Debt and the fishing communities

Filipino fisherfolk, numbering eight million, live virtually on the edge of existence, as the water systems which comprise the sphere of their livelihood become increasingly monopolised, polluted, and destroyed. The national debt is a major factor in their tragedy, because it is the linchpin of the development model which sacrifices their interests in favour of big foreign and local concerns; and the debt encourages practices that harm the environment. The connections may seem distant, but they are real. They are also full of bitter irony.

The Philippines, an archipelago of 7,100 islands, used to be considered one of the richest fishing grounds in the world. The country contains 211.6 million hectares of water bodies – coastal, oceanic, as well as inland. It used to rank twelfth in fish production globally, and under good conditions more than two million metric tons of fish and other sea foods could be caught annually from Philippine waters.¹

Still, Filipino fisherfolk are hungry and poor. One explanation is that they have less and less access to what used to be communal fishing grounds. Fish pens fence them out and are hindering their passage to ‘free’ waters. Commercial fishing operators, with their huge nets and advanced fishing gear, beat them to whatever is unfenced, and corner almost all of the catch. In the island of Palawan, for example, a small fisherman can expect to catch only one-seventieth of the haul of a commercial operator.

Many of these sophisticated fishing concerns are foreign, specifically Japanese. Fisherfolk always cite the RP-Japan Treaty of Amity, Commerce and Navigation signed in 1973 as an onerous one, because it allowed Japanese merchant and fishing vessels to enter Philippine waters and catch all the fish they want, while Filipino fisherfolk take the leftovers. Another Marcos edict that fisherfolk still resent is Presidential Decree 704, which encourages the export of fisheries products by private businesses, and identifies fishing as a preferred area of investment for foreigners.

Another explanation for the poverty of the fishing communities is that Philippine waters can no longer yield good catches for the small fisherfolk because of rapid environmental degradation. Here, debt figures in two
ways. First, the export of forestry, mineral and fishery resources to earn much-needed dollars has resulted in extensive siltation, pollution, salination and destruction. Second, the intensifying poverty associated with debt-fuelled development has driven marginalised fisherfolk towards using cyanide, dynamite, and other harmful methods of fishing. Deep-sea divers, including children, are obliged to seek employment in muro-ami fishing, a hazardous occupation which involves pounding coral reefs with rocks in order to drive fish into waiting nets.

Of the estimated half a million hectares of mangrove forests which line Philippine coasts, only 146,139 are left, as a result of fishponds and other forms of aquaculture encroachments. Mangrove forests are important because they serve as breeding, feeding and nursery grounds for fish and other aquatic life. In 1988, the total aquaculture area was estimated to have increased to 224,264 hectares, which means more and more mangrove forests are being converted to fish farms. For every hectare thus converted, a maximum of 1.4 metric tons of fish and shrimp is lost annually in terms of potential production. Worse, fish farms occupy the former fishing grounds of small fisherfolk, who are forced to fish somewhere else in ever-diminishing space. They cannot be employed in the fish farms, which are capital-intensive, not labour-intensive. These fish farms cater to the foreign market by engaging in prawn culture, in accordance with the government’s export-oriented fishery policy, encouraged by Japanese loans. Lately, inland prawn farms have been criticised because they cause the destruction of surrounding fields through salination.

Only 25 per cent of Philippine coral reefs are in good condition, and some 50 per cent of them are in ‘advanced stages of destruction’. These reefs serve as homes and breeding grounds for fish. They are being destroyed by siltation due to soil erosion caused by forest denudation, by the use of cyanide and explosives to get quick returns in fishing, by pollution from assorted sources, and by quarrying for construction, aquarium and export purposes.

The decline in coral reef production by at least 37 per cent in the last 30 years has resulted in the loss of seafood that could feed three million Filipinos. Ironically, fishermen destroy coral reefs and small fish in the course of dynamite fishing (about 50 per cent of fisherfolk reportedly resort to this), so they can catch more and thereby live through the next day. While they are doing this to meet their immediate survival needs, they are destroying the very source of their sustenance over the long term. Thus, the cycle begins: poverty breeds destruction breeds more poverty.
Many of the country's lakes and rivers are dying because of siltation resulting from overcut forests, and pollution coming from industrial plants, from mine tailings, from fertilisers and insecticides used in agriculture, and from domestic wastes due to inadequate garbage disposal and sewage systems. Laguna de Bay, Southeast Asia's largest inland lake, formerly a source of livelihood for some 11,000 fishing households in 27 lakeshore towns, is now dying and can support fewer and fewer fisherfolk. About 40 of the country's 400 rivers are 'virtually dead'.

A third explanation for the fisherfolk's continuing and intensifying poverty is that government programmes neglect, marginalise, or displace them. There is no fishery reform, as there is no real agrarian reform. Social services barely trickle down to fisherfolk, who are among the poorest of the poor. Infrastructure development for big foreign and local business displaces fisherfolk. Examples of this are the building of a 100-kilometre road dike around Laguna de Bay, and the plans for converting the CALABAR (Cavite-Laguna-Batangas-Rizal) region into an industrial area with funds from the Japanese International Cooperation Agency (JICA) through the Philippine Aid Plan.

The ten-year CALABAR industrialisation plan, costing $735 million, includes the building of roads, ports, railways, telecommunication and transport facilities, power-generating plants, export-processing zones and mass housing. Foreign investors are expected to benefit most from it, and the government is expected to support it because of the expected dollar income from exports that would help to pay the foreign debt. Within this grand design, Laguna Lake will serve as a source of water, irrigation, and power. Will fisherfolk be provided for? Only in terms of possible employment, which is unlikely, because in the first three years available jobs will be at inaccessible supervisory, technical, and advisory levels.

According to Ka Rudy Sambajon of the fisherfolk's federation PAMALAKAYA, only three per cent of the lake will be left to fish in. He says, 'Even if we join all our boats together, they won't fit in just three per cent of the lake.' Yet it is in the interests not only of the fisherfolk but also of the entire Filipino people to maintain the lake as a fishery resource. Fish is their major source of protein, and Laguna Lake's maximum potential yield can very well provide 20 per cent of total national production. More fish would be available in the local market, the price of fish would go down, more people would be able to afford it, and the 400,000 people who directly and indirectly depend on fishing in Laguna Lake could sustain their livelihood.
Bataan Province: the future of small-scale fishing is threatened by commercial operators who convert the mangrove forests (important fish-breeding grounds) into fish farms.
Unfortunately, government priorities and programmes seem to be at odds with the interests of the small fisherfolk. These policies merely perpetuate conditions under the Marcos regime, when projects supposed to develop Philippine fisheries and help fisherfolk proved to be problematic, ineffective, and even counter-productive. One major example was the Biyayang Dagat programme, meant to provide credit for aquaculture development and for new boats and gear for small fisherfolk. 'Out of the targeted 700,000 beneficiaries, only 6,892 fishermen were able to avail themselves of loans amounting to P83.5 million within the period 1979-1982' – when a total of P792 million should have been available as of the early 1980s. The reasons for this low performance included stringent loan requirements, and the fisherfolk's inability to provide collateral and cope with high interest rates.

The new five-year Fisheries Development Programme for 1990-1994, on which the Aquino administration has embarked with a $140 million loan mainly funded by Japan through the Asian Development Bank, has more adverse implications. Shorn of rhetoric, 'Its general thrust is to rehabilitate our marine resources to increase fish production for export, particularly to Japan, while depleting local market supply,' according to a critique of the Programme. Its sector programmes aim to develop and expand commercial fishing and aquaculture through 'exploration of tuna fishing in the West Pacific; construction of infrastructures and other fishing facilities; census of all existing fishponds; and revision of license and lease fees ...'. It seeks to privatise government-owned cold-storage, warehousing and market facilities at fishing ports, which 'could be in line with the government's promise to the IMF ...'. It will rely on expensive foreign consultants, and oblige the government to provide counterpart funding, another drain on the national budget.

What's in it for small fisherfolk? The Programme makes some mention of assistance towards developing diverse sources of income, which may have the effect of displacing fishing communities, making it easier for big commercial fishing operators to monopolise the fishing industry in collaboration with foreign interests.

Fisherfolk organisations want a lot more than this. They demand nothing less than a Comprehensive Fishery Reform Code based on the following principles: 'Filipinization of the fishing industry; democratization of use and management of fishery and aquatic resources; national fishing industrialization; promotion of the ecological balance of the natural resources; provision and delivery of social services; and advancement of a genuine agrarian reform.'
Lupo Masaclao: from fisherman to shoemaker

Mang Lupo Masaclao refuses to believe that Laguna Lake is dying. He remembers, not too long ago, when the lake was generous to all, giving steady sustenance to countless communities living on its edges. 'You didn't need a college degree to live on the lake,' says Mang Lupo. 'If you were industrious and you had the will to sustain your family, all you had to do was get into the lake and harness its bounty.'

In the mid-1970s, it was still possible for fisherfolk like Mang Lupo to derive a relatively comfortable income from the lake. Their minimum daily earnings totalled a hundred pesos (compared to the minimum wage of only eleven pesos in 1978) and could provide more than the basic needs of their families. 'We even had savings,' Mang Lupo recalls.

The situation drastically changed when fishpens were constructed all over Lake Laguna, leaving the small fisherfolk very little room to pursue their livelihood. They started to organise against the fishpens, their numbers in the town of Binan alone reaching about 600. In Malaban village, where Mang Lupo lives, they carried out a long and bitter campaign marked by persistent dialogues with government agencies in charge of the lake, and marred by violence and witch-hunts directed against leaders.

The fisherfolk's struggle, which reached its peak in the early 1980s, was crowned by apparent victory in 1983. The fishpens were dismantled before their eyes. The military came, no longer to hound them but to make sure the fishpen owners did not make good their threat to liquidate those responsible for the dismantling. 'You should have seen the fisherfolk then,' Mang Lupo recounts with a broad smile. 'They were crying and laughing at the same time.'

But their joy was short-lived. The next problem they had to face, according to Mang Lupo, was the closure of the Napindan Channel which had connected Laguna Lake to other water bodies. As a result, water in the lake became murky and could no longer sustain as much life as it used to. The lake was dying, they were told, and, as they were fisherfolk, it seemed like a death knell for them, too. His experience in 1984-85 convinced Mang Lupo that fishing in the lake was no longer a viable livelihood. 'Whenever we went out to fish, our catch was just enough to pay for the diesel fuelling our boats,' he explains. Soon he found himself shifting to catching shrimp instead of fish, because this did not require going far into the lake.

Problems with Laguna Lake
The unfortunate turn of events did not lead to apathy and despondency. The fisherfolk continued their campaign for their right to the Lake as a
Debt and the fishing communities

source of life and livelihood. Their efforts focused on the reopening of Napindan Channel, culminating in a lakbay-lawa, a march around the lake dramatising their sentiments.

The closure of the Napindan Channel is just one of many issues highlighting environmental degradation and the continuing conflict among various interests competing to exploit the lake. The Napindan Hydraulic Control Structure was actually built in 1983 to help make the Lake a source of potable water for Metro Manila by the twenty-first century. The structure was supposed to prevent toxic materials from the Marikina river and salt water from Manila Bay from flowing into the Lake. The effect, however, has been disastrous for fisherfolk. Mangrove trees along the lake shores disappeared; water-lilies proliferated; fish shelters, fish food, and fish growth drastically decreased. The older fisherfolk even attribute outbreaks of fish disease to the Napindan closure.15

Pollution and siltation have compounded the fisherfolk's problems. As Mang Lupo explains, 'Even if Napindan is able to control the flow of toxic wastes from some sources, what about those originating from Laguna province itself? What about the factories dumping industrial wastes? What about the pesticides and chemical fertilisers used in the fields? What about the municipalities and subdivisions throwing garbage and sewage into the lake?'

