

Philippine senators call for Peru solution to debt crisis

by Linda de Hoyos

Philippines President Corazon Aquino startled the Western press and banking community July 27, when in her inaugural speech before the newly elected Congress of the Philippines, she charged that the Philippines' international creditors had "coerced" the country out of \$13 billion. "Under the continued threat of a cut-off in trade credits which would have given new vigor to the enemies of democracy and given them a signal to seize the moment, we had to relent and sign the agreement." At this point, Mrs. Aquino received a five-minute standing ovation, for a speech that was otherwise greeted with lukewarm response.

The agreement with the banks, negotiated by Finance Minister Jaime Ongpin with Central Bank chief Jose "Jobo" Fernandez, signed over 45% of the Philippines' export earnings to the banks as debt service on the country's \$28 billion debt, for the next seven years. It further opened the door for a massive buy-out of Philippines capacity with the acceptance of Ongpin's Philippine Investment Notes (PINs), under which creditors would gain title in exchange for debt write-offs.

Aquino stopped short of calling for debt repudiation against the banks or for a ceiling on debt-service payment. Given her background as the daughter of one of the Philippines' biggest landowning families, she is unlikely to do so on her own initiative. However, behind her words, a campaign for a Peruvian solution to the Philippines debt burden is now gathering steam, spanning the entire political spectrum.

On July 28, Sen. Alberto Romulo, Aquino's former budget director, introduced a bill to limit the country's payment on debt to 20% of its merchandise trade and commodity export receipts, and to 10% between now and 1992. "First and foremost is our economic recovery," said Romulo, who is vice-chairman of the Senate Finance Committee, "Most of our income should go to that. Our foreign debt should take a back seat."

The entire Senate also passed a resolution calling for a full review of the debt package signed by Ongpin et al. in New York.

On the other side of the Congress, the House passed a resolution supporting Aquino's attack on the banks, and House Speaker Ramon Mitra has created a special committee to explore the possibility of debt repudiation. "Her statement

was unusually strong and candid and she could just as well have called for repudiation," Mitra said. He has further convened special sessions of the House Banks and Foreign Relations Committees to determine what actions to take in support of Aquino's complaints against the banks. Mitra was seconded by Assistant House Majority Leader Raul Daza, who declared that payments on the loan for the now-inoperative Bataan nuclear plant, and on other questionable projects, should be suspended. "It is high time we showed to foreign creditors that we can stand on our own feet," he said.

From the Senate, Teodoro Guingona, chairman of the powerful Finance Committee, called upon the Philippines to join the debtors' cartel, and to immediately send delegations to Peru and Brazil for that purpose. "We borrowed from you," Guingona said in his speech, referring to the banks. "We intend to pay you. Give us better terms to allow us to grow and to pay you—not stunt us with the burden."

It is believed that up to two-thirds of the Congress will vote for Romulo's bill, or some version thereof, worried the *Asian Wall Street Journal* July 31.

Target Fernandez and Ongpin

The Romulo bill is nearly a direct copy of the program put forward by the Grand Alliance for Democracy in the May 11 elections for the Congress. Hitting at the International Monetary Fund and its henchmen in Manila, Fernandez and Ongpin, GAD chairman Vicente Puyat had called for the Philippines to carry out the Peru solution to the debt crisis: Limit debt service to 10% and embark on a program of national economic reconstruction, centered on infrastructural development. During the debates between the GAD and Aquino slate candidates, few of Aquino's men were willing to defend Ongpin, Fernandez, or the government's economic program, but instead proffered their agreement to Puyat's assessment. The GAD slate was nearly wiped out in the May 11 elections, through a computer-run fraud operation that gave 10,000 extra votes per district to every Aquino candidate.

Nevertheless, that has not stemmed the anti-bank tide among the country's leaders. The outcry against the banks has added significance, because the Senate is designated by both the Constitution and tradition as a policymaking body that is not to be ignored.

Within Malacanang Palace itself, the campaign against the banks is being led by presidential secretary Joker Arroyo, a "left-wing" nationalist who has stated his belief that economic development is the only pathway to defeating the New People's Army insurgency. The recent land reform decree signed by Aquino is inoperable unless funds are made available to farmers for fertilizer, high-grade seed, and irrigation and energy development.

