

# Philippines Congress seeks to reclaim sovereignty from IMF

by Lydia Cherry

Faced with electric power shutdowns of 6-8 hours a day throughout the country and severely debilitating debt service payments, the Congress of the Philippines is attempting to enact legislation to pull the country back from the brink of economic collapse. In outlining the awesome task, Sen. Arturo Tolentino told *EIR*: "For every peso that is paid by taxpayers, one-half of that goes to debt servicing. That is why I don't know how our economy can improve as long as we have this situation. The facts show that the IMF [International Monetary Fund] system has failed. It is failing here; it is failing everywhere." Senator Tolentino described the conclusions of a recent survey conducted by a religious order that concluded that "there is no country under IMF mandate that ever got out of the hole of poverty." The Philippines' foreign debt is estimated at \$30 billion.

In 1986, the World Bank had assured Filipino leaders that if the country carried out all "conditionalities," it would experience total economic recovery by 1990. Of course, this has not happened.

Fidel Ramos, now President, was the Philippine leader of the U.S. military coup against President Ferdinand Marcos in 1986, and has extremely close ties to the U.S. embassy. Currently, President Ramos is threatening to veto any legislation that would question debt payments. Thus, members of the House and Senate are attempting several different tacks simultaneously. One, they are attempting to place a debt service cap, whereby debt service payments would not exceed 10% of Philippines income from exports, and second, they are attempting to repeal the automatic debt appropriation law of former President Marcos, by which the amount for payment of debts is automatically appropriated without any oversight by Congress (see interview). Senator Tolentino, a spokesman for the need to rescue the country from being a "vassal of the IMF," made clear that the legislative attempts are based on a growing popular sentiment against the policy of putting debt payments first.

## Orders from the United States

Following President Ramos's inauguration, U.S. Ambassador to the Philippines Richard Solomon parroted the marching orders: "For the Philippines government, economic reforms are the order of the day." Solomon urged investors to watch for crucial signs of Ramos's commitment, including higher rates of taxation, privatization of state industries,

banking reform, and petroleum deregulation.

The IMF has recently insisted that the country import more, and thus, "Mr. Ramos has issued orders liberalizing imports," Senator Tolentino reported. Furthermore, following the prescription of the international cabal pushing "reform" on the country, the privatization thrust, which began gradually in 1987, has increased in momentum. Ramos recently gave the go-ahead for the sale to the private sector of the two state-owned firms—the Philippine National Oil Co. (PNOC) and the National Power Corporation. Ramos also approved the eventual deregulation of the local oil industry. The energy deregulation plan will be submitted in December to the World Bank and International Monetary Fund as one of the requirements for the energy sector loan the Ramos government is seeking from the two financial institutions, the *Manila Standard* reported on Nov. 18. Thus, the energy sector will be at the mercy of the "free market," where the criterion will be that of profit, rather than concern for the country's economic growth.

In a related move, Ramos has also begun calling for reinstatement of the death penalty for smugglers, those committing offenses involving the use of unlicensed firearms, and other "economic saboteurs"—a call that put him immediately at odds with, among others, the Roman Catholic community. (The Philippines is 86% Catholic.) During the last week in November, Ramos launched "Population and Development" week, in which he mimicked malthusian claims that the country's economic problems are caused by its population growth. "It is not a coincidence that, while we have one of the highest population growth rates in Asia, we also have one of the lowest economic growth rates, resulting in our shrinking per capita income," asserted Ramos.

Ramos's population reduction push received a boost from a recent study by the United Nations Population Fund which concluded that population growth is outstripping food production increases (2.3% compared to 1%), destroying the environment and draining the "limited resources of the sluggish Philippine economy."

## Economic disintegration

Central bank data released the first week in November include the statistics that import transactions for the first three quarters of 1992 grew 25.7% to \$8.364 billion, up from \$6.654 billion. It noted, however, that the increase in imports

was not an indication of improving economic activity, because the bulk of purchases constitutes non-capital equipment. Specifically, it was determined that the largest category of imported equipment was “for contingencies to cope with the power shortage and other emergencies,” such as power generating and other specialized equipment, the Manila daily *Business World* reported on Nov. 10.