If current trends are not reversed, the lake is threatened with death by the year 2000, as a result of industrial pollution and rapid siltation caused by forest denudation and soil erosion. Among those still hopeful that the lake can be saved are Mang Lupo and his group, one among many fisherfolk's organisations in the lakeshore towns.

Looking for alternatives

However, Mang Lupo and his fishermen's association called SIGASIG (a Filipino word connoting industry and determination) are realistic enough to venture into shoemaking as an alternative to fishing while the Lake's status continues to deteriorate, dragging the fisherfolk's living standards downwards.

Mang Lupo looks back to better times in 1983, when the fishpens had just been dismantled, and when the peso had not yet been drastically devalued due to IMF pressure. Then, a daily fishing income of P80 could still provide rice and fish for the family; vegetables could be raised and harvested from the garden.

Today, he says, for fisherfolk or shoemakers to survive, they have to borrow money for food. They get short-term loans from usurers, traders,
and retail store owners who are still sympathetic to their plight. In the case of shoemakers, 'They get advances from their employers, not knowing nor caring if their wages for the coming week are sufficient to cover these.' Thus, the cycle of perpetual indebtedness begins.

In the early 1980s, Mang Lupo relates, fishing families could look forward to a meal of high-quality fried fish, and sometimes even to soup with some meat in it. Today, even the lowly galunggong, the cheapest medium-sized fresh fish in the market, is a welcome sight. 'I was able to send most of my children to school through the Lake,' Mang Lupo reminisces. 'I always tell them that life can only improve if they finish some education and get good jobs afterwards. Not like me – I can only be a fisherman; I finished only first-year high school, while my wife reached only third grade.'

Mang Lupo has six surviving children out of the original ten. Two died soon after birth, and two died from sickness in childhood. He is proud of two children who finished high school in a private institution (thanks to the Lake), but he is sad that they still cannot get good jobs because they do not have influential backers. One more child is struggling through third-year high school by earning through vending, one stopped in the third grade, while the two remaining ones have an uncertain lot at the elementary level.

Mang Lupo notices a decrease not only in educational opportunities for the poor, but also in the services available in the public health clinic. He recalls that under the past administration, doctors came frequently and medicines were available, if not freely given. Today, he says, it is all on prescription, without considering the sick person’s ability to buy the prescribed drugs.

Foreign domination
Mang Lupo also has very strong feelings about the general deterioration in the living standards of the people, especially of fisherfolk, because of the power and privilege given to foreign corporations and creditors. 'The price of almost everything is going up,' he laments. 'Even matchsticks are now being produced and marketed by foreigners. Foreign products are killing products we can produce ourselves. Look at what happened to our native fruits. All the talk of progress and development being bandied about is empty; in fact that "development" is a great tragedy for poor people like ourselves.'

'In fisheries,' he continues, 'foreign control and influence is quite strong. Those who benefit most from our fish ports and deep-sea resources are not
Filipinos, but big foreign fishing concerns who edge us out of the most lucrative areas. Even what we use for fishing is imported and tends to get more expensive when the dollar gains against the peso through devaluation. The net from Taiwan that we used to buy for P50 (£1) now costs almost P200 (£4). And of course, we have to reckon with the rising cost of diesel for our fishing boats.'

Mang Lupo is also suspicious of the foreign-supported infrastructure that is being proposed. The road dikes that are being built around the Laguna Lake through the Japan International Cooperation Agency (JICA) are considered a threat by fisherfolk. 'Where will we dock our fishing boats?' Mang Lupo asks. 'What we need,' he says, 'is to build our own industries so we do not have to spend our dollars. Instead of dollars flowing out, we can even make them flow in.'

The birth of an alternative
Consistent with their belief that Filipinos can make it under their own steam if given the chance, Mang Lupo and his group called SIGASIG formed a cooperative to engage in shoemaking. This alternative livelihood became virtually the main option in his community, starting in 1983, when the fish catch suddenly declined. By the late 1980s, about 90 per cent of the working population in Malaban village were already engaged in shoemaking, either as owner-manufacturers or as workers in cottage-based or home-based manufacturing. From a fledgling industry producing slippers and wooden shoes as a side occupation for fisherfolk, shoemaking became the main source of livelihood in Malaban – but under conditions which exposed the people to exploitation by monopolists and middlemen.

To provide an alternative production and marketing arrangement where the producers can purchase raw materials in bulk and market their products to realise higher profits to share among themselves, the SIGASIG Fishermen’s Association formed a shoemakers’ cooperative. They had a series of consultations with OXFAM, which had previously supported community organising efforts in the area. OXFAM asked the Cooperatives Foundation of the Philippines, Inc (CFPI) to do a feasibility study on the shoemaking project and, after positive advice, decided to fund the project, with CFPI providing training support. Fixed assets and working capital to the tune of P317,971 (£6,624) were made available to the cooperative, of which amount about P100,000 (£2,083) was considered a loan.

The cooperative has 27 male and 12 female members. They built the workshop, of simple bamboo structure, themselves, and installed the
major tools and equipment (sewing machines, hammers, cutters, moulders, a dryer, grinder and cleaning machine). Labour is divided by gender, in the sense that the men do the soles and related jobs in the workshop, which fetch about P45-P55 (£0.93-£1.04) a day, while the women do the upper parts with their sewing machines at home for P20-P25 (41-52 pence) a day. The combined incomes of men and women are expected to benefit the whole family.

The role of women in SIGASIG is still quite limited. They remain very much within their culturally prescribed gender roles. As wives of fishermen, they seldom do actual fishing, and are mostly confined to marketing and household work. As shoemakers, they do their sewing at home. They are quite reticent; Mang Lupo describes his wife as too shy to be interviewed. This may soon change, however, with the formation of a women’s organisation among them. OXFAM, together with another local partner (SHIELD), is supporting this organising effort. At the same time, OXFAM is trying to enlist the support of the men in SIGASIG for the women’s cause by raising their awareness on gender issues.

Since SIGASIG was formed as early as 1978 to serve the fisherfolk’s cause, and since it has a track record of service and influence in the community, it had no problem in securing outside support. Mang Lupo himself had been a community leader. He was instrumental in having public toilets built along the lakeshore. An artesian well and free medical services for the community through networking are among his other accomplishments.

People still come to him for help whenever they are aggrieved. One important human rights case was brought to him by relatives of eight fishermen allegedly massacred by the drunken guards of a rich fishpen owner in July 1989. Among them were Aling Mary Almazan, whose four sons were killed in the massacre and who is now reduced to gathering clams and selling them for P20 (41 pence) a day to help sustain her large family.

Since the SIGASIG cooperative is very new, it is still too early to tell whether it will work. Even now, its members are facing problems posed by intermittent power cuts and escalating costs of imported raw materials, controlled by the Chinese. Income from shoemaking is also expected to be seasonal, peaking at Christmas and at the start of the school year. Mang Lupo is still thinking of multiplying livelihood possibilities, with shoemaking only one among many. He still looks to the lake with hope.
Debt and the tribal Filipinos

A development model fuelled by debt and favouring the powerful can only wreak havoc on the lives of people who by history and tradition have always remained outside the mainstream of national life. This is exactly what is happening to some 4.5 million tribal Filipinos belonging to over 40 ethno-linguistic groups, found in the remote mountains and hinterlands of the country. They were neither conquered by the Spaniards, nor (in the south of the country) converted to Islam, and they have somehow maintained their indigenous cultures in the face of colonial exploitation and the corrosive influence of lowland penetration.

There are six major tribal Filipino groups: the more than two million Lumads who include all the non-Muslim tribes of the southern island of Mindanao; the one-million strong Cordillera peoples living in the Northern Luzon mountain range; the Caraballo tribes, numbering around 160,000 and inhabiting the Eastern Central Luzon mountain range; the nomadic and dark-skinned Agta and Aeta; also about 160,000, who were among the country’s earliest inhabitants; the Mangyans of the island of Mindoro, about 111,000 in all; and the Palawan hill-tribes, totalling around 120,000.1

These tribes derive their sustenance and livelihood from upland farming, from sometimes sophisticated rice culture, from hunting, fishing and gathering, from small-scale mining, and from handicraft. Their ancestral domain includes resource-rich areas which have been attractive to loggers, miners, and plain carpetbaggers. The entry of foreign corporations, private business concerns, construction companies and other non-indigenous interests into tribal territory has marginalised the tribal peoples, driven them out of their land, and destroyed their homes and habitat. Growing number of landless rural poor are encroaching farther and farther on upland forests, which has the same devastating impact on the tribal communities. Lowland invasion and land-grabbing, often akin to a slow and creeping ethnocide, has been aggravated by the hunger for foreign exchange which demands the unlimited export of logs and minerals in order to service the national debt.
Dams before people

The pattern of encroachment became pronounced in the 1970s, at the height of the Marcos regime, when aside from the upsurge of commercial mining, logging and farming activities by non-indigenous concerns, huge hydro-electric dam projects funded by foreign creditors were proposed to complement and support private ‘development’ efforts. The affected tribes did not take this affront lying down. In 1975, the Bontocs and the Kalingas, in a letter to then World Bank President Robert S. McNamara, communicated their objection to any World Bank assistance to the Chico River Basin Development Project. ‘The reason,’ according to them, ‘is simple. The project would wipe us out as a people! At least ten Kalinga settlements and six Bontoc settlements will be devastated as a result of this dam project.’

The tribal people’s opposition to the Chico Dam was a courageous and bloody one. Even while the area was still being surveyed, Kalinga women walked into a surveyors’ camp and dismantled their tents. They were arrested and detained, together with their men, who were also resisting the project. But they pushed on and eventually prevailed: the Marcos government and the World Bank eventually cancelled the project.

The other tribes have not been so fortunate. The T’Boli people of Lake Sebu in the province of South Cotobato also wrote to the Asian Development Bank to register their opposition to any form of ADB support for the Lake Sebu Dam project. According to them, ‘The proposed dam will flood our most precious land and destroy our food and source of livelihood which we have worked so hard to produce.’ The land, they say, is precious: ‘Our ancestors were born and were buried here ... We would rather be drowned here and be buried with our ancestors than live far from our homeland.’ But Lake Sebu appears on the 1990 list of 51 existing and proposed hydro-electric dams which are expected to affect 2.58 million tribal Filipinos.

Dams are not the only bane. The government plans to build a geothermal plant on Mount Apo, the sacred mountain of the Lumads. About 480,000 of them will be affected by a project which completely ignores their right to their ancestral domain. Mount Apo, the highest mountain in the Philippines, is also noted for the diversity of its flora and fauna; it has been declared a national park, a sanctuary for the fast-disappearing Philippine eagle, and a recognised ‘environmentally significant area’ by the United Nations and ASEAN. The geothermal plant, therefore, threatens not only the Lumads, who have marched in
protest against it, but also the wealth of species which claim the mountain as their home.\textsuperscript{5}

To sum up, power-generation projects assume that the welfare of indigenous Filipinos must be sacrificed in the interests of ‘development’. These projects are meant to provide the energy requirements of industries in which the tribes participate little, or not at all.
Focus on the Cordillera region

In the Cordilleras, the exclusion and displacement of the indigenous peoples is better documented. Large-scale logging in the provinces of Kalinga-Apayao, Benguet and Mountain Province threatens the last remaining forests in the area. Logging concessions in the ‘pine belt’ have deprived many communities of access to forest resources, so people have to resort to over-exploitation of remaining communal forests, ‘illegal cutting of pine trees in concession areas or falling back on the remnants of the mossy forest’ only found in the highest and remotest areas. Concession holders make no effort to reforest the area, which leads to even faster depletion of forest resources.6

Already, the effects are alarming. According to one source, about half of the Cordillera region’s forests are denuded, and soil erosion from slight to severe affects more than a third. Because of over-logging, the flooding which came in the wake of Typhoons Goring and Openg in 1989 led to death and unprecedented destruction of property and crops in the valleys.7

Large-scale mining is concentrated in the Cordillera province of Benguet, which is responsible for some 73 per cent of Philippine gold production, 46 per cent of silver output, and 22 per cent of copper production. Transnational corporations and their Filipino partners control the mines, whose profits go out of the Cordilleras, if not out of the country. The mine owners prefer to employ lowlanders, and suspect indigenous peoples of ‘highgrading’ or stealing ore. The Ibaloi and Kankana-ey tribes are often confined to small-scale or pocket mining, a livelihood which their ancestors had engaged in even before the colonisers came.

