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Argentina: Report On Foreign Commercial Bank Debt Restructuring

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On March 9 the daily newspaper El Clarin reported that the New York-based foreign commercial bank committee had rejected the government's proposal for restructuring US$31 billion in debt. The sum includes US$8 billion of interest arrears. The government proposed no cash payment on interest arrears, while the banks called for US$1.1 billion in cash in three installments. Next, the committee asserted that fixed interest rates were unacceptable, proposing instead a variable interest rate plus a 0.8125% annual surcharge. Buenos Aires requested a 40% reduction on principal, and the banks' response was a maximum 30%. The banks want the government to accept bonds at full face value for acquiring equity in state-run enterprises to be privatized. Finally, the bank committee has insisted on interest payments of US$1.5 billion per year. At present, Buenos Aires is paying US$720 million. On March 12, the government submitted a revised proposal to the bank committee. Economy Minister Domingo Cavallo said the government cannot pay more than the equivalent of more than 2% of GDP per year on foreign and domestic debt service. In 1992, he added, a total US$3 billion in debt service payments are possible. The new offer reportedly included an initial US$500 million payment on interest arrears; additional means of payment options on debt-equity swaps; and, bond options for the banks at market interest rates. Under existing arrangements, Buenos Aires would have to pay US$3.4 billion in 1993, and US$3.7 billion in 1994. Argentina's total foreign debt comes to about US$60 billion. (Basic data from Spanish news service EFE, 03/09/92, 03/11/92; Agence France-Presse, Chinese news service Xinhua, 03/11/92)

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