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Brazil Considers Debt Service Suspension Until Installment Of New Government

by John Neagle
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On July 19 in Brasilia, Arnim Lore, director of the Central Bank's external affairs division, admitted that the government is considering suspending debt service payments on its $112 billion debt until the new government is installed in March 1990. He said this decision would result from a refusal by private bank creditors to release installments on loans destined for interest payments. Lore answered reporters' questions prior to a flight to the US. He was accompanied by Sergio Amaral, Brazil's chief debt negotiator. According to Lore, if the banks continue to exhibit inflexibility, "in September we will have the opportunity to make major decisions." The two officials were scheduled to meet with representatives of bank creditors in New York, and in the following week to discuss financing and debt reduction needs with US and World Bank officials in Washington. The banks froze disbursement of loans contracted in mid-1988, result of the Brazilian government’s failure to meet certain requirements of an International Monetary Fund agreement. The IMF, the World Bank, and other official agencies also suspended disbursement of loan monies. Amaral pointed out that by the end of September, Brazil will owe commercial banks a total of $2.3 billion. Scheduled payments to the banks for the last quarter of the year come to $1.04 billion. Foreign reserves are estimated at $6 billion. Brazil's general elections are scheduled for November. (Basic data from Notimex, 07/21/89; Xinhua, 07/17/89)

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