Large-scale mining has many adverse effects, including deformation of the natural landscape, soil erosion, reduction of water supply (with the dropping of the water table), siltation, chemical pollution of rivers, and destruction of plant and aquatic life. There is no measure yet of the extent of the damage. One environmentalist notes that mercury, lead, cadmium, arsenic and cyanide flow into water bodies used for irrigation and domestic purposes.8 The adverse impact on the health and agricultural produce of the indigenous communities still has to be measured.

Although it may be too extreme to lay all these ills at the door of the foreign debt, there is a connection which, no matter how indirect, cannot be denied. The country’s dire need for dollars to pay its foreign creditors impels it to continue exporting its irreplaceable resources, including mineral products, even if mining firms engage in environmentally disastrous activities. In the 1970s, the Philippines exported $4.168 billion worth of mineral products, and in the 1980s, $4.783 billion worth of the same.9
Debt and ethnic poverty

Other connections to the debt become visible when we look at the poverty of the Cordillera peoples and the paucity of basic public utilities and social services in the region. The wealth and the taxes squeezed out of the region do not return to those who live there: the resources which flow into the central government coffers are spent somewhere else, principally on debt payments.

As late as the 1980s, about four-fifths of Cordillera households did not have electricity. Almost two-thirds of pre-school children were malnourished. Many school buildings were dilapidated, not a few beyond repair. About two-thirds of the population surveyed in two Cordillera provinces considered themselves poor, despite the 'very simple life' already considered adequate by indigenous peoples. One study describes their 'simple meals, which normally consist of plenty of rice or sweet potato and boiled or sautéed vegetables', a large proportion of which they grow themselves, and their 'very simple clothes'. One can only speculate what could have been done to augment this 'simplicity' if the country were not saddled with a huge debt problem and could afford to attend to the needs even of its marginalised peoples.

Indigenous peoples against open-pit mining

On the long and winding road from Baguio City to the Antamok area, one is struck by the contrast between the lush pine trees which line the periphery of the Baguio tourist centres and the depressingly brown mountainscapes of Antamok seen from a distance. The mountains have been scraped bare by open-pit mining, and the price is paid by the indigenous peoples whose livelihood depends on the mountains.

Leaders and members of the Luneta and Loakan Pocket Miners’ Associations, together with key initiators of the Timpuyog Dagiti Umili Iti Itogon (Organisation of Itogon Residents) firmly oppose Benguet Corporation’s P600-million open-pit mining operations, known as the Grand Antamok Project (GAP). In the words of the community’s leaders: ‘We used to be sound asleep. Now we are wide awake. We now realise that our mountains will disappear if we do not make a move against open-pit mining. So we formed ourselves into human barricades.’

Open-pit mining threatens to scrape the mountains flat, scoop up the earth in millions of metric tons and dump them into surrounding areas, divert a major river and channel it elsewhere so that the company can mine its bed, dry up water sources, and destroy the land on which the
indigenous Ibaloi and Kankana-ey peoples built their small-scale mines and grow their food.

As a young pocket miner put it during a dialogue with officials of the Environmental Management Bureau of the Department of Environment and Natural Resources (DENR), 'If we don’t have any land to mine, we will starve and will thus be forced to steal. The big mines can’t employ us all; we are not machine operators, which is what the mines need.'

In the words of a statement issued by Timpuyog: 'Antamok, which has been a mining area of the indigenous peoples for hundreds of years, will be buried.' With it, the relationship of the Ibaloi and Kankana-ey to land traditionally theirs will also be buried. As they say, 'We have been extracting gold from the mountains and rivers long before the foreign conquerors came.' They have derived food and sustenance from tilling the surrounding land. And now they will be disinherited almost completely, with their ancestral domain subjected to wholesale destruction which will mean the deformation of the natural landscape, more denudation, erosion, siltation, and pollution from hazardous chemicals used in open-pit mining, which flow into the rivers that provide irrigation water and a habitat for fish and other forms of aquatic life.

'We are being asked to leave our mines, but where shall we go?' asks one leader of the pocket miners. 'This is our livelihood. The company may have the legal papers for this land, but it came from our forefathers. We tell them you can have the papers, we can have our land. But we accept their legal claims. They should not pressure us too much.'

Benguet Corporation has been in the area since 1903, starting out as a purely North American concern. By 1941, it was the biggest mining company in the country ('the second largest under the American flag') and its main stockholder 'Judge' John Hausermann was called 'the American Gold King of Asia'. In the 1970s, sixty per cent of Benguet shares as well as its overall management underwent a form of Filipinisation. Filipino names – Ongpin, Ayala, Romualdez – began to be associated with it. Government subsidies poured into it.

After almost nine decades of extracting gold in the richest mining area in the Philippines (the Cordillera region, to which Benguet belongs, accounts for 75 per cent of all the gold extracted in the country), Benguet Corporation now finds it difficult to make so much money from its underground mines. The cost of digging deep into the earth has become prohibitive, prompting the corporation to attempt open-pit mining, where excavations are made on the earth's surface to expose the veins of gold ore.
The Timpuyog statement laments: 'The corporation squeezes every ounce of gold and even goes to the extent of destroying the forests and the natural contours of the earth in its feverish search for gold so that the few top officials in the corporate ladder can live like kings. It pays taxes to the central government, leaving our communities underdeveloped.'

By contrast, in the words of the indigenous pocket miners, 'We take only what we need for survival, and share our blessings with others through our canaos [feasts].'

**A way of life under threat**

Until the open-pit mining issue exploded, the Ibaloi and the Kankana-ey peoples left Benguet Corporation pretty much alone. Certainly they were conscious of discrimination, because the company preferred to hire lowlanders as 'corporate miners' and tended to accuse highlanders of stealing gold from the mines. But they were content to coexist with the corporation while they had access to their small-scale family mines (shallow tunnels called adits), from which they could earn an estimated P2,000 (£41.60) a month per family with the gold they could sell at P220 (£4.50) per gramme. Young and old, men and women, are involved in these mines. During the summer, children on vacation from school work in the tunnels or volunteer to cook, in exchange for a few pieces of gold ore. They can get as much as one thousand pesos (£20.80) each per season, enough to buy clothes and other needs. One fifth-grader already expresses concern about open-pit mining. 'If that happens, where will I work in order to earn money to buy a new pair of pants and shoes?' he asks.¹⁵

Women increasingly work in the small-scale mines, as they become displaced from their traditional farming tasks by the lack of water for their once-verdant rice paddies. They attribute this to disturbance of the water table as a result of underground tunnelling by the big mines. Women miners are mostly seen crushing the gold ore before milling. They sit on their haunches in a circle, pounding the ore with what look like large hammers. More and more of them are also joining the men doing strenuous work in the low-oxygen tunnels, to eke out the family income.¹⁶

But now, with open-pit mining, family-based pocket mining is threatened, and if plans succeed, about 20,000 pocket miners and gold panners will lose their livelihood. For this reason women and children have been present at the barricades set up to prevent the trucks of Benguet Corporation from ferrying their load to and from the GAP area.

The campaign to protect the Cordillera environment began much earlier, with the community and education work done by the Cordillera
Committee for Environmental Concerns (CCEC), founded in March 1988. The CCEC, which is supported by OXFAM and other non-governmental organisations, highlights the extent of environmental degradation in the region and tries to prevent it. The CECC has focused its efforts on open-pit mining, and has been instrumental in mobilising people and public opinion against GAP.

A public issue
During the first mass action staged in September 1989 by hundreds of small-scale miners ordered to leave the Camote Vein area by the Benguet Corporation to make way for GAP, the CECC was there to witness the company’s bulldozers and loaders scrape the mountainsides.17

Since then, the issue has become a public one. In October 1989, the Itogon Sangguniang Bayan (municipal board) passed a resolution urging the Department of Environment and Natural Resources (DENR) ‘to cancel all permits granted to and revoke all applications for surface mining’ within the area, because this will ‘ aggravate the deplorable conditions of rivers, the wanton destruction and exploitation of natural resources, and the elimination of rich agricultural lands’.18

In November 1989, flying rocks from a dynamite blast near the Keystone vein of Benguet Corporation’s open pit damaged 12 houses and wounded a nursing mother, provoking near violence from angry residents.19 The DENR ordered the company to compensate the victims, who had not been properly warned of the blasting activity.20

In February 1990, Itogon municipal officials once again expressed their opposition to surface mining. Benguet provincial officials also revealed their apprehension in a resolution stating that ‘permission (for) open-pit mining should only be granted as a last resort and after sufficient protective and safety measures are installed to avert and forestall any damage to the people and the environment’.21

The local officials’ sentiments were, however, contradicted by Benguet Representative Samuel Dangwa, who said members of Congress and other national officials were not inclined to favour GAP’s closure, because of the dollars it could generate. According to reports, Dangwa made remarks to the effect that ‘BC’s mining activities help bring in the much-needed foreign exchange that can help pay off the country’s almost US$30 billion debt’.22 Benguet Corporation itself is reportedly heavily indebted to Bankers Trust, Bank of America, and the Export Development Corporation.23
Towards the end of February 1990, the protest of the small-scale miners began to peak. Together with residents of the six affected villages of Itogon, they flocked to the public hearing on the open-pit mining issue, conducted by the DENR. The number of people who attended was estimated at 2,500, most of them expressing opposition.

The barricades and beyond
On 28 February 1990, human barricades began to form on key roads to the open-pit mine-sites, armed with a stop order from the DENR. As related by their leaders, miners and residents of the affected villages, including women and children, turned up with posters, streamers and placards, and turned back BC trucks carrying gold ore. 'We were prepared for a long fight, and devised a schedule of shifts whereby each person would have to be at the barricades one day and one night a week. People brought their own food or went home for their meals.'

The company complained that it was losing about a million pesos a day because of the barricades. Soon, the military came to serve the temporary restraining order issued by the Regional Trial Court in response to BC's request. Twenty-seven leaders were named in the order, but they and their followers remained undaunted. The barricades remained.

In the face of increasing pressure, the protesters have moved to strengthen their internal unity and external support. The Timpuyog (Organisation of Itogon Residents) took shape, bringing together community leaders from the six affected villages, who with the CECC sit on the Steering Committee. The Advocates' Coalition Against Open-Pit Mining went down to Manila to picket the office of Benguet Corporation. Journalists have visited the barricades to write sympathetic stories for the local and metropolitan press.

It is now a test of wills. On one side is a powerful but highly indebted corporation with strong local and foreign connections, whose destructive operations are rationalised by the dollar earnings they bring in. On the other side lie the indigenous peoples of Itogon, who are finally awake to the 'development' which threatens their survival.
Debt and the urban poor

Nobody knows how many squatters there are in the cities of the Philippines, but everyone knows their numbers are multiplying. An official source, the Presidential Commission on the Urban Poor, claims that there were four million at the end of 1988, 1.7 million of this number in Metro Manila alone. Another official source, the National Housing Authority (NHA), claims that 406,000 households are 'squatters' or slum dwellers. If this figure is multiplied by six (which is the average family size), the estimated total squatter population adds up to 2.43 million, more than a third of Metro Manila's seven million inhabitants. They congregate in some 415 or more squatter colonies, reported the NHA in 1985. But there are more, according to organisations representing the urban poor in 1987, who counted about 600.

Who are they? What are their problems, needs and aspirations? According to one author:

The urban poor inhabit the small pockets of unoccupied land at the periphery of subdivisions, along railroad tracks, estuaries, dumpsites, sidewalks, marshlands, cemeteries, marketplaces, bridges ... and other dangerous sites. They have unstable sources of income, irregular employment and are lacking in the most basic facilities such as health, education and other social services. They live in extremely congested and unhealthy neighborhoods with inadequate water and sanitation facilities. Being poor, their children have very limited educational opportunities. Malnutrition and diseases are prevalent and commonly a cause of high rates of child mortality.

The urban poor are defined as people whose monthly income falls below the urban poverty threshold of P3,005 (£62.60) for an average family of six (1989). They provide basic services as domestic helpers, laundrywomen, street sweepers, garbage collectors, mechanics, plumbers, carpenters, etc. Many of them are self-employed vendors, hawkers, and scavengers, home-based and sweatshop workers who invigorate the 'informal' or
Debt and the urban poor

‘underground’ economy said to be responsible for as much as 43 per cent of the Gross Domestic Product. The more fortunate who work in the ‘formal’ sector engage in low-paid, low-skilled jobs in factories, in ports, and in the transportation and construction industries.

Many of the urban poor are squatters. A squatter, according to Philippine law, is ‘Any person who, with the use of force, intimidation or threat, or taking advantage of the absence or tolerance of the landowner, succeeds in occupying or possessing the property of the latter against his will for residential, commercial or any other purpose’. Thus, any squatter is under constant threat of being evicted or prosecuted; any squatter’s home is always in danger of being demolished. The anguished faces of slum dwellers whose homes have just been knocked down by demolition squads are a common sight on newspaper pages and television screens.

Many of the urban poor are homeless. They form part of the 60 per cent of urban households who do not own the land on which their houses stand. Nationwide, 3.5 million families and 21 million individuals are homeless. They are paying the price for the country’s shortfall of housing units, estimated at 1.66 million nationally. As we shall see later, this shortfall has something to do with the severe financial constraints which prevent the government from pursuing an adequate housing programme. And such constraints are related to the tremendous drain in resources caused by debt service.

Less housing for more people

In Metro Manila, there is less and less housing for more and more people. The annual need for new housing in the metropolis is estimated at 200,000 units, while for the whole country the figure reaches 400,000. Yet, for the period 1975-1988, the National Housing Authority (NHA) reported constructing only 12,891 new housing units for low and middle-income families (7,544 in Metro Manila and 5,347 elsewhere). This is a mere drop in the ocean of need. The six-year National Shelter Programme of the Aquino government set a target of 106,993 new housing units to be constructed, with funding support of P4.2 billion. In 1988, only 2,396 units were constructed.

Makeshift dwellings called barong-barong mushroom in many parts of the metropolis. Overcrowding is a fact of life for half of Metro Manila’s inhabitants who live in dwelling units with a floor area of less than 30 square metres each, a cramped space often shared with other families.
And there is no way of stemming the tide of people pouring into the metropolis, whose population swelled from an estimated one million after World War II to the seven (some say ten) million today. Most of the new inhabitants come from the rural areas, where the encroachments of agribusiness and the increasing concentration of land in the hands of a few have the effect of marginalising the peasantry and increasing the army of landless rural poor. The lack of employment and income opportunities in the countryside, in some areas aggravated by armed conflict, pushes many rural dwellers to try their luck in the cities. Here, they take on any job, no matter how lowly or ill-paid, or engage in marginal income-generating activities like scavenging or vending. Almost all of their earnings are spent on food, with almost nothing left for shelter. So they live in makeshift dwellings in squatter colonies bereft of water, electricity and sanitation, and deprived of health, education and security services.

Partly because of the huge financial drain exacted by debt service, the government lacks the resources to implement a serious urban land reform and housing programme for ‘underprivileged and homeless citizens’, as mandated by the 1987 Constitution. Government, for example, was able to provide only P428 million (£8.91 million) in equity and subsidy to the 1988 financial resources of the NHA, totalling P1.236 billion (£25.75 million). The rest had to be generated from project beneficiaries, from the sale of lots, and from foreign borrowings (P125.318 million or £2.61 million).7

The demands of the urban poor
The role of foreign creditors, principally the World Bank, in the government’s housing programme has been prominent since the Marcos period. And the record has not been very positive. The first project of the World Bank was the on-site upgrading of the Tondo foreshore area in Manila, which has the highest concentration of slum dwellers in the country. This benefited only a few, particularly the middle-income earners who could afford to pay for the cost of improvements. Also, during the process of census-taking, many of the original dwellers were somehow dropped from the list of beneficiaries.8

Representatives of the urban poor themselves, in a consultation held in May 1986 at the Ateneo Centre for Social Policy and Public Affairs, criticised foreign-aided housing projects in no uncertain terms:

On the level of negotiating with global institutions (such as the International Monetary Fund and World Bank), our government plans and agrees to launch projects and loans with oppressive
policies. Ordinarily, inappropriate and exorbitant costs are borne by the country, especially by the poor, due to such agreements. Various payments (development costs, interest costs, etc.) rise without beneficial effect due to the policies imposed by the lenders. Added to this is the hiring of foreign consultants who get exorbitant dollar salaries, and yet do not fully comprehend the concrete needs of the Filipino poor. Also to be noted is the dictation of standards in housing construction and design under the project which costs a lot of money and is therefore beyond the reach of the poor.\textsuperscript{9}

In response to this problem, they proposed that the 'government desist from receiving loans from international funding agencies such as the IMF-WB which support projects that are inappropriate and too expensive for poor people'. As regards loans already incurred, the contents of the agreement should be laid open, so that the people affected would be fully aware of the responsibilities they would be placing on themselves.

The urban poor have other demands. Proposals of the National Congress of Urban Poor Organisations include a 'moratorium on demolitions and all payments on existing housing projects and land transfers'. They ask the government to expropriate lands they are currently occupying, so that these may be communally owned by them. They call for in-city relocation of urban poor families if relocation is inevitable. As regards social services, their priority is clearly health, as they demand not only free health services and facilities, but also free training and education in primary health care. They want core housing units and projects to be developed and paid for by urban poor beneficiaries according to their means. Such housing schemes, they say, should be supported by local funding agencies 'and not be dependent and controlled by foreign agencies such as the IMF and World Bank'. Last but not least, the urban poor demand adherence to the democratic principle of 'participation by those concerned in the community in the decision-making processes'.\textsuperscript{10}

The women of Tondo learn to read, write, and survive

Narrow lanes framed by rusty walls lead to a compound of makeshift houses – home to about a dozen families. The focal point of the compound is a running tap, around which women are sitting on their haunches and washing clothes in basins spread out on the ground. Beside them, a young girl covered with soap suds takes a bath fully clothed, while some other children just play or linger around their mothers. The
surrounding homes are wooden shanties on stilts, averaging four square metres in size, and each sharing common walls.

Most of the women of the compound apparently make a living from their laundry work. They earn about P300 (£6.25) a month, the poorest of the urban poor who do the washing for others just slightly better off than them. Aling Bella has four children and a sick husband, who was forced to give up his job; she relies on her son who works at the pier to help tide the family over. Aling Patring's husband is blind. He goes out to beg to help support their two children.

The two other women - Aling Adriana, who sells sleeping mats on the sidewalk when the police are not looking, and Aling Fely, who sells chicks and toys in front of the school when no guard is in sight - also have families which they maintain and help support on irregular incomes. Aling Adriana, who calls herself a 'widow' (her husband is still alive, but no longer lives with her), is lucky if she makes a hundred pesos a day. Sometimes, she says, she sells nothing, especially during the rainy season when sidewalk vending becomes too difficult. Aling Fely says P60 (£1.25) a day is a good take for her, when she is lucky enough not to be victimised by the school guard’s extortion activities.

All four women have one thing in common – they are students in MAKAMASA’s women’s literacy project situated in Magsaysay Village, Tondo, Manila, which started in October 1987 and continues to make an impact on their lives, with assistance from OXFAM and the Australia-based International Women’s Development Agency (IWDA).11

These women are no longer young; they had to endure cutting comments from their families and neighbours when they started to learn to read and write at such a late age. Aling Bella’s children used to tease her with statements like, 'Mother, you are acting like a Grade One student!' When they realised she was serious about her studies, they stopped making light of her efforts.

**One-third totally unemployed**

MAKAMASA is now thinking of branching out from literacy to income-generation. The main problem in Magsaysay Village is unemployment, which translates itself into very low family incomes. The women estimate the number of totally unemployed at about one-third of the working population. The men who have work are pier hands or street vendors, selling anything from T-shirts to cosmetics, and earning from P50 to P70 (£1.45) a day. Because of their low level of schooling, they cannot compete for scarce factory jobs, which generally require high-school education.
Some of the women are street hawkers, forever on the lookout for the police, who often extort money from them. The really desperate do laundry work. Others make do by raising pigs. Aling Teret, a MAKAMASA member, says she has to wake up very early, travel all the way to Divisoria market and gather the decaying left-over vegetables to feed her pig. 'I'm a garbage woman every morning,' she says, with a wink.

But no, they protest, nobody in their community ever goes into prostitution. 'If ever, they go abroad as dancers or entertainers, so nobody really knows what they are doing.' One youngish, childless MAKAMASA member at this point confesses to having applied for work as a domestic abroad. Everyone in the group is against it: 'You will only be victimised by fake recruiters; you will only be raped,' they argue to dissuade her.

The burden of carrying the family through a daily financial crisis falls mainly on the women. They make sure that the daily rice staple is still on the table, then scrounge around for the vegetables and cheap fish to go with it. (For the very poor, fish sauce, soy sauce, fermented shrimp, or salt suffice to go with the rice.) They learn herbal medicine so that if anyone falls ill, they do not have to go to the doctor or buy expensive drugs. They raise chickens and pigs to eat or sell. They are forever on the lookout for anything which can earn or save money.

The MAKAMASA women dream of having cooperative income-generating projects, but they have neither the capital nor the market. One going concern – the making of big bags made of cloth with a sewing machine donated by IWDA – is so far restricted by the lack of orders. During the Christmas season of 1989, Ka Sela reveals, they embarked on producing home decor called 'Sarilaya bird' for relatively well-off buyers. But the response was lukewarm; they ended up selling the birds to sympathisers at P20 (41 pence) each, with a mark-up of only P3. Despite the setback, they are proud of their creative output, and still keep samples in their office to show to visitors.

Whatever projects are envisioned – garments, soap, and Christmas crafts are some of the products they are exploring – must be well thought out, with a ready market in mind. The women need training in cooperativism, marketing, and record-keeping. At the same time, they have to deal with problems threatening their families and their community.

Impending eviction

Aling Bella fears impending eviction from her home of 20 years. The owner of the compound where she and the four other students of the literacy project live is threatening to have their shanties demolished.
Aling Florita, vice-president of MAKAMASA, describes the continuing problem of defective drainage in Magsaysay Village: blackish, foul-smelling fluids ooze from unexpected places (especially during the rainy season when the floods come), because the roads were not planned well enough to allow for passage of water which used to just flow through the area. She also suspects some corruption among the personnel of the National Housing Authority (NHA) who took charge of building the drainage system.

Aling Florita also airs the grievance of many village dwellers whose rent on the land on which their homes are built has been arbitrarily raised by the National Housing Authority. Residents now refuse to pay the jacked-up rates. Meanwhile, their overdue accounts, plus interest and fines, pile up at the NHA. How is the NHA expected to react? ‘Well, they can padlock our homes, but they haven’t done that yet,’ they say.

