

SECRET
WNINTEL

DOCUMENT_ID: 3399555
ORIGID: 84-5377378
ACAD: AUNC
SCNO: 10259
ORIGDTG: 051650Z OCT 84
DOCCLASS: S
DOCPREC: O
MHI: I
TITLE: VENEZUELAN PRIVATE DEBT SETTLEMENT
DOCNO:
DOR: 19841006
TOR: 0037
COLLTYPE: O
SENSIND: INTEL
PRODUCER: []
SCSOURCE: IN
SCTYPE: INTEL
STATUS: OND

DECLASSIFIED AND RELEASED BY
CENTRAL INTELLIGENCE AGENCY
SOURCE METHOD EXEMPTION 3B26
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2008

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D COMET 841006 AUNC-10259C1084 1 6 UPID
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ACTION: NC/EOO () INFO: NCREPORT, ODPD-D, ODPR-R, VR, FILE,
NCDORECORD, C/LA/RB, DC/LA/RB, LA/OPS, LA/RR-2, LA/VCE-5, CI/OC, EPO/LA,
IAD/NIF-4, IAD/OCG, IAD/PEL, IMS/RSS, SAG/MEB, (23/W)

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S E C R E T 051650Z OCT 84 INTEL

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TO: NC/HEADQUARTERS INFO DIRECTOR, [] [] []

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SUPDATA: [] FOR NC/HEADQUARTERS REVIEW OF CONTENT AND SOURCE
DESCRIPTION APPROVAL. SEE ALSO [] 0260 (SENT
NC/HQS ONLY) WHICH DOES NOT AFFECT DISSEM. OBTAINED BY INTER-
VIEW. DECL OADR DRV HUM 4-82 ALL SECRET.

1. CTA-00443 TD-OO-B-321/ -84
2. 1247461 (005694)
3. R-1-C
4. 0543646
5. N/A
6. INDEX: DEFER
7. FILE: NONE
8. CLAITT
9. INITIATIVE COLLECTION
10. N/A
11. 78754

12. []
13. []
FILED: 051650Z

REPORT CLASS S E C R E T --WNINTEL--NOFORN--NOCONTRACT

COUNTRY: VENEZUELA

SUBJ: VENEZUELAN PRIVATE DEBT SETTLEMENT

DOI: SEPTEMBER 1984

REF: NC CASE 78754

SOURCE: U.S. CITIZEN, A SENIOR EXECUTIVE WITH A U.S. REGIONAL BANK INVOLVED IN LATIN AMERICAN ACTIVITIES. HIS REPORTING HAS NOT BEEN SUFFICIENT TO ESTABLISH A DEGREE OF SUBSTANTIATION.

TEXT: 1. IN SEPTEMBER 1984 HARRY ((MANNIL)), CHAIRMAN OF ACO, SINDICADO ASOCIACION (S.A.), MET WITH A U.S. CREDITOR TO DISCUSS HIS FIRM'S DIFFICULTY IN SETTLING ITS DEBTS WHICH HE CLAIMED WAS MADE MORE DIFFICULT BY VENEZUELAN GOVERNMENT POLICIES.

2. ACCORDING TO MANNIL, ACO, S.A. OWES US\$80 TO 90 MILLION TO 23 U.S. BANKS FOR AUTOMOBILES, CONSTRUCTION MACHINERY, AGRICULTURAL EQUIPMENT AND RELATED PARTS AND SUPPLIES THAT ACO IMPORTED INTO VENEZUELA AND CANNOT RE-SELL. IF ACO ATTEMPTS TO SETTLE THIS DEBT BY OBTAINING GOVERNMENT LOANS OR BY RETURNING THE PURCHASED ITEMS TO ITS CREDITORS, THE VENEZUELAN GOVERNMENT MUST REVIEW, REGISTER, AND APPROVE ALL THE DEBT IN SUCH DETAIL THAT ANY SETTLEMENT WILL NOT BE COMPLETED FOR AT LEAST ONE AND POSSIBLY SIX YEARS. MANNIL SAID THAT BEFORE APPROVAL, A GOVERNMENT AGENCY ESTABLISHED IN FEBRUARY 1983 KNOWN AS RECADI, (REGISTRY OF DIFFERENT EXCHANGE RATES), MUST FIRST EXAMINE ALL ORIGINAL PURCHASE DOCUMENTATION FOR THE VALIDITY OF ALL PURCHASES

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MADE ABROAD. SOME COMPANIES HAVE INCLUDED CLAIMS FOR ITEMS FOR PERSONAL USE OF COMPANY EXECUTIVES WHICH CAUSES THE ENTIRE CLAIM TO BE REJECTED. EVEN MINOR PROBLEMS IN PAPER WORK SUCH AS A CREDITOR HAVING HAD ITS COMPANY NAME CHANGED SINCE THE ORIGINAL LOAN DATE WILL RESULT IN REJECTION. AS AN EXAMPLE OF THE AMOUNT OF SUBSTANTIATION REQUIRED BY RECADI, ACO HAD TO SUBMIT 36 THOUSAND PAGES OF DOCUMENTATION FOR CONSIDERATION.

3. MANNIL CLAIMED THE PRIVATE DEBT IN VENEZUELA IS APPROXIMATELY US\$12 BILLION. HE SAID THAT RECADI IS EXPECTED TO REDUCE THAT AMOUNT TO APPROXIMATELY US\$5 BILLION BY REJECTING MANY CLAIMS ON TECHNICALITIES AND BY REJECTING "PHANTOM" DEBT SUCH AS ITEMS PURCHASED FOR PERSONAL USE OF COMPANY EXECUTIVES. (SOURCE COMMENT: EVEN IF ALL ACO DEBT IS APPROVED AND REGISTERED, THE QUESTION REMAINS OF WHAT HAPPENS TO THE DEBT IF ACO GOES OUT OF BUSINESS DURING REPAYMENT. SOME CREDITORS MAY GET NOTHING.)

ACQ: (1 OCTOBER 9184)

DISSEM: FIELD: SENT TO []

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