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John Neagle

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Mexico: Threat Of Debt Service Moratorium?

by John Neagle

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According to the June 10 issue of Spanish daily newspaper El Pais, the Mexican government has advised foreign commercial bank creditors that it will suspend debt service payments within the next 10 days if bankers do not present a serious counteroffer much closer to Mexico's original proposal of reducing by 55% the face value on existing loans. The government's loan value write-down is close to prices on Mexican debt paper in secondary markets. The Mexican government's official news agency, Notimex, reported that unidentified sources within the Bush administration indicated that the US Federal Reserve and multilateral financial institutions would support an eventual payment suspension by Mexico in the event commercial banks refuse to concede at least a 40% reduction on principal. Prior to the June 7 meeting in Madrid, the banks had presented a counteroffer of only 22%. [See Chronicle 06/89, 06/08/89.] (Basic data from Notimex, 06/10/89)

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