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Venezuela: \$350 To \$400 Million Overpayment On Interest To Foreign Commercial Banks

by Barbara Khol

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On Nov. 17, Central Bank president Pedro Tinoco told reporters that Venezuela has made interest overpayments to foreign commercial bank creditors in the amount of \$350 to \$400 million. The money is to be refunded by the banks in early 1991. The overpayments correspond to a 1986 refinancing agreement during the administration of Jaime Lusinchi (1984-1989). Venezuela's debt to foreign commercial banks totals slightly more than \$20 billion. According to Tinoco, the refund arrangement was part of this year's debt reduction agreement with the banks, to be formalized Dec. 5. Options contained in the new agreement include permanent reduction of interest payments (via establishment of a fixed interest rate), temporary interest payment reduction (variable interest rate), purchase of foreign debt paper at steep discounts on principal in the secondary financial market, and new loans equivalent to 20% of outstanding debt. The creditor banks accepted a "permanent" reduction in interest totaling \$6.6 billion. (Basic data from AFP, 11/17/90)

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