

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.

**EIR:** Your central bank governor, José Cuisia, has complained about congressional discussion on diverting funds from debt service into infrastructure projects, claiming that such diversion “would bloat money supply and spark inflation.”

**Tolentino:** For one thing, there is a lot of demand for more money in order to service our government hospitals. The government hospitals are in very bad shape; not only the structures themselves, but even the service. There is not enough money for medicine. . . . People are sometimes dying because of lack of medicine.

“There is a movement to reexamine the amount we are paying [for debt] every year. Under the presidential decree that was issued by President Marcos back in 1977, the amount for payment of debts is automatically appropriated. In other words, Congress does not have anything to do in determining how much will be paid every year. Congress is not even notified by the financial authorities of how much is going to be paid every year. . . . There is a move now in Congress to repeal that automatic appropriation law of Mr. Marcos, so that Congress can examine what amounts are going to be paid and for what debts they are going to be paid. . . .”

**EIR:** Is there concern about what would happen to the Philippines if you didn’t go along with International Monetary Fund prescriptions?

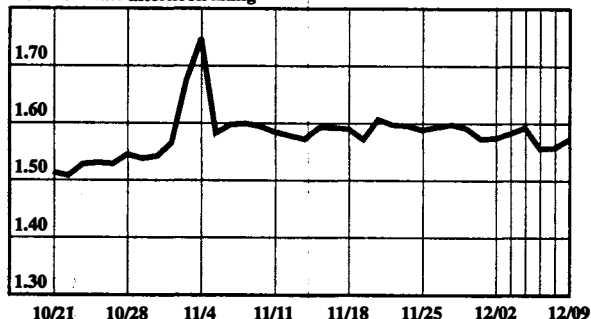
**Tolentino:** It’s not just that we don’t go along with the IMF; it’s that we may stand firm on not following some of the IMF suggestions, because we feel that it may not be good for the country. Look at one of the IMF suggestions—import liberalization. This means that we must import more. Well, we are already having a bad balance of payments problems—our exports are less than our imports. If you have to import more, then that means more dollars going out of the country, and at the same time, many of the industries here in the Philippines which are struggling to survive, may be wiped out because of imports. Now something like this is very hard to agree to, but we are forced by the IMF to agree. And so Mr. Ramos has issued orders liberalizing imports. . . .

I don’t know how we, or any of us, will ever pay our debt. Right now, many loans that we get are for the payment of interest. So how do we get out of the principal? We are just getting other loans in order to pay interest. We will never get out of this. . . . There is a big debate here. The administration here, Ramos and the cabinet, they stand very firm; they say, go on paying the debts as they fall due, follow the IMF. But there is a strong popular sentiment against it now. It is very strong. . . . Do you know how much we pay for our debt servicing? It’s around 40% of our national budget. 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 system has failed. It is failing here. It is failing everywhere. . . .

## Currency Rates

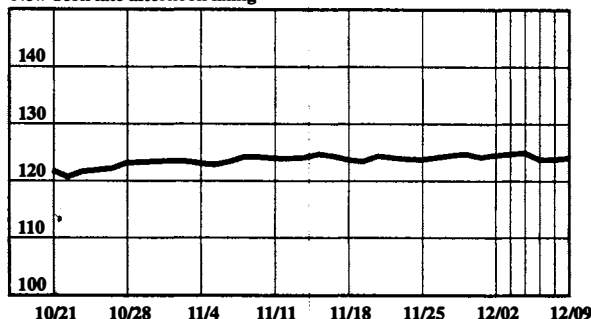
### The dollar in deutschemarks

New York late afternoon fixing



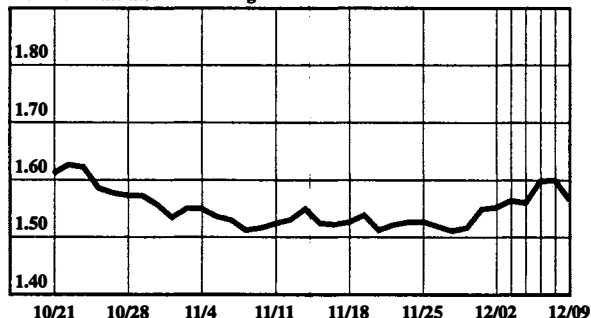
### The dollar in yen

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing

