

MEXOCO--PRESENT ECONOME C SITUATION AND PERSPECTIVES
IN ITS RELATION WITH JAPAN

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The pressure of the International Financial Community on MEXICO has been enormous. Since 1982 the economic programs of the government have been put to test by the IMF. Until now the Results have been MWXICO, there has not been any dramatic cahanges in either way.

MEXICO has reestructured 43.7 billion dollars obtained before 1983. This amount will be payed in a 20 year period, with seven years of grace and at 0.8125% above libor.

Also 8.55 billon of debt contracted in 1983 and 1984 were reeschedu-
led at 20 years in the sane terms as above. 80% of this Amount was
Contracted under different conditions, using U.S.A. prime rates as
basis, but were changed to libor.

The Commercial Bank has agreed in principle for 6 billion dollars at
12 years with 5 years of grace. On the same terms as above.
Moreover, there will be an oil facility, which means that if oil goes
under 9 dls. P/B, MEXICO will get additional credit for 1.8 billion,
of which IMF will contribute with one third and the Commercial Banks
with the rest.

There is also an additional 500 million dollars for investment purpo-
ses in case the Mexican Economy does not grow as expected.

Regarding the private sector's debt, during the negotiations in sept-
ember, MEXICO set certain rules to be used in reescheduling these tupe
of debts, which amount 11.2 billion dollars.

The Commercial Banks also agreed to maintain Inter-Bank deposits in
Mexican Bank branches aboad for 6 billions dollars.

The total amount involved in the debt negotiations was 77.75 billion
dollaras. This settlement was the first to include the oil facility and
the contigency fund to sustain the Mexican Economy. The saving for
changing the interest base from U.S. prime rates to libor was around
285 millions dollars per year.

1986 is a year in which the economy of MEXICO and JAPAN have been aff-
ectedby different factors and both have experinced changes. JAPAN su-
ffering the effects of the yen appreciation has shown the need for many
of its industries to go abroad, serching for lower labor, energy and
transportation costs. MEXICO seeking to attract foreign investment
and create new jobs, has been redefining the goverment role in industry,
privatizing most of its enterprises and giving more opportunities for
joint ventures and in-bond plants.

The complementarity of both economies has never been clearer, Japan
has a yen surplus beeing the largest creditor nation in the world.
MEXICO having done a great effort to reduce its governmental deficit
needs nevertheless, a massive infusion of capital to create the sou-
rce of new economic growth.