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Brazil: Prospects For Obtaining New Loans, Debt Reduction

by John Neagle

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In statements to reporters on Aug. 24 in Brasilia, Minoru Inouye, president of the Bank of Tokyo, said Brazil will receive new monies from creditor banks only if it reaches a formal accord with the International Monetary Fund (IMF) on resolving balance of payments problems. Without an IMF accord, he said, Brazil would not qualify for Japanese credits which have already been earmarked. Next, the bank president said Japanese banks are to provide 17% of the total \$600 million pledged by the country's commercial bank creditors. Of the total \$14 billion Brazil owes Japanese banks, about 10% involve long-term credit granted by the Bank of Tokyo. Finally, Inouye said Brasilia must reach an agreement with the IMF on payment of interest due next month. Brazilian export revenues totaled \$20 billion by the end of July. Nevertheless, Brazil is not expected to make \$2.3 billion payments to commercial banks due in mid- September. The government's policy to keep foreign reserves above \$6 billion has already resulted in holding off \$1 billion in payments. On Aug. 16, a congressional committee voted to send to the Chamber of Deputies and the Senate a bill that would suspend foreign debt payment until the Supreme Federal Court rules on the constitutionality of the loan agreements. In September, Brazil's leading presidential candidate, Fernando Collor de Mello, is scheduled to travel to New York to discuss his debt relief program for the 1990s with bankers. The New York Times cites Collor as saying: "We are coming out of a decade with negative capital flows. In 1980 we owed \$53 billion. From then until now we have paid \$105 billion in interest and we still owe \$112 billion...There is no way things can continue the way they are going." He said his plan calls for stretching out debt payments over 40 years at fixed interest rates. (Basic data from AFP, 08/24/89; New York Times, 08/28/89)

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