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## **Mexican President: Debt-equity Swaps Not An Option**

*by John Neagle*

*Category/Department: General*

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On June 13 in Mexico City, President Carlos Salinas de Gortari told executives and reporters of the Associated Press that he opposed debt-equity swaps as an important option in reducing Mexico's foreign debt principal and debt service payments. Swap transactions, he said, trigger a sudden liquidity influx and are thus highly inflationary. Overall price inflation, he added, then obligates greater government subsidies and more inflation. In contrast to predictions by financial analysts and World Bank president Barber Conable, Salinas said he expected debt restructuring talks with commercial banks would continue for months, instead of only days or weeks. He said negotiations with the banks were difficult in part because "The banks look at their balance sheet, while we have to respond to social pressures." Salinas asserted that in order for Mexico to move beyond economic stagnation, its debt service burden must be reduced from 7% to 3% of annual gross domestic product. (Basic data from Notimex, 06/13/89)

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