Another problem concerns illegal electricity connections, as a result of which some residents with legal connections are overbilled for power consumption that is not solely theirs.

What about the social services?
As the discussion turns to social services, the women become more agitated. Aling Bella, whose only daughter goes to a public high school in Quezon City, complains about the prices of uniforms which can only be bought from the school: ‘One skirt costs a hundred pesos!’ She earns P300 (£6.25) a month from laundry work. But perhaps the school needs the cash from the sale of uniforms for things that can no longer be supplied by the debt-ridden government? Maybe, says Aling Bella.

Aling Florita, for her part, relates an incident which made her very angry. She was trying to get her child’s clearance from a public high school. Her child, she explains, is sickly, and she thought it best to send him to the countryside, where she hopes he will regain his health. The teacher in charge would not give her the necessary papers without a bribe. She brought the case to the principal, who confronted the teacher and ruled that the mother should be given the necessary papers without further ado.

Aling Florita’s tale of woe sparks an animated discussion about problems with public service workers like teachers, who keep marching down the streets, forgetting about the service they should be giving to the people. Teachers have had to become hustlers, they observe, selling things to their students – anything from food to clothes.

‘Perhaps because the government doesn’t give them the salaries they need to live decently,’ someone interjects. ‘Perhaps,’ the women say, but
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Rosalinda Pineda-Ofreneo

Feli Capelar and her daughter at home in Magsaysay village, Tondo, Manila. Feli is a leader of the MAKAMASA women's organisation.

sceptically. It seems that they cannot imagine how someone who earns more than P3,000 (£62.5) a month (the minimum wage for teachers) can still be dissatisfied.

When the topic switches to medical service, Aling Bella observes that the existence of a health clinic with a permanent doctor does not really mean much if one cannot afford the medicines the doctor prescribes. 'Drugs are no longer given out for free,' she complains.
‘What about the DSWD [the Department of Social Welfare and Development], which is supposed to serve the poorest?’ someone asks. The women claim it is now too difficult to get any help from the DSWD. They mull over the observation that the DSWD can no longer afford to operate, because of its low budget. The women are groping towards an understanding of foreign debt, and the way they are paying for it through taxes directly and indirectly paid. They volunteer their own examples. ‘We pay taxes every time we use cooking gas. Every time we board a bus, because our fare covers the cost of gasoline.’ And so on. And so on.

Issues of global economics no longer seem so distant.
Towards an alternative strategy for debt and development

The debt problem is too important to leave to the government to decide. Its impact on the people is too severe for them to ignore; in fact, their participation is the prerequisite for any real solution. In the Philippines, people are responding to the debt problem in many different ways.

The Freedom From Debt Coalition

The establishment of the Freedom From Debt Coalition (FDC) is perhaps the most significant initiative in developing a broad-based people’s response to the worsening problems stemming from the Philippines’ debilitating external indebtedness.

According to Filomeno Santa Ana, FDC secretary general, steps towards its formation began as early as the first quarter of 1987, when the Aquino government was still at the height of its popularity, and the euphoria arising from the 1986 ‘people power revolution’ was still palpable. The new administration was then beginning to deal with the foreign debt problem and negotiate with foreign creditors.¹

The immediate demand of the group who would later convene the FDC, Santa Ana recalls, ‘was transparency: the release of the specifics of the foreign debt transactions, as well as information on how much debt was owed by Marcos’ allies and under what terms their loans were made. The group focused on the popularisation of the debt issue and stressed the role of people’s organisations.’

They were in a sense continuing the initiatives of the 1970s and the early 1980s, when prominent academics, opposition politicians, and action-oriented groups critical of the Marcos regime campaigned against its dependence on foreign loans, with the consequent loss of national independence, amid signs of massive corruption tainting these loans.

The founding congress of the Freedom From Debt Coalition was held in March 1988. Since then, the FDC has attracted into its fold 144 organisations from a broad range of political viewpoints, including church groups, academic and professional bodies, and community organisations, which have come together in order to work jointly for the realisation of a
people-created debt policy. The points of unity are contained in FDC's 'minimum programme':

1. The government should declare a moratorium on foreign debt service payments until acceptable terms, which do not sacrifice the country's economic development, are won in new rescheduling agreements.

2. It should disengage from loans that do not benefit the people, particularly those tainted with fraud, and reject any liability for private borrowings.

3. Foreign debt service should be limited to not more than 10 per cent of export earnings, to enable the country to finance economic recovery.

In a strategic plan worked out in its latest congress held in July 1990, FDC describes its vision of 'a free and democratic Philippines where debt is not a burden but rather an instrument of growth and equity within the framework of a progressive national economy, where the resources and fruits of production are equitably distributed within the context of a just international economic order'. Its mission, according to the plan, has two aims: to 'work towards the realisation of a people-oriented debt policy through the building of a Filipino freedom from debt constituency, strengthening international linkages and partnerships, and linking the debt policy to a comprehensive alternative development strategy'; and to 'work with other national broad formations, coalitions and organisations to realise genuine and sustainable development in the country'.

Since its founding, the FDC has engaged in popular education and mass campaigns, policy research and analysis, lobbying, and networking nationally and internationally. It has combined the expertise of prominent academics, sympathetic legislators, highly-skilled researchers and economists, and dedicated social development workers deployed in many institutions and non-governmental organisations, with the mass reach and practical experience of trade unions, peasant movements, and other people's organisations.

FDC has staged mass actions to dramatise its positions on debt and debt-related issues. In July 1989, it launched a colourful parade complete with floats, music bands, and circus characters to coincide with the opening of Congress, during which the President delivered the traditional state-of-the-nation address. The parade highlighted the FDC's alternative interpretation of the state of the nation, touching on foreign debt and the
economy, agrarian reform, human rights, military bases and nuclear weapons, and alleged graft and corruption.

In November 1989, the FDC organised a march to the Lower House to press for the approval of the Lagman Bill, calling for a debt-service cap of 15 per cent of export earnings. This widely supported bill already had the signatures of more than three-quarters of the members of Congress, but pressure from the executive branch was preventing its final passage.

Another FDC demonstration, held in August 1990, was a march to Mendiola bridge in front of Malacanang, the seat of the presidency. Mounted shortly after the disastrous July earthquake, the march dramatised the call for a debt service moratorium as an appropriate humanitarian response to the country's plight. In its latest mass action, staged in February 1991, FDC protested against the newest Letter of Intent by marching towards the Central Bank, the usual site of 'secret negotiations' between Philippine finance officials and IMF representatives.

Among the FDC's more significant popular education efforts was the Campaign Against The Letter Of Intent (CALOI), launched shortly after the Lol had been issued in the first quarter of 1989. CALOI emphasised six points of opposition:

- Only a small group of officials participated in negotiating, formulating and adopting the Lol.
- The Lol will result in a rise in the price of rice.
- It will lead to new taxes.
- It is inconsistent with the government's avowed goal of poverty alleviation and employment generation.
- It commits the people to continue making massive debt service payments.
- It glosses over the structural reasons for the country's dependence on foreign funds.4

Aside from CALOI, FDC's other popular education activities include seminar-workshops on such topics as privatisation and economic policies for the poor. FDC has published primers on the Philippine debt crisis and on women and debt, as well as newsletters and small brochures which form part of its public information series. It has co-sponsored sectoral gatherings like a congress on women and debt, and a luncheon forum with businesspeople.
In August and September 1990, FDC held press conferences to publicise the results of the research on fraudulent loans, conducted by six of its member institutions. This is part of the larger strategy of disaggregating fraudulent loans from legitimate ones, and mounting national and international campaigns against paying tainted loans. Concentration at this point is on loans for the Bataan nuclear power plant, a white elephant located in territory prone to earthquakes and volcanic eruptions. Originally priced at $500 million, the cost of the plant escalated to $1.1 billion and then to $2.3 billion. The country pays $350,000 a day in interest payments alone, apart from P200 million a year for maintaining a useless monster. Aside from exposing the massive corruption surrounding the Bataan nuclear plant in the Philippines, the FDC has made an international issue out of it.

The FDC's influence and expertise are recognised both nationally and internationally. FDC leaders are always invited to public hearings and to national and international conferences, including UN-sponsored ones on human rights and on women and debt. In fact, the United Nations Special NGO Committee on Development has given its endorsement to the FDC Programme, and the managing director of the International Monetary Fund, Michel Camdessus, has met with Professor Leonor M. Briones, president of FDC.

FDC's international network is already extensive. It is a member of FONDAD (Forum on Debt and Development), together with several Latin American research institutions. It receives support from Bread for the World (Germany), and CEBEMO and NOVIB (the Netherlands); OXFAM (UK and Ireland) and Christian Aid help to fund its research and educational publishing programme and it is working closely with groups in Switzerland in its campaigns against fraudulent loans.

Legislative initiatives

Much of the lobbying on debt has focused on the bicameral legislature, which is empowered under the 1987 Constitution to propose and approve all budgetary appropriations. Only the Philippine Congress can appropriate funds for debt service. In practice, however, the executive branch, through the Central Bank and the Department of Finance, has been monopolising the formulation of debt policy and the strategy for negotiating with foreign creditors. The results are very unpopular.

To counteract this, Congress, despite a presidential veto, passed an Act in April 1989 creating a Joint Legislative-Executive Debt Council. According to proponent Senator Alberto Romulo, he had to rise on the
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floor and deliver a speech so that the Senate would override the veto, and, fortunately, all his colleagues supported him. The Act gives the legislature a means of influencing debt policy, and emphasises sustained growth, equity, stabilisation, national sovereignty, and public participation as guiding principles for the work of the Debt Council.

The Council, however, can only recommend, given its research and advisory capacity. Furthermore, most of its members come from the executive branch. The end result is that the final decisions are still made by the President and her negotiators.

Even then, it still seemed worthwhile to improve the composition of the Debt Council by adding representatives from non-governmental organisations as 'part of a genuine commitment to people's participation in the formulation of public policy'. This is the gist of Senate Bill 1178, which the Freedom From Debt Coalition strongly supported.

The most important legislative initiatives so far are those proposing a cap on debt service. Senate Bill 535, sponsored by Senators Romulo, Gonzales, and Maceda and approved 'overwhelmingly' in November 1988, proposed the limitation of debt payments to 20 per cent of export earnings for the years 1989-1992. Its counterpart bill in the lower chamber, House Bill 25835, is spearheaded by Congressman Edcel Lagman and signed by 158 members of Congress, more than three-quarters of the House. The bill aims to limit appropriation for external debt service to 15 per cent of the country's export earnings. Furthermore, it aims to repeal presidential decrees issued under the Marcos dictatorship which provide for automatic appropriation for debt service and executive discretion on the matter. These decrees, although superseded by the 1987 Constitution, are still in force and comprise the main excuse for preventing Congress from exercising its power to make all appropriations, including that for debt service.

The Lagman Bill, however, has not been formally approved by the House. Congressman Ramon Mitra, Speaker of the House and leading light of the majority party identified with the President, indirectly expressed opposition to the bill through a caustic remark tantamount to saying that the members of Congress who co-sponsored the bill would sign anything - even toilet paper.

Tension between the legislature and the executive branch continues on the debt issue. Despite the President's refusal to heed their call, Senators Romulo and Saguisag have been campaigning for the sense of Senate Resolution 161, which urges the government to 'suspend, avoid, and disengage' from further payments for the balance of the fraudulent
loan spent on the $2.3 billion Bataan nuclear plant. In the aftermath of the earthquake of July 1990, both chambers approved a joint resolution calling for a thirty-month debt service moratorium to enable the country to rebuild destroyed areas and recover from severe economic losses. President Aquino and her negotiators refused to listen, apparently for fear of adverse reactions from foreign creditors over such a unilateral action.

