

MANILA RESOLVES ROW OVER PLANTERS PRODUCTS INC'S DEBT AHEAD OF DEADLINE.By **Chaitanya Kalbag**

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English

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MANILA, Oct 30 - The Philippine government and creditors of a private fertiliser firm have reached agreement on a 56.5 million dollar debt that has held up the country's recent debt rescheduling agreement, bankers and officials said.

A senior foreign banker told Reuters that lawyers for both sides exchanged final draft documentation on Thursday.

As part of the compromise, the banker said, the creditors of Planters Products Inc, led by Barclays Plc, have agreed to a 15 pct forgiveness of principal, higher than the 12.5 pct included in an earlier agreement.

The earlier deal, which involved government assumption of Planters' debt, was rejected by a Senate Committee in a report last month.

The controversy erupted when President Corazon Aquino in a July speech to Congress accused Planters' creditors of using "none too subtle coercion" to force her to sign an executive order allocating government funds to redeem the firm's debt.

The Senate panel said the executive order, signed only three days before the country's debt accord was finalised, was unconstitutional. It said the order set a bad precedent of assumption of private-sector debt and called for its repeal.

The banker said the new compromise broadly followed the earlier one. Its complicated maze of swaps involved the purchase of Central Bank debt paper on the secondary markets for use in raising foreign exchange to redeem Planters' promissory notes from the creditor banks.

The difference was that the government would pay Planters 397 million pesos in unsubscribed capital and compound interest and permit the firm, on paper, to redeem its own debt, he said.

However, because of prevailing discounts on Philippine debt paper and the higher principal forgiveness, the banks had effectively written off about two-thirds of the debt, he added.

"Philippine debt paper is trading at a discount of between 42 and 45 pct on secondary markets," the banker said. "This means that with the front-end principal forgiveness, Planters' creditors have agreed to take a hit of almost 60 pct on their loans to the company."

The creditor banks were anxious to seal the compromise this week, he said, but delays on the Philippine side would force them into a race to sign the pact ahead of a November 15 deadline on the debt accord.

About 30 of the Philippines' 483 creditor banks, including 19 of Planters' creditors, have still to sign the debt accord.

The rescheduling documents, which restructured 13.2 billion dollars of foreign debt, must be signed by November 15 to take legal effect. The Philippines' foreign debt totalled 28.95 billion dollars at end-April.

Manila would have to pay about 100 million dollars in additional interest this year if a clause in the debt accord back-dating lower interest spreads to January 1, 1987, does not take effect.

A senior Central Bank official said Budget Secretary Guillermo Carague had earlier this week signed a treasury warrant transferring 397 million pesos to Planters Products.

But the foreign banker said state-owned Philippine National Bank (PNB), which would handle all transactions on behalf of Planters, had not received the money yet.

The banker said the government, in an attempt to avoid dealing directly with Planters' creditors, had worked through lawyers. The earlier compromise was directly negotiated by former Finance Secretary Jaime Ongpin.



Barclays, a member of the Philippines' 12-bank advisory committee, has yet to sign the main debt accord. Manufacturers Hanover Trust Co, which chairs the panel, is the only major Planters' creditor to have signed the accord so far.

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English
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MANILA, Oct 29, Reuters - Philippine Communist guerrillas appear to have launched a major offensive with the killings of 14 people in two days, political analysts said on Thursday.

For the first time in the 18-year-old Communist insurgency, the victims included U.S. servicemen, two serving and one retired. They were shot dead near the Clark Air Base north of Manila.

No one has claimed responsibility for the assassinations, but they bore the trademark of the Communist "sparrow units" - swift attacks, mostly with .45-calibre revolvers, and quick getaways.

"The attacks were all beautifully coordinated," a U.S. businessman said. "The logical assumption is that the killers were sparrows and that they have launched an offensive."

A recent issue of the Communist organ *Liberation* described the establishment of an urban guerrilla network in Manila by the Communist New People's Army (NPA).

Propaganda groups would build up mass support in Manila and prepare people for "a higher stage of struggle", *Liberation* said. Other support groups would provide logistics and funds, while intelligence units "draw the profiles of all targets".

Since January, the sparrows have claimed responsibility for the deaths of more than 30 soldiers and police in street ambushes in the capital.

The young men and women who form NPA death squads are indistinguishable from the people around them, blending with crowds in everyday clothes.

The sparrows usually act in teams of three - a triggerman, a backup gunman, and a lookout.

Despite much-publicised "squad squads" set up to hunt the sparrows, the military has scored no major successes.

One officer admitted that in a country where an estimated five million citizens own guns, about one-third of them illegal, there had also been a tendency to blame all murders on the sparrows.

But a Western diplomat noted that the latest wave of urban terror strikes did not work after President Corason Aquino swore she would get tough with the Communists and ordered legislation the government was prepared to open police talks.

Aquino's lightning speech on October 26 to the nation's parliament sparked the most widely cited of her tough direction to a government unit after a bloody raid against two rebel camps.

"There was obviously a pressing need to reassert the law and confidence," the U.S. ambassador said.

The Clark Air Base killings coincided with a visit by U.S. Secretary of Defense Frank Carlucci, who was recalled from his Manila embassy's military attaché post to accompany him on his return to Washington.

The defence said the attacks also followed reports of U.S. military air and ground units and assistance by Washington that it fully supported the anti-Communist struggle.

The attacks pointed to several reports that the NPA was to be the target.

In a confidential press conference on October 14 in Manila, Aquino promised more of the same. She said the government would not negotiate with the rebels until they agreed to disarm and accept the rule of law.

The U.S. is now hurrying to replace two thousand soldiers and military advisers withdrawn from the Philippines.