Arroyo, who has publicly targeted Ongpin and Fernandez, is believed to have "put the words in Cory's mouth," according to reports from Manila. "The signals to Congress" from Aquino's speech "were very, very clear," remarked presidential press secretary Teodoro Benigno, "and Congress should bear that resolutely in mind." He told the press that Aquino had "insisted" on revealing the circumstances surrounding the restructuring of the loans, because her government's credibility was at stake. Aquino had been "silently seething" over the gap between the "expression of support, paeans of admiration" from the United States, and what they "were doing."

A key issue that will determine whether the complaints coming from Aquino et al., and from the Congress, will be realized in action, is the continued presence of Ongpin and Fernandez in positions of power. Signs are emerging that their days may be numbered.

Senate Finance chairman Guingona, Senator Romulo, and Sen. Aquilino Pimentel have all called for Fernandez's resignation as Central Bank chief. The Senate Finance Committee also notified Fernandez that he must prepare to testify for as long as five days before the entire Senate, on the details of the debt pact signed with the banks and the Central Bank's financial conduct.

From the House, Speaker Ramon Mitra asked Fernandez for all the details on the debt situation and the agreement with the banks. When Fernandez sent back six volumes of notes and memoranda, Mitra returned the pile, with the message that he wanted specific answers to the specific questions raised.

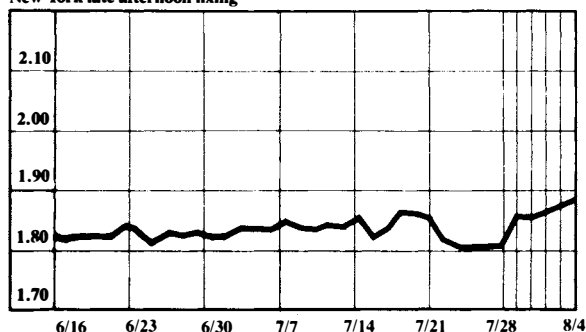
Another signal that the days of Ongpin and Fernandez may be numbered is that Aquino has "postponed indefinitely" the denationalization of the state-owned Philippine National Oil Co. (PNOC) "in view of objections" by the company's board. The board members argued that sale of the company would destroy national control of a crucial resource. (British Petroleum and Kuwait Petroleum were reportedly the most interested potential buyers.) The sale of PNOC was the linchpin of Ongpin's debt-for-equity Philippines Investment Notes.

The halting of Ongpin's schemes indicates that it is becoming increasingly difficult for Aquino to do anything but follow the nationalist line of others of her advisers, of Congress, and the GAD opposition. The pressure for action against the banks—now unhampered by the loyalty to the United States retained by Ferdinand Marcos—can be expected to increase rapidly over the next weeks.

Currency Rates

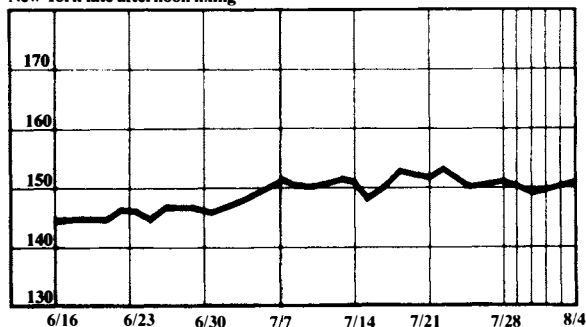
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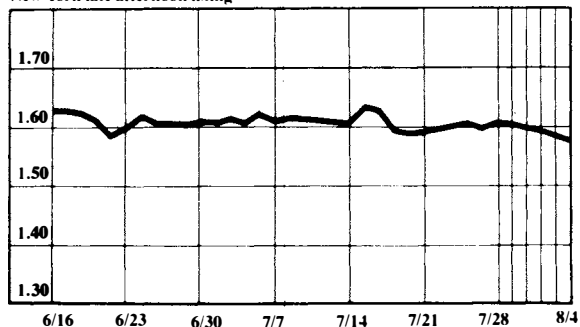
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