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Mexico: Update On Commercial Foreign Debt Reduction Package

by John Neagle

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On Dec. 4 in a joint statement, Deputy Finance Secretary Jose Angel Gurria and Citibank executive William Rhodes said some 90% of a \$48 billion debt reduction- refinancing package covering Mexico's medium- and long-term commercial bank debt has been arranged. The statement said the remaining 10% of the 1989-92 package could be settled before the end of the week. Thus far, said the statement, 345 of Mexico's approximately 400 creditor banks had agreed to participate. "Only two banks, both with small exposure, have...declined to participate," they said. According to Gurria and Rhodes, new money comprises eight to 10% of the total, with the remainder split about equally between principal reduction and interest reduction bonds. Overall, debt principal reduction is expected to total \$7.6 billion. Mexico will save approximately \$800 million per year in interest payments. In the 1989-1992 period, Mexico will receive about \$1.2 billion in new loans from the banks. According to the Wall Street Journal (12/06/89), because Mexico had to obtain \$7 billion in loans from multilateral financing organizations and Japan to serve as "guarantees" for the package, debt reduction in the end will be rather insignificant. Mexico's total foreign debt is estimated at \$106 billion. (Basic data from AFP, 12/05/89; Notimex, 12/06/89)

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