7-4-1989

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Brazil Delays Interest Payments To Paris Club

by John Neagle

Category/Department: General
Published: Tuesday, July 4, 1989

On July 4, spokesperson for Finance Minister Mailson da Nobrega, Rosa Dalcin, said Brazil has delayed payment on some $800 million in interest owed Paris Club creditor governments because of falling reserves. The payment, due July 3, said Dalcin, was held back by the central bank for "operational reasons because the institution must adjust to changes decided Friday. But our intention is to pay. This is in no way a suspension of payments, but just a delay." According to government sources, da Nobrega had approved a measure on June 30 to set a minimum reserve limit above $4.5 billion, considered the critical level and adequate to pay for three months' worth of imports. Unofficial sources estimate reserves at $5.6 billion. Dalcin confirmed that "a large concentration of payments are to be made to the Paris Club members in July possible." Since January, Brazil has paid out some $2 billion in capital repatriation for profits and dividends. The government had predicted having to pay out only $1.7 billion for the entire year. In addition to the $800 million scheduled for payment to the Paris Club this month, Brazil must make $600 million in interest payments to private creditor banks. About $9 billion of Brazil's $112.3 billion foreign debt was borrowed from Paris Club members. (Basic data from AFP, 07/04/89)