

PHILIPPINE SENATE HARDENS STAND ON DEBT.By **Chaitanya Kalbag**

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MANILA, May 11, Reuter - The Philippine Senate has ended a six-month lull by taking some tough steps on the country's debt. It has proposed limiting debt service limit and suspending payments on a 1.2 billion dollar nuclear plant loan.

The Senate also unanimously passed a bill setting up a legislative-executive debt commission to monitor the Philippines' 30 billion dollar foreign debt and to recommend members for the country's debt negotiation team.

The moves come amid warnings from Finance Secretary Vicente Jayme against any ceiling or freeze on repayments.

Neptali Gonzales, chairman of the Senate Finance Committee, and 11 other members of the 23-member upper house backed a bill setting an annual debt service ceiling of 15 pct of total foreign exchange receipts for the previous year.

The bill said repayments should be restricted to 10 pct of export receipts during the "critical economic recovery period" of 1988/92 but gave President Corazon Aquino the authority to raise the level to 12 pct if economic growth was good.

Jayme said on Tuesday that Latin American debtors like Peru and Brazil had found that a unilateral freeze or limit on debt service were costly mistakes.

An agreement with Manila's 483 creditor banks restructuring 13.2 billion dollars of debt over a 17-year period came into effect last December. Debt service totalled 3.1 billion last year and is projected at 3.0 billion this year.

Debt service payments as a ratio of total export earnings are forecast to drop to 47 pct in 1988 from 54.9 pct in 1987.

The Senate bill setting up an 11-member debt commission with five Aquino nominees and three representatives from each house now moves to the House of Representatives.

The bill said, "Growth, equity and social justice should have prior claims over and above foreign debt service."

Meanwhile, Senate militancy on debt appeared to grow with a resolution offered by Senator Rene Saguisag, who heads a panel investigating the 1.2 billion dollar loan outstanding on a 600-megawatt, 2.2 billion dollar nuclear plant built by Westinghouse Electric Corp near Manila.

The resolution said the Philippines was paying 355,000 dollars a day in interest on the plant loan.

Aquino, faced with protests over the plant's cost and safety, mothballed it in February 1986 and said she would try to have the contract with Westinghouse rescinded.

The resolution said, "Over-aggressive, irresponsible bankers have come to realise that there is such a thing as 'lender liability.'" It said Aquino should study the need to suspend all payments on the loan pending a national consensus on "what to do with loans, particularly those tainted with fraud."

A government committee headed by the justice secretary has yet to rule whether there is a legal basis for action against Westinghouse based on allegations the deal involved illegal commissions to Philippine officials. Westinghouse has said U.S. agencies probed the allegations but brought no charges.

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