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Philippines budgets 40% for debt service

by Lydia Cherry

On Oct. 29, the Philippine government announced that it would set aside nearly 40% of its 1991 budget to service domestic and foreign debt. The announcement was made following a "budget summit" between Filipino government and congressional leaders who, acting upon orders from the international financiers on whom the country is dependent, agreed to cut back the 1991 budget. The International Monetary Fund, World Bank, and the U.S. and Japanese governments have been variously pressing the Philippines to accept the supposed necessity for cuts in government spending, a currency devaluation, tax increases, and an oil price rise—measures which are being adopted one by one and which run the risk of making the country ungovernable.

In the 1991 budget, now cut back from $11.55 billion to $10.58 billion, debt service is set to eat up $4.18 billion or 39.5%, Philippine Budget Secretary Guillermo Carrague announced. In 1990, the debt-service appropriation was 37.7% of the budget.

Calls for debt moratorium fizzle

In late summer, there were numerous calls and legislative activity on limiting debt payments, by congressional leaders and the leadership of the powerful Catholic Church in the Philippines. As the overall economic situation has rapidly ratcheted downward over the last three months, these calls have become more muted. "We should have called for a debt moratorium in 1980, or certainly by 1986. Now it's useless; there's no money to pay the debt anyway," Makati businessman Antonio Valdes told *EIR*.

Numerous natural disasters have befallen the Philippines, over and above Thatcher and Bush's Gulf adventure, which by itself would have decimated the Philippines economy. Valdes predicts that without substantial financial assistance from the nation's creditors within the next month, there will be transportation and food riots and labor strikes. Food shortages and potential food riots, he thinks, may occur before the end of November in the second-strongest industrial region after Manila, Cebu City.

Of the various Philippine cities hit by a typhoon Nov. 14, Cebu was the worst hit—the storm sank 57 vessels. It is expected that, as a result of the typhoon, the area will not have electricity for the next three months. Water shortages are also expected, because Cebu's water comes from deep wells, and there is no electricity to pump it up. The Mactan International Airport in Cebu is now open only in the daytime because it lacks the electricity to supply the lights for landing at night. The airport cannot afford its own source of electricity. Two days after Typhoon Ruping hit, Max Soliven, the publisher of the *Philippine Star,* was quoted by the *Washington Times:* "It's like gravity is taking over and pulling the country down, down in a spiral. The gravity is starting to take control."

Peso devalued

In a move described by the *Bangkok Post* as "politically risky," the government of President Corazon Aquino devalued the peso by 8% on Nov. 2, raising the cost of a dollar from 25.75 to 28 pesos. The country's foreign creditors, including the World Bank and the IMF, had asked for the devaluation as a condition of further loans. The devaluation will almost certainly mean higher gasoline costs and inflation. A few days before, President Aquino had warned that the move was coming, in a radio broadcast on Manila Radio Veritas: "We really are in a very difficult situation. On the oil imports alone, we will be having enormous problems. And also with the earthquake and the drought, plus the power shortages that we experienced this year, this has caused a tremendous burden on our budget deficit."

The Philippine government has less than a month's supply of gasoline. Since the Gulf crisis hit, many orders for oil have been made and canceled, Valdes notes. "It's not an oil crisis here, it's a financial crisis; there is no foreign exchange to buy it." The shortage of oil is compounding the "brownout" problem in metropolitan Manila, where from two to four hours each day, companies and offices were being shut down, even before the shortage of oil.

With higher oil prices expected and rationing already started, panic is setting in around metro Manila. During the second week in November, huge lines formed at gasoline stations thoughout the capital, as a government plan went into effect to limit sales and save fuel. Aquino ordered the three oil companies to curb sales by 10%. Under the order, service stations will receive supplies every 10 days. Pedro Lobos, vice president of the Philippines Petroleum Dealers Association, is quoted by Bangkok's *The Nation* noting that if the panic-buying continues, the 10-day supply will be gone in two or three days.

The World Bank, IMF, and other major creditors however, are emphasizing only that the Philippine population must "bite the bullet." The *Bangkok Post* quotes one foreign banker: "It has not sunk in yet that they have a major crisis looming. . . . Filipinos have not yet realized the magnitude of the problem." This banker's major complaint is that the government has not yet raised oil prices to $40 a barrel.

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