Similar tension between the executive and the legislature was more recently apparent in the aftermath of the volcanic eruption of Mount Pinatubo. The Finance Secretary, Jesus P. Estanislao, has estimated that the cost of relief, rehabilitation, and reconstruction in areas affected by the volcano will exceed the cost of repairing the damage done by the 1990 earthquake (estimated at P15 billion, or £305 million). (The damage and the opportunity costs caused by the volcano are still mounting, as Mount Pinatubo continues to rumble indefinitely.) This latest calamity spurred the legislature, in the new national budget, to propose a debt cap of 20 per cent of export receipts. In response, President Aquino exercised her right of veto.

Towards an alternative development strategy

Proponents of all the short-term approaches to the debt crisis are united in proclaiming the need to link the debt policy to a comprehensive alternative strategy for development. Some general principles which might underlie this alternative development strategy have already been identified, to which divergent and emergent social forces may contribute their ideas in the process of building a broad consensus.

One source articulates three principles: the national interest, which means the Filipino people must harness their vast natural and human resources for their present needs and maintain them for future use, for which they must protect their right to set economic priorities; poverty alleviation, which means stressing ‘the majority’s right to life fit for human dignity’, and working for ‘the reform or transformation of unjust economic and social structures that pamper the rich minority and burden the poor majority’; and democracy, which means real participation of the people in the political process.12

All these principles, it is argued, are violated by external debt and adjustment policies and programmes which are made and implemented ‘without the knowledge, participation and consent of the affected’, especially when these entail much hardship and sacrifice on the part of the people who are made to suffer for crises they are not responsible for.
On the level of national rights, campaigners claim that these policies and programmes violate the right of countries to development, to national sovereignty, and ‘to work out their own paths to development, taking into account national interest’. According to Professor Leonor Briones, FDC President, ‘In the case of indebted countries, national sovereignty is compromised, since it is the lending institutions which determine economic policies and shape development models as conditionalities for lending. In extreme circumstances, it is these lending institutions who practically manage the economic and financial affairs of these countries.’ Basic therefore to any long-term alternative strategy is the assertion of ‘the right to development as a human right’, the recovery of national sovereignty, and the institutionalisation of democratic processes.

The main task for the campaigners is to raise public awareness, and to consolidate and mobilise a decisive constituency for an alternative development framework based on the creation of a balanced, well-integrated, industrialised and sustainable domestic economy geared first and foremost to meeting the needs of the people, and only secondarily to catering to the demands of the global market.

With such an economy, campaigners claim that the Philippines can solve its basic problem of ‘excessive reliance on imports’, particularly industrial machinery, equipment and raw materials, and lately even food and other consumer needs. Establishing firm foundations for Filipino industries would mean producing these imports internally and therefore minimising the need to go into debt just to get the dollars to pay for these imports.

**Agrarian reform**
Campaigners argue that basic to industrialisation is the implementation of genuine agrarian reform, to give the peasantry and agricultural workers access to and control of land, towards increasing food production for the populace as well as raw-material production for local industries. This would also lead to the creation of a strong domestic market to absorb and support local products.

The demand for an agrarian reform has reverberated throughout decades of peasant unrest in the Philippines. The most broad-based initiative, however, was launched in May 1987 with the formation of the Congress for a People’s Agrarian Reform (CPAR), a coalition of 12 national organisations of peasants, fisherfolk and rural women. CPAR set down the following aims of a people’s agrarian reform programme:
1 To transfer landed wealth and power over the land and its produce to the actual tillers.

2 To free and develop the productive powers of agrarian workers, farmers and fishermen from the forces that deprive them of resources and initiative.

3 To develop the mechanisms for people's empowerment by creating autonomous decision-making bodies in the rural communities.

4 To promote nationalist industrialisation by widening the national market, rechannelling the agricultural surplus into industrial investments and labour for industrial development, and establishing self-sufficient local industries controlled by the rural workers.

5 To conserve the natural environment so that it may serve the short-term and long-term needs of the Filipino people.

6 To put an end to foreign control over natural resources. 15

These principles were carried over to the People's Agrarian Reform Code (PARCODE) adopted by CPAR in June 1988 after the failure of the President and of Congress to enact a satisfactory agrarian reform law. According to Francisco Baltazar, chairperson of CPAR in April 1990, the aim is to gather some two million signatures for PARCODE, to give it the status of a people's legislative initiative. Among the more specific principles embodied in PARCODE are the distribution of land to agricultural workers, with compensation which takes account of their payment of rent and their contribution of unpaid labour; the inclusion of all agricultural lands in the reform; direct participation of the beneficiaries in the decision-making and implementation processes; an emphasis on cooperatives and other collective forms of farming; the recognition of the right of women to own land and of the right of indigenous peoples to their ancestral domains; just labour standards for agricultural workers; fisheries reform for fisherfolk; and Filipinisation of lands under the control of transnational corporations.

The impact of the rice crisis in mid-1990, triggered by the implementation of the Letter of Intent providing for deregulation and the removal of subsidies, led farmers' and rural workers' groups to see more clearly the links between their plight and the debt. Mass actions on the rice issue brought the three major groups – CPAR, SANDUGUAN, and the Federation of Free Farmers – together in a Peasants' Forum where more detailed alternative development strategies with emphasis on countryside issues are being discussed and worked out.
Women's voices
Women are another section of the population responding in a major way to the debt crisis, as well as articulating an alternative development strategy with more specific concerns. The National Congress on Women and Debt, held in July 1989 under the co-sponsorship of the Freedom From Debt Coalition, OXFAM, and women's organisations, exposed the fact that 'The debt crisis and the resulting structural adjustment policies have made more women poor, have made poor women poorer, and made women poorer in relation to men.' The Congress brought together the major women's groups, among them GABRIELA, Civic Assembly of Women in the Philippines, KaBaPa and PILIPINA.

In subsequent meetings and conferences, major women's organisations, working under the Group of 10 and the Women's Action Network for Development (WAND), hammered out strategies for 'women in development'. These address the gender-specific disadvantages of women, advocate access to education, training, funding, and technology, call for greater participation of women in political and decision-making processes, and stress that they must be empowered in the home, in the workplace, and in society in general, at the same time as they are involved in larger movements for structural transformation. Implicit in these strategies is the recognition of women's work and women's role, often invisible, undervalued, abused and overused in a debt-ridden social order.

The green perspective
The expanding environmental movement has also provided valuable inputs to the process of defining an alternative development strategy, with emphasis on its sustainability. According to Maximo T. Kalaw Jr., president of Haribon Foundation Inc and of Green Forum-Philippines (a broad coalition of non-governmental organisations, people's organisations, religious groups, and academic and research institutions), there have been shifts in concepts of economic development as expressed in various models. Previous models stressing economic growth, employment, equity and basic needs, without considering the needs of people and the environment, ended in failure. The latest model emphasises the role of the community and the power of individual people in providing for a better quality of life for all in harmony with the ecosystem.

Green Forum has a number of concrete proposals on the debt crisis: 'The shifting of debt servicing funds to development through a debt-for-development swap, the shifting of official development assistance (ODA) funds from military and government infrastructure spending to funding
community capability building by NGOs [Non-Governmental Organisations], and the conversion of poor countries’ debts to ‘Common Futures’ indemnity bonds for an NGO, PO [People’s Organisations] development fund.'

According to Maximo Kalaw, the poor, who are most affected by environmental degradation, comprise the natural constituency of the green movement. Among them are the ‘four million tribal people affected by the logging policy, 18 million people squatting in the uplands, and two million fishermen marginalised from coastal fishing grounds’. They are in the best position to manage and protect the resources from which they derive their sustenance and livelihood.

Thus, Green Forum advocates ‘the recognition of tribal land rights and the inclusion of tribal people in the management of protected areas, and an immediate ban on logging of all virgin forests and the transfer of the rights to forest resources to upland communities’. According to Maximo Kalaw, ‘Poverty is the biggest despoiler – but to break that, we must use the resource wisely so that the poor benefit, so that they don’t become poorer and destroy the resource.’

In sum, the alternative development vision of the Green movement is ‘community-based, equity-led, focused on community needs and well-being, decentralised, democratised and globalised, pro-people, pro-nature and pro-future’.

The debt crisis has indeed prompted a broad spectrum of social forces in the Philippines to rethink development questions and provide alternative answers. The hope is that in the healthy interchange of views, a decisive ‘freedom from debt constituency’ will emerge as a major component of a solid people’s movement for alternative development.
The need for international cooperation

In a statement made in Zambia in May 1989, Pope John Paul II made an urgent plea for international action on behalf of debt-ridden countries like the Philippines:

The problem of international debt is a clear example of the interdependence which characterises relations between countries and continents. It is a problem which cannot be solved without mutual understanding and agreement between debtor and creditor nations, without sensitivity to the real circumstances of indebted nations on the part of the creditor agencies, and without a wise and committed policy of growth on the part of the developing nations themselves. Is it merely a rhetorical question to ask how many infants and children die every day in Africa because resources are now being swallowed up in debt repayment? There is no time now to lament policies of the past or those elements in the international financial and economic picture which have led to the present situation. Now is the time for a new and courageous international solidarity, a solidarity not based on self-interest but inspired and guided by a true concern for human beings.

The debt has become a moral and ethical issue. Church leaders of the Philippines, United States, Brazil and other Latin American countries have argued against continued payments which punish the poor, who have received no benefit from loans often made by corrupt and dictatorial governments.

The search for just and lasting solutions to the debt problem is being pursued more vigorously than previously. The Baker Plan, proposed in 1985 by the then US Treasury Secretary, advocated new lending by the creditors, so that debtor countries could 'grow out' of their debts. This was tried until 1988, but the multilateral banks did not have enough resources, and the commercial banks were reluctant to lend new money to heavily indebted states.¹ The next US Treasury Secretary outlined the Brady Plan in early 1989, which urged the banks to 'write off a portion of Third World
debts, pass the benefits of secondary market discounts on to debtors, and grant temporary waivers on the payment of interest and principal for up to three years’. Because the Plan relies on the voluntary efforts of commercial banks and total resources committed to it so far have not been large, its chances of success seem to be limited.

Clearly, partial and piecemeal strategies such as the Baker and Brady Plans cannot provide effective and lasting solutions. A comprehensive, international approach is needed, which brings not only the creditor banks and debtor governments into the picture, but also non-governmental and people’s organisations in both lending and borrowing countries. This approach could include not only debt relief but also writing off fraudulent loans, revising the conditionalities for new lending, and engaging in ‘debt swaps’ linked to developmental and environmental objectives.

Campaigning against fraudulent loans

If debtor countries like the Philippines are to be allowed to ‘selectively disengage’ from fraudulent loans, international cooperation will be necessary. One lawyer-academic advocating ‘selective disengagement’ cautions that those wishing to pursue this idea must do their homework. He urges that they not only ‘study from a legal perspective all the loan, credit and other debt agreements contracted by the Philippines, examine the terms and conditions of each, and determine how all of them relate together’, but also (and more importantly), ‘They must gather evidence and witnesses to support allegations of corruption, fraud and other irregularities’.

International cooperation is necessary to prove, document, and publicise fraudulent loans, in order to bring to public attention the fact that forced payments for these loans are punishing debtor countries, while lending institutions in creditor countries which facilitated these loans are not held responsible. One example of cooperation along this line was the recent attendance of Dr Emmanuel de Dios, board member of the Freedom From Debt Coalition, in the stockholders’ meeting of a major Swiss bank to expose the role of this bank in the Bataan nuclear plant case. His intervention was made possible by the Berne Declaration, a non-governmental organisation focusing on the debt issue, and other groups in Switzerland.

