

PHILIPPINES BIT PLAYER IN DEBT REFORM - FERNANDEZ.By **Chaitanya Kalbag**

367 words

19 February 1988

Reuters News

English

(c) 1988 Reuters Limited

MANILA, Feb 19 - The Philippines' 27.8 billion dollar foreign debt makes it a bit player in attempts to find solutions to the debt crisis and Manila prefers to let large debtors take the initiative, Central Bank governor Jose Fernandez said.

"I think anybody who pretends to know everything is talking through his hat," he said in an interview.

"We as a small country...should not be the battering-ram," he said. "We might get battered ourselves. There are better and bigger battering rams in this world and I think we should be close behind."

Asked to comment on warnings by top U.S. officials that Mexico's debt-exchange plan was not a cure-all for the debt crisis, he said: "We have to wait till the 26th and only the market will say."

Mexico has set February 26 as the deadline for bids from its creditor banks for up to 10 billion dollars in 20-year bonds backed by U.S. treasury zero-coupon bonds. In exchange, the banks would retire existing Mexican debt at a discount.

He disagreed with U.S. Federal Reserve vice chairman Manuel Johnson who said in Tokyo on Thursday that Mexico's plan would at best serve as an exit for small creditor banks.

"Different banks have different objectives," Fernandez said. "If they want to get out, they'll get out."

"It's a leveraging situation and very much depends on the value at which the (Mexican) paper actually gets surrendered and on the value that the market attaches to the new issue, on whether or not the interest risk is perceived as better than the current interest risk," he said.

Fernandez said Brazil's movement towards a resumption of interest payments was a more traditional approach.

Brazil has been discussing a medium-term new money and rescheduling package with creditor banks, a year after it abruptly halted interest payments on 68 billion dollars of loans.

"They claim they'll start to pay but they are in arrears," Fernandez said. "Whether or not they can get new money just to put their interest payments current is up to the banks."

Document lba0000020011203dk2j00wm9

