

The Philippine economy is currently suffering from the dual impact of high petroleum import bills and recession in the industrialized countries which are the major markets for its exports. Improvements since 1970 in the Philippine export profile, through diversification of products and markets, contributed to export growth, but not sufficiently to reverse its balance of payments deficits. Stressing conservation, the Philippines cut its oil imports from 80,186,000 barrels in 1980 to 76,032,000 in 1981, and imported oil as a proportion of energy consumption has dropped to 80% from 94% in 1973. The official inflation rate of 14% in 1982 compares with 17.6% in 1980. The outstanding foreign debt (\$15.37 billion on September 30, 1981), most of which was incurred by increased oil prices, remains a matter of general concern for economic policy-makers.

The Philippine Government plays an active role in the economy. In 1978 a planning cycle was begun consisting of a five-year (1978-82) as well as a ten-year plan within the framework of a twenty-year perspective plan (1978-1998). A second five-year plan (1983-87) will be introduced in 1983. Growth targets for this plan have been scaled down to 6 per cent. A policy of promoting increased domestic and foreign investment in conventional and non-conventional energy sources has also been established. Success of these policies will depend upon maintaining the requisite political stability and solving at least part of the energy sourcing problems through the expansion of the hydro-electric, geothermal and coal-based generating facilities.

Foreign Policy

The foreign policy of the Philippines is to seek a balance in its relations with East and West. Nevertheless, the Philippines leans toward the West and has not been admitted to the ranks of the Non-Aligned Movement because of its Bases Agreement with the USA. Another priority of Philippine foreign policy is the Association of Southeast Asian Nations (ASEAN). The Philippines also plays a moderate but active and influential role on issues such as the Law of the Sea, commodity agreements, and nuclear non-proliferation. In May, 1979 the Philippines hosted the UNCTAD V Conference. Potential difficulties for the Philippines lie in continuing outside support for the Muslim secessionist movement in the South.