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John Neagle

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Colombia: 90-day Debt Payment Suspension

by John Neagle

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On Dec. 31, Finance Minister Luis Fernando Alarcon announced a 90-day suspension of interest and principal payments on the government's \$16.5 billion debt owed to foreign banks. Alarcon said payments will be resumed in April, when Colombia will receive a \$1.7 billion loan from foreign banks to be used in making necessary payments during 1989. Colombia was the only Latin American country that to the present had not refinanced its foreign debt, nor suspended payments. The 90-day suspension means that Colombia will not pay \$300 million due at present. In the previous week, the Colombian congress approved legislation which facilitates government refinancing of the debt, stating the financial impossibility of continuing scheduled principal and interest payments under current conditions. The government has been called on to renegotiate better terms on the debt since in the next two years, the country was scheduled to pay up to 40 cents on every dollar in export revenues in debt service. (Basic data from Notimex, AP, 12/31/88)

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