Dialogue with the International Monetary Fund

According to the Freedom From Debt Coalition, the IMF itself must take a position on fraudulent loans, because insisting on payment of these loans
"for which lenders are equally responsible is without moral bases". This point is included in a paper submitted by the FDC to Michael Camdessus, the head of the IMF. The FDC also stressed that 'the IMF must introduce a change in its current orientation which is biased for short-term solutions (with very painful consequences) to the global debt crisis'; that 'the IMF must provide for popular participation in the structural adjustment processes'; and that 'the IMF must take action on BOP [Balance of Payments]-surplus countries who are raising tariff barriers on the products of debt-ridden countries'.

The FDC argues strongly that 'international action on structural adjustment policies implemented as part of debt packages' should be 'brought to bear on the multilateral institutions'.

**Debt swaps**

Still another sphere of international cooperation relates to 'debt forgiveness schemes' and 'people-oriented debt-swap arrangements'. FDC emphasises that such swaps should be undertaken only after fraudulent loans have been disaggregated from the total, so that only legitimate loans are finally swapped.

UNICEF has led the call for a more 'people-sensitive approach to adjustment', which it claims is 'more than a matter of economic good sense or political expediency' because 'ultimately, it rests on the ethic of human solidarity, of concern for others, of human response to human suffering'. This approach is based on the belief that even while working within the present international economic order, adjustment could be more growth-oriented and could ensure that the human needs of the poor and vulnerable would be protected.

In terms of a workable debt-swap arrangement, UNICEF, jointly with the Philippine government, has drawn up a proposal, entitled 'Debt Relief for Child Survival', for consideration by commercial banks and bilateral donors. Under the proposal, the forgiven debt would be donated to UNICEF in local currency for use in its child welfare programmes in Mindanao.

Another initiative along this line is the 'Debt for Nature Swap'. In the Philippine case, the World-Wide Fund for Nature (USA) bought $2 million worth of debt, which, after being redeemed by the Central Bank in local currency, would be channelled to conservation projects jointly approved by Haribon Foundation Inc, the Department of Environment and Natural Resources (DENR), and WWF.
The DENR itself has worked out a proposal on ‘Debt Forgiveness for Forest Protection’ which involves ‘the condonation of portions of Philippine debt to multilateral and bilateral creditors in exchange for a Philippine commitment to preserve its tropical forests’. Accordingly, ‘the transactions will be recorded as an inflow of grants to the country and the outflow of an equivalent amount of debt payments’.8

For their part, non-governmental organisations within Green Forum are talking about converting debts into ‘Common Future’ indemnity bonds which could go into a development fund for environmental causes. Through such efforts, Philippine forests expected to disappear within this decade may yet be saved.

One important area still to be explored is a debt-for-agrarian reform scheme. Only genuine agrarian reform can prevent the landless rural poor and the marginalised upland farmers from encroaching farther into forest lands.

Still another possibility is a debt-swap scheme to benefit women. Through such a scheme, resources from abroad would go to programmes and projects to help Filipino women minimise if not overcome the severe impact of the debt on themselves, their households, and their children.9
Conclusion: How the creditors could help

We have seen what a devastating impact the debt problem has had and continues to have on the possibility of genuine development in the Philippines, and particularly on the lives of the poor majority of the population. This is an intolerable state of affairs, which the creditors, if they worked together to find a solution, could do much to relieve.

Priorities: debt or people?
Debt reduction is essential to alleviate poverty and suffering. A useful starting point would be for all the creditors, whether banks, governments, or multilateral institutions, to accept (and let it be known to the authorities in the Philippines) that expenditure on the essential needs of the poor should come before debt-service payments. They might consider that prompt and full loan repayment at the expense of sustainable development, and in particular of social and infrastructural items, is counterproductive, in that it stifles productivity and growth, and thus the existence of a prosperous and rewarding partner for the future. It would help if they agreed to measures that would reduce the outflow of funds from the Philippines to a level compatible with social and environmental needs.

Reducing outstanding debt and current payments
A significant amount of debt could be written off in a discriminating manner. A starting point could be loans which involve fraud, corruption, or incompetence, such as loans for the Bataan nuclear power plant. These doubtful loans may total up to six billion dollars.\(^1\) The corruption surrounding these loans, if it was not known to the lenders, certainly should have been.

Northern governments can accelerate the process of reducing commercial bank loans by pressing the need on the banks, as well as by specific action. The banks have started setting aside large provisions against possible bad debts owed by Third World countries, but generally without actually reducing the debt. Changes in the tax regulations such that banks can only claim tax advantages when the debt is actually written
off, as recommended by OXFAM to the UK Treasury and Civil Service Select Committee, would be helpful here. Another useful move would be to encourage banks, and indeed export credit agencies holding official debt, to reduce the recognised value of the debt to reflect its market value, rather than its unrealistic face value. For this they could use a variety of market-related mechanisms; a recent proposal was for the US government, through bonds, to guarantee repayment of some of the debt by the Philippine government. Governments would not need to underwrite the international financial system, since it is now clear that there is no serious threat posed to Northern banks as a group by large-scale debt write-offs.

Debt reduction or write-off is needed from official as well as commercial creditors (the Philippines debt is split nearly evenly between these two categories). The massive write-offs of Polish and Egyptian debt announced in May 1991 show that this is feasible where there is the will.

A very positive step would be for Northern governments to agree to a cap on debt-service payments as a percentage of visible export earnings. If, in addition, Northern countries opened up their markets to Philippine exports, this would result in increased foreign exchange earnings, and so a capacity to increase debt repayments. It is only reasonable for the Northern countries themselves to heed the trade liberalisation advice which they consistently urge on the Philippines. A moratorium for a period on debt service, especially on payments on the loans being investigated for possible fraud, is another measure which banks might accept without resistance if it is put forward by the government of the Philippines. The Brady Plan was the expression of an international consensus that debt reduction is a pressing necessity. In the light of this, it would help if the creditors treated any moves by the Philippines government to reduce debt service not as hostile acts, but rather as signals of the need to reopen negotiations for easier terms.

Some other measures
Beyond this there is a range of measures that could be deployed as appropriate by the various types of creditors. Governments could provide more aid, and more of the concessionary rather than the tied type of aid. (Some aid from Japan has required as much as 90 per cent to be spent on Japanese goods, according to a study by the National Economic and Development Authority.) More could be provided in the form of grants rather than loans, and loans could be converted into grants. It would help if debt relief were not made conditional on the government pursuing economic policies which are likely to erode even further the living
standards of the poor. It would be necessary for official debt relief to come from additional funds, not from existing budgets. Multilateral bodies could offer more assistance, both financial and technical, with easier interest and repayment terms.

Other helpful technical measures would be the conversion of outstanding debt from floating to fixed interest rates, and readiness on the part of creditors to accept payment in kind.

**Debt reduction for development and social needs**

Especially worthy of consideration are imaginative ways of reducing debt by converting it into funds for activities furthering development and meeting social needs, such as the UNICEF 'Debt Relief for Child Survival' scheme and the World Wide Fund for Nature 'Debt for Nature Swap' mentioned earlier. These are similar to the debt-for-conservation scheme recently adopted in Costa Rica (though it should be remembered that these swaps are to be promoted only if the activity to be funded as a result is both socially and environmentally sound). This approach to debt reduction is in the spirit of the agenda of the Northern countries as formulated, for example, in a statement from the 1989 summit meeting of the Group of Seven industrial nations.

In view of the severe and accelerating environmental degradation described earlier, a measure along these lines that would be especially appropriate to the Philippines would be debt reduction to assist the process of agrarian reform. Although inequitable development and human greed have both contributed greatly to the environmental deterioration, the debt crisis has made it much worse. This has occurred both through the over-exploitation of natural resources to generate foreign exchange (for example, through cash cropping and fish farming for export, as described earlier) as well as through the unsustainable economic activities (slash-and-burn agriculture in forests, and unsustainable fishing, for instance) to which the poor have been driven by the impact at household level of general economic pressures.

It does not follow, however, that debt reduction by itself would directly alleviate the environmental problem; nor would devoting funds to environmental policing be an adequate solution. On the other hand, using local currency funds made available by debt reduction (funds which otherwise would have been spent in hard currency on debt service) to acquire land for redistribution in a genuine agrarian reform programme would tackle one of the roots of the problem, reducing and hopefully reversing the exodus of farmers from the lowlands to slash-and-burn
farming in the upland forest regions. The government has hitherto been hampered by lack of funds as well as by political constraints in attempting to implement the land reform to which it is officially committed. Debt reduction could both supply the missing funds and constitute a plum that would make the associated land reform more politically acceptable.

Besides having a positive environmental impact, land reform, as shown by experience elsewhere in South East Asia, could be expected to raise productivity per hectare, and provide the basis for a broadly-based internal market to support appropriate industrialisation, as occurred in Taiwan and South Korea.

Consideration of the environment and agrarian reform highlights the fact that the debt problem is only a part, albeit a vital part, of the overall question of the future course of development in the Philippines, and a constructive resolution of the debt problem requires it to be seen in this broader perspective. This brings us immediately to the question of the lending to the Philippines by the multilateral institutions, principally the IMF and the World Bank (WB), and particularly the conditions attached to these loans.

**IMF/World Bank conditionality**

The International Monetary Fund was originally set up to deal with short-term balance of payment imbalances, with a time horizon of about one year. Though it now cooperates with the World Bank in programmes with a broader scope and longer time horizon, a continued proclivity for stringent, narrowly-focused measures appears very clearly in the recent (September 1990) memorandum of its review mission to the Philippines, entitled ‘The Philippines: Outline of a Stabilization Programme, 1991-1992’. The suggestions of that document, which are harsher than those of the Letter of Intent, are largely incorporated in the government’s new ‘Philippine Economic Stabilization Program’. These include a quick, sharp reduction in the fiscal deficit, monetary targets that will promote economic contraction, and, as its main revenue-raising measure, a 7 per cent import levy (since raised to 9 per cent), while omitting measures to cushion the effect of this latter step on the poor, on whom it will impact particularly strongly. The package strongly resembles the drastic 1984 IMF programme which, while markedly reducing inflation and the budget and balance of payments deficits, also contributed to a catastrophic fall in investment, record levels of unemployment and underemployment, and a fall in real per capita income by 1985 to the levels of ten years previously.
Conclusion: How the creditors could help

In the past, the IMF has required excessively harsh measures, exclusively geared to the balance of payments but having a catastrophic effect on a whole range of domestic economic factors and on the welfare of the people. It is required not to do so by its own articles of association, and recent very welcome statements by its managing director, Michel Camdessus, have pledged greater IMF attention to social and environmental concerns. The IMF could help by allowing a longer period for any adjustment, and make the level of adjustment commensurate with the resources available to the Philippines, after allowing enough for expenditures on infrastructure, vital social programmes, and reasonable sustainable growth.

While the IMF and the World Bank both acknowledge the need for a case-by-case approach in designing countries' programmes, their recommendations for the Philippines appear to ignore the specific social and developmental needs of that country. They comprise all the elements familiar from many other IMF/WB programmes: indiscriminate decontrol, devaluation, liberalisation of trade and inward investment, and reduction in budget deficits and in the role of government. Whatever the virtues of some or all of these measures in particular circumstances, they are not all appropriate for every country at every time. With regard to the Philippines, it is instructive to compare the IMF/WB programmes with development in the 'four tigers' of South East Asia (South Korea, Taiwan, Hong Kong, and Singapore), which it is sometimes suggested the Philippines should attempt to emulate. These countries, contrary to what is sometimes asserted, did not achieve their remarkable growth through indiscriminate liberalisation and laissez-faire economic policy. South Korea and Taiwan, for example, both built up their industrial bases by carefully planned governmental nurturing of selected industries, using subsidies and protectionist measures to foster their development until they were able to compete in the international arena, in which they have since proved so successful. From a Philippine viewpoint it is also significant that in both countries genuine and thorough-going land reforms played an essential role in their progress.

