TEGUCIGALPA 7647

FOR ARA/AMBASSADOR RYAN FROM NEGROPONTE

E.O. 12356: DECL: 7/21/69
TAGS: ECON, EBM, BIS, BIS, IMF, HO
SUBJECT: NEW DEBT RESCHEDULING CONDITIONS PERPLEX GOH TEAM

1. CONFLAT - ENTIRE TEXT

2. IN CONVERSATION WITH HONDURAN CHAIRMAN OF SPECIAL COMMISSION ON DEBT RESCHEDULING, ROBERTO GALVEZ BARNES, GALVEZ TOLD AMBASSADOR THAT HE HAD RECEIVED A TELEX FROM BANK OF AMERICA LAYING OUT "CONDITIONS" FOR CONTINUED RESCHEDULING NEGOTIATIONS. ACCORDING TO GALVEZ, CONDITIONS INCLUDE WHAT GALVEZ CALLED A DOUBLING OF THE PREVIOUSLY MENTIONED AGENCY FEE, A SIGNIFICANT INCREASE IN EARLIER ANTICIPATED ARRANGEMENT FEES AND AN UNEXPECTED PROPOSED CHARGE FOR $50,000 IN ECONOMIC ADVISORY SERVICES PAYABLE IN 1963 AND $40,000 PER ANNUM FOR SIMILAR SERVICES PAYABLE IN 1964 AND 1965. THESE FEES ARE OVER AND ABOVE THE NORMAL EXTENSION AND CONVERSION FEE WHICH WILL HAVE TO BE PAID IN ANY EVENT. THE BOTTOM LINE OF BANK OF AMERICA TELEX IS THAT HONDURANS, IN EXCHANGE FOR DEBT RESCHEDULING AND ADDITIONAL FINANCING OF $40 MILLION, WILL HAVE TO PAY AN ADDITIONAL FEE STRUCTURE OF $346,500 OVER A SEVEN-YEAR PERIOD. THE UPFRONT COST OF THIS SERVICE WILL BE $243,500 PAYABLE WITHIN FIVE DAYS OF SIGNATURE OF AGREEMENT.

3. GALVEZ SAID THAT GOH IS PERPLEXED BY INTRODUCTION OF THESE NEW ELEMENTS AT THIS STAGE OF RESCHEDULING NEGOTIATIONS AND GOH INTENDS TO GO BACK TO BANKERS IN EffORT TO EITHER ELIMINATE OR SIGNIFICANTLY REDUCE SOME OF THE PROPOSED FEES. MEANWHILE, GALVEZ POINTED OUT THAT BANKS HAVE NOT SENT GOH SECOND DRAFT OF RESCHEDULING AGREEMENT WHICH GOH HAS BEEN EXPECTING SINCE LAST FEBRUARY.

4. GALVEZ ASKED IF WE MIGHT INFORMALLY INTERCEDE ON HIS BEHALF WITH CONSORTIUM TO ASCERTAIN REASON FOR THESE APPARENTLY NEW DEVELOPMENTS AND TO CONVEY GOH'S SERIOUS CONCERN AT LENGTHY DELAYS IN CONCLUSION OF NEGOTIATION PROCESS. GALVEZ IS CONCERNED, AS ARE WE, AT FACT THAT COMPOSITION OF BANKS' STEERING COMMITTEE IS APPARENTLY UNDERGOING ITS THIRD CHANGE SINCE THE MEMORANDUM OF UNDERSTANDING WAS INITIATED IN FEBRUARY. GOH UNDERSTANDABLY IS CONCERNED THAT BANKERS ARE HAVING DIFFICULTY APPLYING CONSISTENT APPROACH TO THEIR PROBLEM WHICH FOR GOH, OF COURSE, IS OF CRITICAL JURISDICTION.

Dept of State, RPS/IPS, Margaret R. Grasek, Dir.

(Y) Release ( ) Exercise ( ) Deny (Y) Declassify

Date: 2/24/71

Exemption:
5. ACTION REQUESTED: We would greatly appreciate Department
ment taking informal soundings with Bank of America, which
has replaced Wells Fargo as Chairman of the Steering
Committee. We believe it would be appropriate to point out
urgency of this matter to GOL; fact that GOH has been a
most reliable interlocutor; and that it has kept its
interest payments current. We understand that new
Steering Committee Chair, Helmut Strohmeyer
(phone: 305/433-3331) who also has experience with
Costa Rican debt rescheduling. In every conversation we
have had with knowledgeable bankers on this subject, they
have invariably said that Honduran debt rescheduling is a
considerably less complex and more straightforward matter
than Costa Rica's. We would hope that Mr. Strohmeyer
could be persuaded to ascertain this for himself on an
urgent basis. Negroponte
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