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FM BRASILIA 231525Z AUG 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 322 OF 23 AUGUST

AND TO IMMEDIATE DTI, ECGD, BANK OF ENGLAND, HM TREASURY,

UKDEL IMF/IBRD WASHINGTON, PARIS

AND TO SAVING SAO PAULO, RIO DE JANEIRO

MY TELNO 317 AND PARIS TO FCO TELNO 750: BRAZIL'S FOREIGN DEBT
1. AS FORESHADOWED IN MTUR, DELFIM NETTO'S TRIP TO PARIS HAS
TRIGGERED BRAZIL'S RECOURSE TO THE PARIS CLUB. VIA HIS CONTACTS
WITH LAROSIERE, IT MAY ALSO HAVE OPENED THE WAY FOR BRAZIL TO
RECEIVE FROZEN TRANCHES OF HER PROJECT ONE JUMBO LOAN FROM THE
BANKS EVEN BEFORE THE IMF BOARD HAS PRONOUNCED FORMALLY ON THE
REVISED LETTER OF INTENT. THE MINISTRY OF FINANCE SPOKESMAN
IS QUOTED IN TODAY'S GAZETA MERCANTIL TO THE EFFECT THAT THE
GREEN LIGHT HAS INDEED BEEN GIVEN AND THAT BRAZIL THEREFORE
EXPECTS TO RECEIVE US DOLLARS 1.27 BILLION IN SEPTEMBER.

2. THE SPOKESMAN CONFIRMED THE STATEMENT BY DELFIM LAST WEEK
THAT PAYMENTS OF BOTH PRINCIPAL AND INTEREST ON PARIS CLUB
DEBTS ARE IN SUSPENSE PENDING THE NEGOTIATIONS IN THAT FORUM.

3. THE ABOVE DOES NOT SIGNIFY ANY RELAXATION IN THE TERMS OF
THE AGREEMENT PAINFULLY HAMMERED OUT BETWEEN THE IMF AND BRAZIL
OVER THE PAST WEEKS. APPROVAL OF THE AGREEMENT BY THE IMF
BOARD IS STILL EXPECTED IN OCTOBER AFTER CONGRESSIONAL RATIFICATION
HERE OF DECREE LAW 2045 PARTLY DE-INDEXING WAGES.

4. DELFIM'S STRATEGY OF PERSEVERING ALONG THE LINES WORKED
OUT WITH THE IMF THUS REMAINS IN FORCE, THANKS TO FIGUEIREDO'S
SUPPORT, IN THE FACE OF INCREASING OPPOSITION FROM EVER-BROADER
AND MORE VOCAL SECTIONS OF INDUSTRY AND THE POLITICAL SPECTRUM.
THE MAIN OPPOSITION PARTIDO DO MOVIMENT DEMOCRATICO BRASILEIRO
ARE DUE TO PRESENT THEIR ALTERNATIVE STRATEGY TOMORROW IN CONGRESS.

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THE MOST SIGNIFICANT GROUP OF SAO PAULO INDUSTRIALISTS HAVE LAUNCHED THEIR OWN ANTI-RECESSION ALTERNATIVE STRATEGY (COPY OF THEIR DOCUMENT IN ENGLISH BY BAG ON 26 AUGUST). NONE OF THESE FRONTAL ATTACKS ON DELFIM'S POLICIES HAVE SO FAR HAD ANY PALPABLE EFFECT.

5. A POTENTIALLY MORE DANGEROUS DEVELOPMENT FOR THE GOVERNMENT IS THE LAUNCHING BY MAIN SAO PAULO NEWSPAPER O ESTADO DE SAO PAULO OF A SENSATIONAL SERIES OF ARTICLES DENOUNCING AS CORRUPT THE WAY IN WHICH DELFIM'S MINISTRY ALLOWED BRAZIL TO CONTRACT A HUGE IMBALANCE IN TRADE WITH POLAND, AS A RESULT OF WHICH BRAZIL NOW HOLDS SOME US DOLLARS 1.8 BILLION IN NON-NEGOTIABLE POLISH PAPER. ACTING PRESIDENT AURELIANO CHAVES (WHO WILL HAND BACK HIS OFFICE TO FIGUEIREDO ON 26 AUGUST) IS REPORTED TO HAVE INSISTED ON IMMEDIATE INVESTIGATION: AND THE INDIVIDUALS AND INSTITUTIONS BEING SWIPED AT BY THE ESTADO ARE SHOWING SIGNS OF BREAKING RANKS IN SELF-DEFENCE.