Many of the energy problems are the result of a breakdown in infrastructure. Reuters reported last June that the Malaya thermal plant near the capital had been in operation for only five days when it broke down, and that two oil-fired power plants which underwent regular maintenance failed to start because of problems in the plant’s turbine engine.

Antonio Valdes, a Makati businessman, recounted statements to *EIR*, apparently made in all seriousness, by a top Ramos administration economist (who held a similar position in the previous Cory Aquino government). While acknowledging that it was expected that the Philippines will have 8-10 hours of “brown-outs” per day by next year, the economist projected a 4% growth rate for the economy. Asked about the contradiction, he explained that companies and industries would be forced to buy their own generators, and that in time through this process, there would be enough energy and the economy would grow. Valdes quipped: “It’s like saying that next year we will not be able to afford to buy automobiles anymore, and we will all be walking; but we will grow because our leg muscles will be better.”

Other Philippine government economists are predicting that the country’s GNP will grow by less than 1%, instead of the earlier target of 2.5%, because of the energy outages.

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## Interview: Arturo Tolentino

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# Facts show that the IMF system has failed

*Arturo Tolentino, a member of the National People’s Coalition and former minister of state for foreign affairs in the Ferdinand Marcos government, is a senator in the Congress of the Philippines. The following are excerpts of a telephone interview conducted by Lydia Cherry on Dec. 8.*

**EIR:** Is there increased momentum toward some kind of a cap on debt payments?

**Tolentino:** With respect to the debt cap bill, there is a strong sentiment in favor of it in the House of Representatives. The bill has been signed by 128 congressmen; there are about 200 congressmen in the House and, therefore, there is already a majority who are sponsors of the bill. But the President is all

set against that bill, and he has already stated, personally and through the secretary of finance, that if that bill is passed, he would veto it. So we do not know what the fate of that bill is going to be. They are going to start debate on that bill in the House as a committee of the whole this afternoon. . . .

**EIR:** How high a cap is this legislation calling for?

**Tolentino:** It provides that our debt service payments should not exceed 10% of our income from exports. So this will depend on how much money we get from our exports. . . . Our exports now are quite low; our balance of payments are against us. We have more imports than exports. Our exports are quite low because, in the first place, they have been affected by the appreciation of the peso against the dollar. We get fewer pesos now per dollar than before, and so exporters are discouraged because they will get dollars, and then that is converted into pesos at a lower rate than before. There has been a decline in our exports lately.

**EIR:** What is happening to the country’s infrastructure?

**Tolentino:** There has been a decline in our country’s economy since the Aquino administration—after Marcos. I think that our basic difficulty now, in our economy, is that we are undergoing a very severe power shortage. We have brown-outs that last at least 5-6 hours *a day*. You can imagine what effect that has upon our factories, our business establishments, and so on. Even Filipinos, our own businessmen, who are engaged in industry, are closing shop. And those investors whom we want to come here feel that they cannot get anywhere without power-supply security. We have been going backwards instead of forwards. I do not know how the power shortages can be remedied. We have been told that we can expect power shortages until the latter part of *next year*. That means over a year. And, of course, there is no assurance that that is going to be a correct prophesy.

It seems to be a matter of money. I understand that the plants of our agency, the National Power Corporation, are already old, and they are out of repair most of the time. That has been the principal cause of our lack of power on a daily basis. How much money will be needed in order to put all of these plants into a state of good working condition—that has never been told to us.

Our nuclear plant here from Westinghouse is useless. . . . From a popular standpoint, the Filipinos are afraid of the present nuclear plant. Westinghouse itself has admitted that the plant is defective and that it would require millions of dollars to make it safe. In other words, Westinghouse sold us a plant that it knew was defective and now it wants to make it safe by charging us more. The Filipino people just don’t want to stand for it. Many of us believe that if we were able to get a better plant that is safe, nuclear power is a good answer to our difficulties. Nuclear power is *not* out of the question; it is the present nuclear plant that is out of the question. Many of us would certainly want to have nuclear power.