If the IMF and World Bank set conditions that make development impossible, the misery of the poor is only intensified. As this book has tried to show, the single factor most severely inhibiting any sort of economic development is the constant drain on resources through debt-service payments, yet the IMF and WB have not recommended that the government reduce its payments.
The level of budget cuts required leaves no resources for vital expenditure on infrastructure, such as transport, communications, energy, and flood control, thus discouraging private investment; or on basic health and education items, thus preventing the development of a skilled and effective labour force, as well as inflicting great suffering. So growth is thwarted. Is all this in accord with article 1(v) of the IMF Articles of Agreement, stating that correction of balance of payments imbalances should proceed ‘without resorting to measures destructive of national or international prosperity’, or with the IMF’s more recent guidelines on conditionality, requiring it to give due weight ‘to the domestic, social, and political objectives, the economic priorities and circumstances of members, including the causes of their balance of payments problems’?6

The major flaw of the IMF/WB programmes for the Philippines has been their generally disastrous impact on the lives of the poor, as documented throughout this book. The Letter of Intent promises ‘poverty alleviation’, but we have seen how this works out in practice, and, very significantly, this is not one of the criteria employed in the IMF’s six-monthly reviews of implementation of its programme.

There are several significant ways in which the IMF and World Bank might help to relieve the pressure on the poorest people of the Philippines. They include the following:

- Not insisting on levels of debt service that destroy any possibility of growth and development; at present, the latter are treated as residuals, with debt service given absolute priority.

- Avoiding measures that result in further impoverishment of the poor. All conditionality could include measures to shelter the poor from any adverse effects on their already desperate plight, and the implementation and effectiveness of these measures would need to be regularly and carefully monitored.

- Guarding against indiscriminate, uncontrolled access (or even special favours) for multinational corporations, where in the view of the Philippine government this would be likely to lead to adverse effects such as environmental damage, obstruction of technology transfer, massive foreign exchange outflows, or prevention of the development of domestic industries.

- Recognising that genuine agrarian and urban land reform is vital to real, broad-based development in the Philippines, and promoting measures to advance it.
Conclusion: How the creditors could help

- Recognising that the State can play a valid role in guiding aspects of the development process, and that this may for a time require well-planned and carefully targeted subsidies and protectionist measures, as seen in other, successful South East Asian economies.

- In costing activities designed to provide foreign exchange from exports, taking full account of their environmental impact, so as to give a realistic picture of true economic costs.

- Speaking out more forcefully about the need for parallel adjustment measures in the North. At present, Southern countries are obliged to adopt any and every means to boost their exports, while the wealthy creditor countries erect ever greater barriers to access to their markets. The latter could help by adopting import liberalisation measures.

These changes would bring about a profound transformation for the better in IMF/WB programmes. In developing them, it would help if the IMF and the World Bank were open to discussion and consultation with non-government academics and with representatives of bodies speaking on behalf of the majority of the Philippine people. The need for such changes is urgent, if millions more lives are not to be wasted, and irreplaceable natural resources lost.
Notes

1 Introduction


3 Ibid.

2 The origins of the problem


4 Alfredo R. Pascua, 'A hard look on our ills and tribulations', in *Sarilakas Grassroots Development*, IV, 1 and 2.


8 Freedom From Debt Coalition, *Questions and Answers on the Philippine Debt Crisis*, n.d. For in – depth discussion on the role of the International Monetary Fund and the World Bank in the Philippine debt crisis during the Marcos period, see the following sources: Vivencio R. Jose, ed., *Mortgaging the Future – The World Bank and IMF in the Philippines* (Quezon City: Foundation for Nationalist Studies, 1982); Walden Bello,


17 Freedom From Debt Coalition, *Questions and Answers on the Philippine Debt Crisis*, n.d.


20 *Issues on the Philippines' Economic Dependence*, op. cit. A new LoI was approved by the IMF in early 1991. It will result in higher prices because of the imposition of a nine per cent import levy, steeper electricity rates because of the removal of government subsidy to the National Power Corporation, and even more taxes to achieve a revenue of P20 billion.


23 Monsod, op.cit.

3 **What the debt means to the poor**


3 Intal, op.cit., p. 120.


5 Ibid., p. 34.


7 Tentative figures based on Table II. B. I, ‘National Government Expenditures by Department – Special Purpose Fund 1976–87’, Department of Budget and Management.

8 Constantino – David, op.cit., p. 36.

9 Ibid.

4 **Health: a life or debt question**


6 Sta. Ana, op.cit.

7 ‘Ensuring the people’s right to health’, Philippine Currents (June 1986).


9 Interview with Dr Orville Solon, University of the Philippines School of Economics, 17 April, 1990.


13 ‘Ensuring the people’s right to health’, op.cit.


18 Interview with Michael Tan, HAIN office, Philam, Quezon City, 12 February 1991.

5 Education: down from number one

2 Interview with Benjamin Balbuena, office of the Alliance of Concerned Teachers, 4 May 1990.

3 Interview with Ed Escultura, University of the Philippines College of Science, May 1990.


6 Interview with Merlinda Anonuevo, office of the Manila Public School Teachers Association (MPSTA), Sampaloc Manila, 17 May 1990. Merlinda Anonuevo found herself jobless in late 1991, as a consequence of joining the four-week teachers’ strike in September.

7 Interview with Vangie Ricasio, MPSTA office, Manila, 17 May 1990.


6 **Debt, labour, and employment**

1 NEDA, ‘Labor and employment indicators’, *Economic Updates*, 1, 2 (23 April 1990).


7 Maragtas S.V. Amante et al., 'Living Wage Standards for Industrial Sector Worker Households in the National Capital Region', University of the Philippines School of Labor and Industrial Relations, 1988, updated in 1990 (typescript, unpublished).

Debt and the agrarian crisis

1 Thus, in 1981, outgoing World Bank President Robert McNamara announced that while 'the Bank has financed projects in virtually all sectors of the economy, particular emphasis has been given to agriculture, which has accounted for more than one-third of the total Bank/IDA lending' (Robert S. McNamara, 'Report and Recommendations of the President of the International Bank for Reconstruction and Development to the Executive Directors on a Proposed Loan to the Republic of the Philippines for a Sector Program for Elementary Education', Washington DC, 4 June 1981, p. 8).

2 Rene E. Ofreneo, Deregulation and the Agrarian Crisis (Quezon City: University of the Philippines Institute of Industrial Relations, 1987), chapter 2.

3 Interview with Berting Manalus, Ambo Santos, Cora Manalus, and Miling Dizon, Sta. Rita, Cabiao, Nueva Ecija, April 1990.

4 As a land-reform measure, CARL is widely considered to be half-hearted, because it seems to serve the interests of landowners and agribusiness more than those of the peasantry and agricultural workers. This is evidenced by its slow phasing, lack of material support, adherence to 'fair market value' in the pricing of land, and its many exemptions and loopholes that landowners could use to evade land transfer.

5 Interview with leaders of various farmers' organisations belonging to the Peasants' Forum, University of the Philippines School of Labor and Industrial Relations, April 1990.


Debt and the fishing communities


3 'Aquaculture and the subsistence fisherfolk', in Lundayan, Vol.1, No.1 (April - June 1990). In fact, the tenth OECF loan, consisting of five billion yen, was for the Agro-Industrial Technology Transfer Program (AITTP),
a large chunk of which (32 per cent or almost P170 million as of mid - 1989) went into financing prawn farms ('The top - down mechanism of agricultural development aid', in *AMPO Japan – Asia Quarterly Review* 21, 4).

4 ‘Aquaculture and the subsistence fisherfolk’, op. cit.


7 Pascua, op.cit.

8 Bawagan, op.cit.


11 Ibid.

12 Ibid.

13 Ibid.


16 Mang Lupo is referring to foreign brand - name products produced under licence in the Philippines, and to imported products such as fruits being dumped on the local market and sold cheaply.

### 9 Debt and the tribal Filipinos


3 Annex B, ibid.

5 'Dayandi: to the last drop', ibid.


7 ITAG Ecowatch 1, 1 (July – September 1989).

8 Paul Valentin, op.cit.


11 Ibid.

12 'Itogon residents air complaints against Benguet Corporation's expansion program', Northern Dispatch, II, 6, (9 February 1990).


17 'Pocket miners buck orders to leave', Northern Dispatch, I, 2 (9 September 1989).

18 'Itogon officials urge cancellation of surface mining permits', Northern Dispatch, I, 9 (18 October 1989).

19 'Blasting destroys 12 houses, wounds one', Northern Dispatch, I, 12 (18 November 1989).

20 'Benguet Corporation told to pay damages for blasting', Northern Dispatch, I, 14 (1 December 1989).

21 'Itogon officials oppose surface mining', Northern Dispatch, II, 8 (23 February 1990).


23 Papers of the CECC Founding Congress (at CRC library).
24 Interview with leaders of the Luneta and Loakan Pocket Miners' Association, Benguet, 5 May 1990.

25 'Military crackdown imminent on Itogon folk protesting open-pit mining', Northern Dispatch, II, 12 (24 March 1990.)

10 Debt and the urban poor

1 Joseph Cortes, 'Tackling the squatters problem', Manila Times (28 May 1989).


3 Ibid., p. 2.

4 Ibid., p. 3.

5 National Housing Authority Annual Report 1988, p. 28.

6 Ibid., p. 27.

7 Ibid, p. 25.


10 Ibid., p. 16.

11 Leaders and members of MAKAMASA were interviewed by the author in MAKAMASA's office, Magsaysay Village, Tondo, Manila, May 1990.

11 Towards an alternative strategy for debt and development

1 Interview with Filomeno Santa Ana, Freedom From Debt Coalition office, April 1990.

2 FDC Minimum Program.

3 Strategic Plan of the Freedom From Debt Coalition, approved in its second congress, July 1990.


6 Oxfam has given five small grants, totalling £17,912, to FDC over the last three years.

7 For an extended discussion on this, see Confronting the Debt Problem – A Challenge to Democracy in the Philippines, a publication of Ateneo de Manila University, Center for Social Policy and Public Affairs, July – September 1989.

8 Interview with Senator Alberto Romulo, Valle Verde, Pasig, 2 June 1990.


10 Confronting the Debt Problem, op. cit., p.63.

11 FDC Comments on Senate Bill No. 1178.

12 Confronting the Debt Problem, op. cit., pp. 84 – 6.

13 Leonor M. Briones, 'The Impact of External Debt and Adjustment Policies on the Realization of the Right to Development as a Human Right,' paper read during the global consultation of the UN Center for Human Rights, 8 – 12 January 1990.

14 Confronting the Debt Problem, op. cit., pp. 90 – 1.

15 'The people's agrarian reform program', Philippine Currents (June 1987).


18 Interview with Maximo Kalaw Jr., Green Forum Office, Makati, Metro Manila, 19 April 1990.

19 'Creating a Common Future', op. cit.

20 Interview with Maximo Kalaw Jr., 19 April 1990.
21 'Creating a Common Future,' op.cit.

12 The need for international cooperation


2 Ibid.


4 Freedom From Debt Coalition, position paper for submission to IMF Managing Director Michel Camdessus, 20 February 1990.


8 Executive Brief on Foreign Debt and the Financing of Environmental Programs, p. 10.

9 See Women Want Freedom from Debt – A Primer (Quezon City: Freedom From Debt Coalition, 1989).

13 Conclusion: how the creditors could help


2 Freedom From Debt Coalition, Questions and Answers on the Philippine Debt Crisis, p. 22, n.d.

3 S. Collas-Monsod, 'The IMF Stabilization Program: Implications for the Philippines'.

4 Ibid.


Further reading


(The Philippine Resource Centre (1-2 Grangeway, London NW6 2BW) has a comprehensive library of documents – including official Government papers and World Bank reports – on the subject of debt and structural adjustment. The library is open to researchers. Telephone 071 624 0270 for details.)
Useful addresses

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