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John Neagle

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Mexico's Negotiations With Commercial Bank Creditors: Results Of Meeting In Madrid

by John Neagle
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On June 7 in Madrid on the sidelines of a conference on international monetary affairs, Mexico's major commercial bank creditors, and officials representing the World Bank, International Monetary Fund and the Inter-American Development Bank convened to discuss "guarantees" for the banks to reduce the Mexican debt burden. The meeting was chaired by Citibank president William Rhodes. Principal debt negotiator, Jose Angel Gurria, headed the Mexican delegation. Mexico has requested reductions affecting at least half of some $55 billion owed to commercial banks. At the meeting, the bankers were informed of a $5.5 billion package for reducing Mexico's debt derived from Japanese banks, the World Bank, and the IMF. According to the New York Times, the bankers and Mexican officials had not yet agreed on what proportion of the package would be used for reducing the face value on existing debt, and for making interest payments. The World Bank said it would allocate about $950 million over three years for debt reduction. World Bank president Barber Conable said the amount available for debt reduction would be limited to 25% of the World Bank's overall Mexican lending program. The IMF will allow about 30% of its $3.5 billion of Mexican lending, to be used for debt reduction. The remaining IMF monies would be available for other aspects of the country's foreign debt plan, including interest payments. IMF executive director Michel Camdessus said that if Mexico makes "satisfactory progress" in debt management, an additional $586 million may become available. Rhodes said that when talks between Mexico and the banks resume in New York on June 9, he expects more serious negotiations to begin. According to a joint communique signed by Rhodes and Gurria, negotiators hope to reach an agreement in principle for Mexico's 1989-91 financing program by the end of next week. An unidentified member of the Mexican team told Notimex in Madrid that Mexico has no intention of giving up its principal demands in return for a rapidly completed agreement with the banks. He said, "The banks can offer whatever mixture they wish: the percentages they want to reduce the debt and lower interest rates, in addition to fresh monies. But Mexico will not accept any agreement that does not meet the aim of reducing net capital transfer to the exterior to 2% of GDP." The source said that at present Mexico has about $4 billion to apply toward debt reduction, which he described as sufficient to reduce net capital transfer to the exterior by $7 billion per year. (Basic data from AFP, Notimex, 06/07/89; New York Times, 06/08/89)

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