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Despite Debt Reduction, Debt Service Payments Continue To Qualify As Major Financial Burden

by Steven Ranieri
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According to a recent study by the UN Economic Commission for Latin America and the Caribbean (ECLAC), despite Mexico's restructuring agreement with commercial banks in 1989, foreign debt service continues to absorb 43.6% of total export earnings. Overall the restructuring accord cut Mexico's total debt by about $5 billion. In 1989, the foreign debt was equal to nearly 300% of export revenues, compared to 220% in 1984. In the 1983-1989 period, debt service totaled $60.7 billion: $46.8 billion, interest, and $13.9 billion, principal. New loans over the seven years totaled $34.7 billion. As a result of the 1989 agreement, ECLAC estimates that between 1990 and 1994, Mexico's overall negative capital transfer will decline by slightly more than $3.7 billion per year. In 1989, Mexico's foreign debt was reduced by $5 billion compared the 1988 year-end total. Devaluation of the yen accounted for $2 billion of the reduction, and debt-equity swaps, for $1.8 billion. (Source: El Financiero, 10/17/90)

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