

**PHILIPPINE DEBT ACCORD AGAIN IN JEOPARDY.**By **Chaitanya Kalbag**

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MANILA, Nov 20 - The Philippines' restructuring of 13.2 billion dollars of foreign debt has again been plunged into uncertainty following calls from a leading senator for the abrogation of a July agreement with the country's creditor banks.

Senator Alberto Romulo, Chairman of the Senate's Committee on Banking, Currency and Financial Institutions, told a news conference that Manila must negotiate a new accord subject to congressional and public approval.

His remarks were made amid a race to get all of Manila's 483 creditor banks to sign the accord by year's end.

Finance Secretary-designate Vicente Jayme said last Saturday that the banks have agreed to extend the original deadline for signing the accord of November 15 to December 22.

Failure to sign the accord will cancel a key clause backdating lower interest spreads to January 1, 1987. The pact rescheduled 10.3 billion dollars of debt over 17 years at 7/8 points over the London Interbank Offered Rate and reduced interest on a 2.9 billion dollar trade facility.

"We should renegotiate the debt accord and forego the signing of the restructuring agreement. It is the prerogative of Congress to set the (debt) policy and (since) it has not yet finalised the debt policy there is no basis for renegotiation," Romulo said.

His statement revived moves in the Congress in August and September to put a cap on debt servicing. The moves lost momentum after President Corazon Aquino pledged in an October 20 speech to honour the restructuring agreement.

Romulo quoted National Economic and Development Authority (NEDA) figures to say the country would be paying a net 18.2 billion dollars in the 1987/92 period in debt servicing and would suffer a financing gap of 7.7 billion dollars.

"With the haemorrhaging of funds for debt servicing, economic recovery is not possible," said Romulo, a former budget minister under President Aquino.

He said the government should hold public hearings to inform Filipinos about the consequences of the debt accord.

Romulo charged that Brazil, which earlier this year suspended interest payments on 68 billion dollars of foreign debt, would be paying only 518 million dollars in interest in 1987 under a recent agreement with its creditor banks while the Philippines with a total foreign debt of 28.95 billion dollars would pay 2.1 billion dollars in interest this year.

In addition, Romulo said, the Senate had not yet passed the country's 1988 budget which includes debt-service allocations.

He said Jayme, still awaiting congressional confirmation more than two months after he was nominated to the post by Aquino, must also make clear his stand on the debt issue.

Romulo said he was not suggesting outright debt repudiation but favoured a "debt relief option". He also favours a new negotiating team which "will not adhere to the classical approach of debt restructuring."

"Floating interest rates in lending countries and the vagaries of currency fluctuations will always work against debtor countries. The only realistic recourse is to reduce the cash outflow," Romulo said.

Foreign bankers have warned that a debt repudiation by Manila could trigger wide-ranging sanctions by creditor banks, including the seizure of Philippine assets abroad.

A senior foreign banker close to the negotiations told Reuters that Romulo's remarks would merely discourage five creditor banks that still have to sign the debt accord.





The banker said in a bid to establish its sincerity the Philippine government had a week ago transferred 37 million dollars to its creditors, representing the first of three token annual prepayments on a 925 million dollar new-money loan granted in 1985.

"If the latest Senate rumbles are not quickly squashed, we are not going to get past the December 22 deadline," the banker said. "That means Manila will have paid 37 million dollars and another 93 million dollars in extra interest payments for 1987."

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(1987) figures show the Philippines' trade deficit stood at 604 million dollars in the January-September period, up from 582 million dollars in the same 1986 period, and more than the 574 million dollar deficit reported by Central Bank Governor Jose Fernandez last week.

The USD said exports during the period totalled 4.06 billion dollars, while imports totalled 4.67 billion dollars.

Fernandez had told reporters imports totalled 4.63 billion dollars in the period. A senior Central Bank official said the discrepancy may have been due to under-reported imports.

"We did not have that figure from the USD with us when the governor addressed the press conference," the official, who requested anonymity, said.

The country's trade deficit was 232 million dollars in 1986.

Meanwhile, a top planning official said economic growth in 1987 may have been dented by a major shortfall in budgeted government spending.

Economic Planning Secretary Solito Morsing told reporters this government expenditure in the January 1-October 15 period totalled 94.6 billion pesos, 1.1 billion pesos less than the programmed 97.7 billion pesos.

Morsing said preliminary data showed industry grew by 4.2 per cent in the third quarter over the same 1986 period, compared with a 34.9 per cent year-on-year growth in the first half.

She said actual manufacturing output showed the public sector had been underperforming and this was likely to affect the government's gross national product (GNP) growth target.

Acting Finance Secretary Victor Macapagal said reserves totalled 12.2 billion pesos in the January-September period, lower than the projected 17 billion, but the shortfall was made up by inflows of 20.2 billion pesos, lower than the target by four billion pesos.

The government has projected GNP growth at between 4.5 and 5.7 per cent for 1987. GNP grew 3.4 per cent in 1986 after contracting by 11.4 per cent last year.

It grew by 5.1 per cent in the first half, but Sergio Arana, a director at the International Center for Research and Communication, said the estimated GNP growth plan of about 4.5 per cent was "too low". The state-owned Philippine National Bank had projected a GNP growth of 5.5 per cent.

Arana said the first-half growth figure "was inflated". "The figure of 5.1 per cent growth rate in the first half that the growth rate was computed over a base which was very low," he said.

Arana said he projected GNP would grow by between 4.5 and 5.5 per cent in 1987, against a government projection of 4.5 per cent.

He said the first-half growth had been inflated, but the economy needed to be reinvigorated to sustain the pace.

"We are still in the stage where consumer spending was restricted by a three-year moratorium and will continue to weigh total economic growth," he said.

Central Bank Governor Fernandez told an export credit conference at the Manila Hotel Foreign Investments Hotel on Tuesday of payments figures, which he said were about 4.5 billion dollars in the third quarter from 13 billion dollars in the previous quarter.

Fernandez did not give comparative figures for 1986, but figures of exports for the third quarter of 1986 were 4.5 billion dollars in direct foreign investments in the third quarter of 1986.

