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Costa Rica, Brazil, Venezuela: Commercial Foreign Debt Negotiations Soon Underway

by John Neagle
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With the end of commercial foreign banks' debt accord with Mexico in sight, bankers are now focusing attention on other Latin American countries. Negotiations with Costa Rica began Sept. 6, and the first formal meeting with Brazil will take place Sept. 8. An unidentified banking source participating in the negotiations with both countries told Notimex on Sept. 6 that Costa Rica has requested that a portion of its $1.47 billion commercial bank debt principal be reduced by 60%, with the remainder restructured. San Jose's aim is to reduce interest payments to an effective 4% on the total rather than the current 10%. The banking source said Costa Rica's bank creditor committee will make a counteroffer of a 30% reduction on debt principal. Another unidentified banker told Notimex that Costa Rica had accomplished a great deal already, having established agreements with the International Monetary Fund and the World Bank. The two institutions have offered $230 million to Costa Rica for use in debt reduction schemes. In the Brazilian case, the two sources said the negotiations on its $68 billion in commercial bank debt will be very difficult. One of the bankers noted that Brazil is scheduled to pay $2.3 billion in September. Meanwhile, the government is faced with severe political and financial problems, an insane inflation rate and has not achieved agreements with the IMF and the World Bank. On Sept. 4 in Caracas, Planning Minister Miguel Rodriguez said that next week Venezuela will resume debt reduction negotiations with US and European creditors. He denied that talks with European banks had failed, even though the latter rejected Venezuela's request for a 50% principal reduction. Rodriguez said his government will insist on reducing its $20.3 billion commercial debt by half. In the first round of talks with bank creditors, Venezuelan negotiators presented a menu including a buy-back program in which face value would be reduced by 60%, and a government bond exchange for debt reduced by 50% of face value. Unidentified sources cited by Notimex said Venezuela may consider offering oil reserves as a guarantee. (Basic data from Notimex, 09/04/89, 09/06/89)

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