

# Philippines needs debt relief to stop NPA

by Linda de Hoyos

"There is no question" that the government of the Republic of the Philippines will be unable to defeat the communist insurgency of the New People's Army, unless the debt burden now on the country is alleviated, Sen. Alberto Romulo told *EIR* on Jan. 10. Senator Romulo is the author of a bill, passed "without dissenting vote" in November by the Philippine Senate, which would limit annual debt service to 20% of the country's annual export earnings. The Philippines currently pays 45% of those earnings on its \$31-plus billion debt.

"In October of last year," Senator Romulo explained, "our then-secretary of national defense informed us that 66 out of 73 provinces had been infiltrated or influenced by the insurgents. The main reason is economic. Almost 40% of our *barangays* [equivalent of county or district] do not have clean or potable water. Now that is something that we take for granted—like air. And even in some of our urban areas, people do not have clean or potable water. Without clean water, people get sick and die. So that is a very basic need."

The motivation for the bill, Senator Romulo stated, "is to simply provide us with what we need for the basic needs of our people. We will pay what we can afford to pay to ensure growth. . . . We will honor our obligations, but we cannot be responsible if we default on our responsibility to our people. We will not be able to survive as a democracy." Senator Romulo hopes that the bill will also pass the House of Representatives, and is ready "to go on bended knee" to request the bill's passage. A bill limiting debt service to 15% of annual export earnings is now pending in the House.

Senator Romulo also stated that the "view of the administration" of President Corazon Aquino is that the debt service is a hemorrhage on the nation's resources. He reported that he had received calls of support from many members of the Aquino cabinet. It is the people in the administration who must "face the people" on the issues of social services, health, and infrastructure, he said.

## Trouble ahead?

However, the bill has been decisively rejected by the financial mafia which is in league with the foreign banks and which was carried over from the Marcos government into the Aquino administration. On Dec. 7, Finance Secretary Vicente Jayme warned the House of Representatives against

voting for any limitation on debt service. Jayme claimed the bill, if passed, would slow down the country's economic growth. Jayme held out the option of delaying any such drastic action for a year, to see if the Philippines might receive a fresh supply of money—that is, incur more debt—from the banks and the International Monetary Fund.

The biggest public opponent of the bill is Central Bank chief Jose "Jobo" Fernandez, who is warning Aquino against any confrontation with the IMF or the banks. Fernandez has been trying to use the example of Peru, "to scare those who would pass the bill," reported Senator Romulo. But the senator contends that in the case of Peru, the country was unable to maximize its resources, after it had imposed a 10% limit on annual debt service, while that is not the case in the Philippines.

Nevertheless, the Philippines President will have a difficult time pleasing both sides of what is shaping up as a major political battle. In a press conference Jan. 3, Aquino declared that the Philippines will honor its foreign debt. In conformity with the Jayme-Fernandez position, she added, "We will not go into confrontational situations with our creditors," but then declared, in acknowledgment of the building political pressure, that "hopefully there will be some measure which our creditors will undertake in order to ease the debt burden. . . . What we said is that we will honor our debts, but that growth is our priority."

The political pressure can only continue to build. The Senate-passed bill would limit debt service payments to 20% of export earnings. But reports are that that amount is only one-third of the debt payments expected next year by creditors—that is, an impossible 60%!

The decision will have to be made in the next few weeks, if the Philippines is to resume negotiations with the International Monetary Fund. Talks broke off in late November, because of to the Senate bill and the administration's rejection of the Fund's terms. As columnist Rene Valuena put it Dec. 7, "Even at the risk of slowing down the economy, cutting down on project starts, and raising unemployment and poverty, the International Monetary Fund would rather have government 'reduce public investment programs including its power components by 17.4 billion pesos up to 1992 in order to improve the success of its financial program.'"

However, as Senator Romulo argued, this is a prescription for the destruction of the Philippines as a democracy at the hands of the New People's Army. Without the economy being manacled to the debt, Senator Romulo believes, the Philippine economy can revive to such a point that it will be able to pay back its debts without problems. "We do not need multilateral aid. We do not need a Marshall Plan. We can carry out our own Marshall Plan. We have to stop carrying out a Marshall Plan for the creditor countries. In the next five years, there are supposed to be \$6 billion going out of the Philippines to the creditor nations. Now that's a Marshall Plan if I ever heard of one!"