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In its Oct. 6 issue, the New York Times cited a senior US Treasury official who said that if Mexico's commercial bank creditors could not work out their debt reduction-new credit agreement, it would be renegotiated on terms less advantageous to the banks. The official, speaking on condition of anonymity, said the banks cannot expect more than the $7 billion of guarantees and so-called enhancements provided by the World Bank, the International Monetary Fund, Japan and Mexico. Criticisms at the annual IMF-World Bank meeting were launched from all sides. Some commercial banks and Bush administration officials questioned whether Mexico would obtain the appropriate combination of debt reduction and new loans to support its economic recovery program. Washington was criticized for inadequate attention to Mexico's domestic debt problems. The Mexican government was criticized for inadequate economic reforms. The Brady plan was criticized for insufficient attention to new lending. Mexico and its commercial bank creditors reached agreement in July on a program to reduce and restructure $54 billion of Mexico's debt to commercial banks. The proposal includes a 35% reduction in the value of existing loans, through a reduction of principal or interest rates, and provisions for new loans. On Oct. 6, Mexican officials were scheduled to begin a world tour to sell the package to over 300 banks. On Oct. 7, the London-based Financial Times reported that the US Treasury had advised commercial banks that they must fulfill terms of the accord with Mexico or suffer "painful" consequences. In its US edition, the Times attributed the statement to an unidentified top Treasury official. The official said that the US Congress is studying legislation that would penalize banks who refuse to participate in Brady plan debt reduction agreements. (Basic data from Notimex, 10/07/89; New York Times, 10/06/89)

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