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Recommended Citation
Neagle, John. "I.m.f. Approves $4.08 Billion Loan Package For Mexico; Talks Opened With Paris Club." (1989). https://digitalrepository.unm.edu/notisur/3161

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NotiSur
LADB Article Id: 072736
ISSN: 1060-4189

I.m.f. Approves $4.08 Billion Loan Package For Mexico; Talks Opened With Paris Club

by John Neagle
Category/Department: General
Published: Tuesday, May 30, 1989

On the evening of May 26, the Secretariat of Finance and Public Credit announced that the International Monetary Fund had approved a $4.08 billion stand-by credit package for Mexico. A statement by the Secretariat said the IMF had approved the credit on the ground that Mexico would continue implementing anti-inflation policies initiated in December 1988, and reductions in the public deficit, among other programs contained in Mexico City's letter of intent to the Fund signed in April. Consistent with the US debt reduction initiative, known as the Brady Plan, the IMF will disburse $861 million to Mexico immediately, rather than wait until a new debt reduction-restructuring agreement is completed with the country's foreign commercial bank creditors. The loan total is in two parts. Of one part totaling $3.5 billion, Mexico will be authorized 30% to reduce debt to the banks, such as via the repurchase of loans at discounted prices on the secondary market. The IMF will disburse $292 million of this loan immediately, and the remainder on a quarterly basis over a three-year period. The second loan covers the rest of the immediate disbursement, $569 million, described as compensation for unexpected economic difficulties in 1988, including low oil prices and higher prices for grain imports. In addition to these two loans, the IMF said it would authorize Mexico to borrow up to 40%, or $468 million, of its $1.47 billion of capital in the Fund for the reduction of debt service payments to banks. On May 29, Mexico opened talks with the Paris Club of government creditors with the aim of restructuring a portion of its public foreign debt. Mexican diplomats refused to specify the amount of the debt subject to restructuring, or the terms requested by the government. (Basic data from Notimex, New York Times, Xinhua, 05/27/89; Notimex, AFP, 05/29/89)

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