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*MONETARY
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FM PARIS 221600Z AUG 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 750 OF 22 AUGUST

AND TO IMMEDIATE DTI, ECGD, BANK OF ENGLAND AND H M TREASURY
INFO PRIORITY BRASILIA, UKDEL IMF/IBRD WASHINGTON

INFO SAVING UKDEL OECD

MY TELNO 748: BRAZIL: FOREIGN DEBT

SUMMARY

1. THE CHAIRMAN OF THE PARIS CLUB HAS TELEXED TO US THE TEXT OF A REQUEST, RECEIVED TODAY, FROM THE BRAZILIAN MINISTER OF FINANCE FOR THE RESCHEDULING OF PAYMENTS OF PRINCIPAL AND INTEREST ON LOANS FROM OR GUARANTEED BY FOREIGN GOVERNMENTS AND OFFICIAL AGENCIES, TOGETHER WITH ACCUMULATED ARREARS OF SUCH PAYMENTS. (FULL TEXT BY BAG TO STONE, ERD).

DETAIL

2. THE BRAZILIAN MINISTER OF FINANCE, SR GALVEAS, GIVES THE FOLLOWING INFORMATION IN HIS LETTER TO THE CHAIRMAN OF THE PARIS CLUB, WHICH IS DATED 17 AUGUST:

A) THE TOTAL OF THE MAJOR OFFICIAL LOANS GUARANTEED BY OFFICIAL AGENCIES TO BRAZIL AMOUNTS TO ABOUT US DOLLARS 7 BN, TO WHICH SHOULD BE ADDED A SUM FOR OFFICIALLY GUARANTEED SUPPLIER CREDITS, WHOSE VALUE WILL BE KNOWN IN A FEW DAYS

B) THE PAYMENTS DUE FROM 1 AUGUST TO 31 DECEMBER 1983 AMOUNT TO US DOLLARS 685.8MN, COMPRISING US DOLLARS 493.9MN OF PRINCIPAL AND US DOLLARS 191.9MN OF INTEREST

C) FOR THE YEARS 1984, 1985 AND 1986, THE PAYMENTS DUE ARE AT PRESENT SCHEDULED AS FOLLOWS:

US DOLLARS	1984	1985	1986
PRINCIPAL	1042.6	921.1	666.7
INTEREST	419.4	333.0	265.1
TOTAL	1462.0	1255.1	931.8

D) TO THIS TOTAL MUST BE ADDED THE OFFICIALLY GUARANTEED SUPPLIER CREDITS AND ANY OTHER CREDITS OF LESSER IMPORTANCE. THE DETAILED LIST OF THESE WILL BE DRAWN UP BY THE CENTRAL BANK OF BRAZIL AS SOON AS POSSIBLE

E) BETWEEN MARCH AND 31 JULY 1983, ARREARS AMOUNTING TO US DOLLARS 109.11MN ACCUMULATED AS FOLLOWS:

MARCH	US DOLLARS 2.38MN
APRIL	US DOLLARS 5.93MN
MAY	US DOLLARS 20.14MN
JUNE	US DOLLARS 42.18MN
JULY	US DOLLARS 38.48MN

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3. GALVEAS WRITES THAT IT IS HIS GOVERNMENT'S INTENTION TO ASK THE PARIS CLUB TO RESCHEDULE THE DEBTS LISTED ABOVE. HE WILL SEND THE PARIS CLUB A MEMORANDUM WITHIN THE NEXT FEW DAYS GIVING A MORE PRECISE ACCOUNT OF HIS GOVERNMENT'S REQUEST.
4. GALVEAS REFERS TO AGREEMENT REACHED WITH THE IMF AT THE TECHNICAL LEVEL AT THE END OF LAST WEEK ON A FINANCIAL STABILISATION POLICY.
5. IN HIS TELEX, THE CHAIRMAN OF THE PARIS CLUB CONFIRMS THAT IT IS HIS INTENTION THAT THE BRAZILIAN REQUEST SHOULD BE DISCUSSED AT THE MEETING OF THE CLUB ON 15 SEPTEMBER. HE ASKS THAT, IN ACCORDANCE WITH BRAZILIAN WISHED, THIS REQUEST SHOULD REMAIN CONFIDENTIAL. HOWEVER, AS ALREADY REPORTED IN TELECON GARSIDE/CASE(HMT), TODAY'S EDITION OF LES ECHOS (BUSINESS DAILY) REPORTS THAT THE BRAZILIAN PLANNING MINISTER HAS HELD TWO MEETING WITH THE MANAGING DIRECTOR OF THE IMF OVER THE PAST WEEKEND AND SEPARATE MEETINGS WITH THE FRENCH MINISTER OF FINACNE AND THE CHAIRMAN OF THE PARIS CLUB, IN ORDER TO DISCUSS THIS REQUEST FOR RESCHEDULING.

FCO ADVANCE COPIES TO :-

FCO - EVANS, J C THOMAS, STONE, SINDALL
HMT - LAVELLE, CAREY, CASE
BANK OF ENGLAND - LOEHNIS, BALFOUR, HALL
ECGD - BREACH, HARDING

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(ADVANCED AS REQUESTED)

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