

Brazil Threatens Ecuador with Reprisal After It Refuses to Repay Loan

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The Brazilian government has recalled to Brazil capital Brasília its ambassador from Ecuador over the Andean country's suspension of payments on a Brazilian loan worth at least US\$ 320 million.

Ecuador filed an international lawsuit on Thursday, November 20, to suspend payments on the loan from Brazil's BNDES (National Bank for Economic and Social Development), alleging the terms are unlawful.

Correa, said on Saturday, November 22, that the diplomatic tension between his country and Brazil, started in Brasília, and not in Quito. "If they want to convert a commercial-financial problem into a diplomatic incident, this is the exclusive responsibility of Brazil," said the Ecuadorian president.

Correa said that his country likes Brazil a lot and that there is no reason for a fight. He also claimed that Ecuador did not call off the payment, but simply appealed judicially against the debt. "We didn't refuse to pay, nor did we throw the contract in the trash can," he concluded.

Lula expressed his "profound displeasure" with his Ecuadorian colleague for taking the loan debt to an international arbitration.

Rafael Correa, the Ecuadorian president, has warned the country may not repay "illegitimate" debt, as oil export revenues have been hurt by falling prices and the global financial crisis.

Correa said the results of a year long audit of Ecuador's debt found indications that much of the country's US\$ 10 billion foreign debt could be illegitimate.

Celso Amorim, the Brazilian foreign minister, has previously warned that if Ecuador defaults on a loan from the BNDES it would end bilateral trade between the two nations.

"Whoever knows diplomatic practices knows exactly what this [recall] means," Amorim said in São Paulo on Friday, November 21.

"We have wide co-operation with Ecuador and we will examine this co-operation in light of these decisions."

Wall Street credit rating agencies have said Ecuador is among the least credit worthy countries in Latin America.

The country defaulted on US\$ 5.8 billion in bonds in 1999, also amid a sharp fall in oil prices.

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