

# IMF's henchmen in trouble in Manila

by Linda de Hoyos

From Aug. 10 through Aug. 14, Philippines Central Bank chief Jose "Jobo" Fernandez and Finance Minister Jaime Ongpin were grilled before the entire Philippine Senate as to why they permitted an agreement that hands away 45% of the Philippines' export earnings to its international creditors. From press accounts and reports from *EIR's* special correspondent in Manila, it is clear that Ongpin and Fernandez's explanations were not accepted.

There are currently two bills before the Congress that would alleviate the Philippines' debt burden. A bill introduced by Sen. Alberto Romulo, son of the former foreign minister, would limit debt payment to 10% of export earnings; the other bill would place a three-year suspension on debt repayment, to give the economy time to recover from the last four years of austerity imposed by the International Monetary Fund.

Under the agreement signed by Ongpin with the banks, the Philippines will pay out 45% of its export earnings for the next seven years. For 1987, the amount is even higher. Debt payment is projected to be \$2.9 billion at 7.5% over the London inter-bank (Libor) rate. Export earnings are projected at \$5.2 billion. By the time the Libor rate goes to 8%, as projected, the Philippines will be paying out \$3 billion in debt service—or 60% of its export earnings. For next year, the government projects that it will pay 70 billion pesos on debt service, out of a 169 billion peso budget—or 40% of the government annual expenditure. No economy—or government—can survive such requirements.

In addition, under the Ongpin-Fernandez financial management, the Philippines' total debt has risen from \$28.2 billion to \$28.6 billion within the last year, as the country drew on its tranche with the IMF.

Senators Aquilino Pimentel, Teofisto Guingona, and Juan Osmena have called for Ongpin and Fernandez's ouster in order to "pave the way for negotiators" who will put the good of the nation before good relations with the banks.

In response to the Congress's threat to force through an abrogation of the bankers' agreement, Ongpin publicly threatened to resign and predicted the collapse of the economy. As reported by AFP Aug. 8, Ongpin declared that if the Congress forced through anti-banker legislation, "They would have to find someone else," but "he admitted it would be difficult for him to persuade legislators against pushing through a repudiation bill." Ongpin, speaking for his over-

seas bosses, was quoted as saying: "People want to find some way of getting even with the banks" for not having given the country better rescheduling terms. . . . It has become an emotional issue and when people get emotional about something, it becomes very difficult to think. . . in an objective manner."

## The Barclays bungle

But such words lack credibility, given the revelations of how Ongpin himself blackmailed the Aquino government on behalf of the banks. Before Congress convened two weeks ago, the Manila press revealed, Ongpin delivered a threat to President Corazon Aquino on behalf of Barclays Bank: The Philippine government must bear the burden of a \$30 million loan Barclays made to the now bankrupted Planters Product, Inc. Otherwise, Barclays would jettison the bankers' agreement by refusing to sign. Whispering in Aquino's ear, Ongpin added that the agreement had to be signed before Congress convened, since Congress would definitely not give its approval to the pact. Heeding the advice of this financial Rasputin, Aquino signed Executive Order 219 for payment of \$30 million in government monies to Barclays Bank.

The Congress passed legislation abrogating the executive order, and Ongpin called off the transfer of funds "in deference to Congress." The bill, sponsored by seven senators, stated in its preamble: "It is a fundamental that public funds cannot be approved for private purposes, which the executive order apparently authorizes," and the executive order is "unfair and unjust" to the Filipino citizenry. The bill noted that Mrs. Aquino did not "freely and voluntarily" sign the order, but did so upon the advisement of Ongpin.

Fernandez is under equally intense pressure. He has been indicted on charges of graft and corruption, because he did not divest, but only hid, his financial interests when he assumed his post. Senator Osmena has also launched a probe into the sudden ballooning of the Central Bank's debt by 76 billion pesos in the period immediately preceding the February 1986 election. The 76 billion is believed to have been printed up as "election" money for Marcos. There is no way, Osmena charges, that Fernandez, as president of the Central Bank at that time, could not have been aware of the abrupt hike in the debt.

As Fernandez and Ongpin threaten economic collapse if the banks are not paid, the Senate is demanding that the government initiate negotiations with Ibero-American countries for a debtors' cartel against the banks. The Vatican document on an equitable solution to the debt crisis of the underdeveloped countries, which attacks the International Monetary Fund by name, has also been cited to justify congressional action to save the nation's economy and sovereignty. This sentiment has now become so strong in the Senate, that toward the end of his testimony, Fernandez, whose career is based on financial subservience to the international banks, limply declared: "This idea of a debtors' cartel may be somethin we should look into."