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Mexico Begins Negotiations In New York To Reduce Foreign Debt Burden

by John Neagle

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According to Mexican official sources, Jose Angel Gurria, the Finance Secretariat's undersecretary of international affairs, will present on April 19 a package of options for reducing the Mexican foreign debt service burden to a committee in New York representing the country's foreign commercial bank creditors. Mexico will reportedly request banks to reduce loan principal amounts, or interest rates, resulting in a reduction of debt service by about half. About 30% of a three-year \$3.6 billion loan from the International Monetary Fund is to be set aside to induce creditor banks to cooperate. The loan money, for instance, could be used as collateral to guarantee payments on government bonds issued in exchange for debt paper from creditors. On April 14 in an interview with Notimex, an unidentified representative of one of four European banks represented on the New York committee said that Mexico will obtain a debt reduction "in one form or another." He said that for European banks, the major question in negotiations with Mexico is not whether a debt reduction will occur, but rather "how much of a reduction, and what forms and calendars will be adopted to implement it." The banker referred to the specific case of the German Deutschebank which has called for a reduction in interest rates Mexico pays on its foreign debt. He added, "The Deutschebank is not the only one. Other colleagues have spoken in favor of this option because they believe that its time has come, and that in the long term the only solution to the debt crisis is to adopt some reduction scheme." (Basic data from Notimex, 04/14/89, 04/16/89; Xinhua, 04/13/89)

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