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Costa Rica Sets 30% Limit On Scheduled Interest Payments

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On Jan. 15, Central Bank chief Eduardo Lizano announced that in 1989, Costa Rica plans to pay the equivalent of 30% of scheduled interest payments on the foreign debt. He said the government made this decision while attempting to reschedule its $1.5 billion debt with foreign commercial banks. In the previous week, Lizano told a US congressional committee that his government cannot afford to continue diverting funds from its health, education and development programs to make debt service payments. Over a year ago, Costa Rica proposed to a group of 150 creditor banks that interest rates and principal payments should be linked to economic indicators such as export revenues, capital inflows and GDP growth rate. A payment schedule on this basis has not yet been developed. Costa Rica owes a total of $4 billion to foreign creditors: $1.5 billion to commercial banks, $1 billion to the Paris Club, and the rest to multilateral financial institutions. (Basic data from Xinhua, 01/16/89)

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