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STATE

ACTION: NONE INFO: FILE, RF, CR/WH, FR, IAD/CAS-3, LA/CATF-3, LA/RR, NICAG/LA, NIO/LA, OALA/ES-2, OALA/MC, OALA/MC/CA, OALA/MC/DC, OALA/MC/M1, OALA/MC/R-2, OALA/MCMIL, OALA/ME/LA, OALA/ME/MB, OALA/POLA, ODPN-N, ODPS-S, OER, OGI-2, OGI/EC/IF, OGI/EC/IT, OGI/R-2, OIA/ERRS, OIA/LFMEA, OOE/EI/E, OOE/WE, TF-E,

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FM AMEMBASSYSAN SALVADOR

TO SECSTATE WASHDC IMMEDIATE 9560

BT

C O N F I D E N T I A L SAN SALVADOR 3953

FOR ASSISTANT SECRETARYENDERS FROM DEANE HINTON

E. O. 12065: GDS 5/10/88 (HINTON, DEANE R.) OR-M

TAGS: EAID, ES

SUBJECT: (U) FY84 FOREIGN ASSISTANCE BUDGET PREPARATION

REF: (A) STATE 118524; (B) STATE 118947; (C) STATE 121852
(D) STATE 087047

1. C - ENTIRE TEXT..

2. WE HAVE CAREFULLYREVIEWED WHAT WE KNOW ABOUT THE SITUATION HERE AND ABOUT FORZKGN ASSJSTANCE LEVELS IN RECENT PAST, PRESENT, AND PLANNED. FROM THIS REVIEW, I CONCLUDE:

(1) CONCERNING ECONOMIC ASSISTANCE;

(1) WE NEED MORE ECONOMIC ASSISTANCE NOW.

(2) FY 84 PLANNING LEVELS COULD TURNOUT TOBE TOO

HIGH - IT DEPENDS ON STRENGTH OF RECOVERYHERE, DEBT SERVICE

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State Dept. review completed.

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PROBLEMS, IBRD-IMF PROGRAM AND MY ASSUMPTION THAT FY84 PRIVATE FINANCE WILL BE FLOWING NICELY INTO EL SALVADOR. (3) CRITICAL NEED IS FOREIGN EXCHANGE EVEN BEFORE FY 82 SUPPLEMENTAL--DELAY IN IMF HELP HAS CREATED IMMEDIATE EMERGENCY SITUATION.

(4) THEREFORE, TO SUPPORT NEW GOVERNMENT, EVERY EFFORT TO REPROGRAM AND ADVANCE DOLLAR DISBURSEMENTS MUST BE MADE. ALTERNATIVELY, PRIVATE BRIDGE FINANCING MUST BE FOUND.

(B) CONCERNING MILITARY ASSISTANCE:

(1) IF SUPPLEMENTARY IS LONG DELAYED, TRAINING PROGRAM WILL GRIND TO HALT AND AMMUNITION SHORTAGES COULD DEVELOP. THERE ARE VIRTUALLY NO UNCOMMITTED FUNDS AT THIS POINT, AND FY82 IS FAR FROM OVER.

(2) FY 83 MILITARY ASSISTANCE IS UNDOUBTEDLY TOO LOW AND FY84 PLANNED LEVEL ALSO WOULD BE TOO LOW IF WAR HAS NOT WOUND DOWN BY THEN.

(3) THEREFORE, OUR AIASA SUBMISSION WILL CALL FOR \$113.2 MILLION IN FY83 AND \$134.5 IN FY84.

2. TO HELP YOU UNDERSTAND MY CONCLUSIONS, WE SUBMIT FOLLOWING SUMMARY TABLE RELATING TO BILATERAL ASSISTANCE:

| | PLANNING LEVELS | | | |
|--------------|----------------------|------------|--------------------|--------------------|
| | --IN US\$ MILLION -- | | | |
| | FY 1981 | FY 1982 | WASH FY 1983 | WASH FY 1984 |
| ECONOMIC (1) | | | | |
| D | 32.8 | 35.2 | 25.0 | 39.0 |
| ESF | 44.9 | 153.0 | 105.0 | 125.0 |
| PL-480 (I) | 17.1 | 27.4 | 30.0 | 30.0 |
| PL-480 (II) | 9.0 | 7.4 | 5.0 | 5.0 |
| CCC | 27.1 | 22.7 | 25.0 | 25.0 |
| HIG | 5.5 | 15.0 | 15.0 | 15.0 |
| SUBTOTAL | 136.4 | 260.7 | 205.0 | 239.0 |
| MILITARY (2) | | | | |
| IMET | 1.0 | 1.0 | 1.3 | 1.3 |
| FMS | 10.0 | 16.5 | 60.0 | 80.0 |
| MAP | | 43.5 | | |

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|----------|-------|---------|-------|-------|
| 506A | 25.0 | 55.0 | 1 | |
| SUBTOTAL | 36.0 | 115.0 | 64.3 | 81.3 |
| TOTAL | 172.4 | 376.7 H | 266.3 | 320.3 |

NOTES:

(1) ECONOMIC ASSISTANCE AMOUNTS FOR FY 81 IS ACTUAL OBLIGATIONS AND FOR FY82 IS EXPECTED ACTUAL OBLIGATIONS. FOR FY83/84, AMOUNTS ARE FROM CP DOCUMENT, REFTELS OR OTHER. WE HAE IMPUTED A \$25 MILLION CCC PROGRAM FOR FY83/84

(2) MILITARY ASSISTANCE AMOUNTS ARE BASED ONACTUAL PROGRAM OR REFTEL PLANNING LEVELS.

3. FACTS OF OVERWHELMING SIGNIFICANCE ARE THAT CENTRAL BANK IS BROKE, IMPORT ARREARAGES STILL ARE MOUNTING, WAR CONTINUES, AND ECONOMY CANNOT TAKE MUCH MORE. HELP IN FY84 WOULD BE TOO LATE.
HINTON

END OF MESSAGE

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