

JAYME SAYS MANILA TAKES HEART FROM MEXICO DEAL.By **Chaitanya Kalbag**

550 words

6 January 1988

Reuters News

English

(c) 1988 Reuters Limited

MANILA, Jan 6 - The options available in solving the global debt crisis had broadened dramatically with U.S. government backing of a Mexican plan to retire a large part of its foreign debt, Philippine Finance Secretary Vicente Jayme said.

"I feel that the Mexican package which is being discussed right now would not have been possible a year ago," he told a news conference.

"This is something you were never able to secure from the U.S. government in the past. They were so very non-committal," he added.

But Jayme noted that the Philippines may not be able to pursue an identical solution because its international reserves, which totalled two billion dollars at end-1987, were far lower.

"I think the thing to remember in the case of the Mexican package is that part of this is possible because they have large reserves of the level of about 15 billion dollars. They will use a portion of that to buy the U.S. treasury bonds, whereas we don't really have that level of reserves. So we have to search for another creative way of approaching the situation," he said.

The Philippines' foreign debt totalled 28.48 billion dollars at the end of June last year.

But the Mexican plan held out hope for debtor nations torn between loan amortizations and developmental expenditure, Jayme said.

He reiterated his stand that the Philippines would not take any unilateral action on its debt burden which would jeopardise aid inflows.

"The thing to keep in mind about our external debt management is that it should be conducted in a manner which will enable the economy to achieve its growth objectives," he said.

Jayme said the feasibility of approaching Manila's commercial bank creditors for new money in 1988 was still being discussed.

"But in terms of official credits, grants, and loans at concessional terms we are pursuing that vigorously," he added.

Manila concluded the restructuring of 13.2 billion dollars of debt on December 22 with the signing by all its 483 creditor banks of an agreement reached last July.

Jayme declined to set a time-table for the Philippines to renew talks with its 12-bank advisory committee on exploring new ways to ease its debt burden.

He said the Philippines was trying to persuade some of its bilateral creditors to convert soft loans into grants.

"Of course we will also explore options that are not yet so acceptable but which we hope in time will become something that becomes normal in the search for a comprehensive solution to the massive debt problems of the Third World," he added.

The Mexican plan, announced by the U.S. Treasury on December 29, calls for the U.S. to sell Mexico 10 billion dollars of 20-year zero coupon treasury bonds for about two billion dollars.

Central Bank Governor Jose Fernandez said on Tuesday Manila had been studying a similar plan for some time.

Mexico aims to use the bonds as collateral to offer its creditor banks new bonds in exchange for its debt paper and to retire up to 20 billion dollars of its 105 billion dollar foreign debt by capitalising on the current 50 pct

discount on its debt paper.

Document lba0000020011203dk1600gci

