solutions are both weak and incapable of reviving our economy for a better future. So, the BSP must adopt and implement a new system to cure the ailment that afflicts the banking

system and to promote significant changes that will provide beneficial service to the public. The BSP will save billions of pesos in interest payment and enjoy big dollar reserves and pesos for the future due to the change in economic policies in the operation and use of the banking systems. It certainly does not relieve the borrower and the problem remains unsolved with Juan Dela Cruz continues to bear the burden. The remedial measures used resulted in a malignant illness in the body that formulates the banking policies. Therefore, both solutions are not acceptable and certainly adverse to the improvement of our monetary service.

Incidentally, the International Monetary Fund's financial support is only a temporary tranquilizer to diffuse the pain. In the long run the crisis will recur if no new policies are adopted.

For these reasons, we seek immediate approval of the attached bill.


PEDRO M. PANCHO
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2nd District of Bulacan

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"AN ACT AUTHORIZING THE BANGKO SENTRAL NG PILIPINAS (BSP) TO REQUIRE ALL IMPORTERS AND OTHERS WHO NEED TO BUY DOLLARS TO POST IN ADVANCE A PESO DEPOSIT EQUIVALENT TO THEIR DOLLAR APPLICATION OR PESO ADVANCE IN DOLLAR REQUIREMENT (PAID R) AND THAT ALL DOLLAR REMITTANCES OF OVERSEAS FIIPINO WORKERS AND EXPORTERS MUST BE CHANNELED THROUGH GOVERNMENT BANKS. "

SECTION. 1. The Bangko Sentral ng Pilipinas (BSP) is hereby authorized to require all imprters and others who need to buy dollars to post in advance a peso deposit equivalent to their dollar applications and that all dollar remittances of Overseas Filipino Workers and Exporters must be channeled thorough government banks.

SEC. 2. The Bangko Sentral ng Pilipinas shall prepare and formulate the necessary rules and regulations for the proper and appropriate implementation of this Act.

SEC. 3. This Act shall take effect upon its approval.

APPROVED,