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April 18: According to Finance Ministry sources, the renegotiation of Mexico's debt held by foreign commercial banks will turn around a menu of three major options. One of them consists of up to a 50% reduction in the face value of selected "old" loans derived from prices prevailing in the secondary market. After a mark-down on the principal, the Mexican government would pay a fixed interest rate on these loans, based on market rates at the time of the transaction. Another option is the exchange of "old" debt for government bonds bearing interest below current market rates. Mexico would guarantee payment of principal and one year of interest payments. Under the existing payment schedule, Mexico would pay about $10 billion in interest on its foreign debt. This amount is $3 billion greater than the total of new loan contracts for 1989 authorized by the Mexican Congress. According to unofficial sources, debt service (interest and principal payments) on the debt in 1989 would absorb close to $15 billion, in the event the negotiations are not successful. In its recent agreement with the International Monetary Fund, the Mexican government emphasized the necessity of reducing net capital transfers to the exterior from 6% of GDP to 2% or less. According to statistics published by the Mexican government, at year-end 1988 the country's foreign debt totaled some $100.4 billion. In contrast, World Bank and IMF sources report a total debt of $107 billion. April 21: Mexican officials reached an agreement with the committee in New York representing the country's commercial bank creditors on the postponement of $1.175 billion in principal payments until March 31, 1990. This arrangement did not include credit for import purchase transactions. Mexico's Deputy Finance Secretary Jose Angel Gurria and William Rhodes, head of the bank committee, said in a joint statement that the Mexican government had confirmed that "all trade credits will be excluded from restructuring or debt reduction arrangements, and payments of such loans will continue." In an interview published April 23 in Argentina's "Cronista Comercial" (distributed by Notimex on April 22), Mexican Finance Secretary Francisco Gil Diaz is quoted as saying that the Brady Plan "is the plan proposed by Mexico." He pointed out that debt reduction plan presented by US Treasury Secretary Nicholas Brady is applicable to other countries because it is premised on previous efforts by debtor nations. Mexico, he added, will benefit from the plan because of such efforts which were not the result of "conditionality" imposed by the commercial banks or other financial institutions. (Basic data from Notimex, 04/18/89, 04/21/89, 04/22/89)

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