

RESTRICTED

GRS 245
RESTRICTED [CULL]
FM BRASILIA 31:1700Z DEC 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 487 OF 31 DECEMBER
REPEATED INFO BANK OF ENGLAND, UKDEL IBRD WASHINGTON
SAVING INFO RIO DE JANEIRO, SAO PAUL, BONN, PARIS

MY TELNO 486 BRAZIL: FOREIGN DEBT

1. ACCORDING TO REPORTS IN TODAY'S BRAZILIAN PRESS, SERRANO, DIRECTOR OF THE BANCO CENTRAL'S FOREIGN SECTOR, STATED YESTERDAY THAT IF THE INTERNATIONAL BANKS DID NOT ACCEPT BRAZIL'S PROPOSALS FOR RESCHEDULING THE LOANS FALLING DUE IN JANUARY AND FEBRUARY 1983 BY 1 MARCH 1983 THE COUNTRY WOULD HAVE NO ALTERNATIVE BUT TO DECLARE ITSELF INSOLVENT. SERRANO ADDED, HOWEVER, THAT THE BANCO CENTRAL WAS NOT YET WORKING ON THIS HYPOTHESIS.

2. UNTIL YESTERDAY LESS THAN HALF OF THE 648 INTERNATIONAL BANKS ASKED HAD GIVEN A POSITIVE REPOSE TO THE PROPOSALS MADE IN NEW YORK. NO BANK HAD SAID NO.

3. NOW THAT TIME HAS VERY NEARLY RUN OUT BEFORE THE FIRST 1983 AMORTISATIONS ARE DUE TO BE PAID, BRAZIL, AND THE LARGE BANKS WHICH ARE SUPPORTING HER, ARE FACED WITH THE PRACTICAL PROBLEM OF WHAT TO DO WHILE THEY WAIT FOR MEDIUM AND SMALL BANKS TO REPLY. PRESS OPINION IS THAT THEY WILL ASSUME SILENCE IS CONSENT AND GO AHEAD WITH THE OPERATIONAL PLAN TELEXED TO ALL THE BANKS.

FCO PSE PASS SAVING TO BONN AND PARIS

HARDING

[REPEATED AS REQUESTED]

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