

MANILA FINANCE MINISTER SEES U.S. BASES AS DEBT LEVER.By **Chaitanya Kalbag**

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MANILA, Feb 1, Reuter - The Philippines is exploring ways of reducing its massive foreign debt burden and the two U.S. military bases in the country could be a possible bargaining lever, Finance Secretary Vicente Jayme said on Monday.

Jayme told Reuters in an interview that a suggestion by some Filipino congressmen last week that the bases be used to obtain better debt repayment terms was an interesting one.

"Certainly, but that must not be used as an excuse for keeping the bases," he said.

"To me these are two things. One is the basic decision on whether or not the bases should be allowed to stay," Jayme said. "After you've said 'yes,' that is another thing to discuss: under what terms and conditions they (the bases) can continue."

The Philippines and the United States are scheduled to start formal talks this year on a renewal of the bases treaty, which expires in 1991. Moderate and leftwing groups oppose the continuation of Clark Air Base and Subic Naval Base, the two largest U.S. military installations overseas.

Jayme said the December restructuring of 13.2 billion dollars of Manila's foreign debt had provided temporary relief.

The Philippines' foreign debt totalled 28.48 billion dollars at the end of June, 1987. "It is very hard to carry that kind of a debt at the level where it is," Jayme said.

Militant congressmen and citizens' groups have noted that each of the 57 million Filipinos owes a foreign creditor 500 dollars and have called for a repudiation of the debt, mostly incurred under former president Ferdinand Marcos.

Jayme said it was easy to prescribe drastic remedies. "The question," he said, "after that is: what happens then to the country ... will the country grow?"

He said he took heart from recent moves by creditor banks, which had set aside large reserves against possible losses on loans, and by the U.S. government, which has officially backed a plan by Mexico to reduce some of its foreign debt.

"Automatically that opened a new horizon," Jayme said.

He said these initiatives meant a debtor nation could now work to reduce its overall stock of debt.

"A year ago, much more two, three years ago they would have laughed you out if you had come up with a deal like this," he said. "When you spoke to governments or to bankers ... a year ago the rule was 'you owe me so much, you pay me.' Now, you have a lot of investment bankers offering their services (on debt deals)."

Asked if the Philippines was trying to hammer out a Mexico-type deal, Jayme said: "All I can say is, yes, we are exploring different options. We have to find ways and means, maybe somewhat differently from the Mexican approach, but the important thing is that it will lead to a real reduction in our debt and principal."

Jayme revealed that that he had been involved in peace talks with a rebel colonel who nearly toppled President Corazon Aquino five months ago.

"It appears I am accepted on the other side," Jayme said.

He said he had held several rounds of secret talks with Colonel Gregorio Honasan, who led the bloody August 28 uprising, the worst Aquino has faced in her two-year rule. Honasan was later captured.

"They (the rebels) wanted to talk to me," Jayme said, adding that the talks took place with Aquino's consent.



"He (Honasan) knows me, I know him, and I guess he trusted me."

Jayme said the talks had yielded valuable insights into the causes of military unrest. Aquino has faced five attempted coups led by disgruntled elements in the 160,000-strong armed forces.

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