Directorate of Intelligence

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International Debt Relief: Trends and Key Issues

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An Intelligence Assessment

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GI 84-10050
March 1984

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International Debt Relief: Trends and Key Issues [redacted]

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An Intelligence Assessment

This paper was prepared by [redacted] 25X1
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OGI, [redacted] 25X1

Secret
GI 84-10050
March 1984

International Debt Relief: Trends and Key Issues [redacted] 25X1

Key Judgments

Information available as of 1 March 1984 was used in this report.

A record 25 LDCs and East European countries obtained debt relief totaling $55 billion during 1983, compared with $10 billion in relief recorded in 1982. In contrast to previous years, commercial banks, foreign governments, and multilateral institutions combined their efforts to provide large-scale debt relief packages for major debtors such as Mexico, Brazil, and Yugoslavia. These packages involved new money as well as restructuring of current obligations and were usually tied to the debtor's adoption of an IMF adjustment program. [redacted] 25X1

The outlook for 1984 is one of continued debt repayment difficulties and additional restructurings; in fact, both the number of restructurings and the volume of debt involved should surpass last year's levels. Sluggish export performance, continued high real interest rates, large principal repayments, and the reluctance of banks to increase their exposures will keep restructuring activity high. At present 30 countries are seeking debt relief, including Argentina, Brazil, Venezuela, Nigeria, the Philippines, Poland, and Yugoslavia; 21 of these countries restructured debt last year. [redacted] 25X1

Several issues that could make future negotiations difficult are:

- Debtors' compliance with their IMF-supported programs will again be a very important issue. While bankers believe stringent conditionality to be essential, debtor countries are increasingly emphasizing the substantial political risks that austerity entails.

- Recent debt restructurings have postponed payments to the latter part of the 1980s, and we expect debtors will probably require additional financial relief. The ability of debt-troubled countries to service their restructured debts would be adversely affected by several external factors: a rise in real interest rates, a slowing in OECD growth, an increase in OECD trade restrictions, or a major oil shock.

- Some debtor countries are becoming bolder in their negotiating stances, insisting on more favorable terms—longer maturities and grace periods, lower interest spreads, and reduced front-end fees. Latin American countries have also called for a new approach to handling the debt problem that would include a sharing of responsibility between debtors and creditors for finding solutions and assuming losses.

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- The threat with potentially the most serious consequences for the resolution of debt problems is some form of radical action by the debtors—a debtors' cartel, an explicit repudiation of debt, or a prolonged refusal to make debt service payments. However, at this time we believe there is little probability of such occurrences.

We believe most restructuring requests in 1984 will be met. However, we cannot discount the possibility that mounting popular resistance to austerity may bring irresistible political pressures to bear on some debtor governments, jeopardizing their IMF programs, restructuring exercises, and new loans. Also, some debtors such as Argentina have already begun to consider alternate approaches to resolving their debt servicing difficulties, several of which may prove highly contentious to creditors during 1984.

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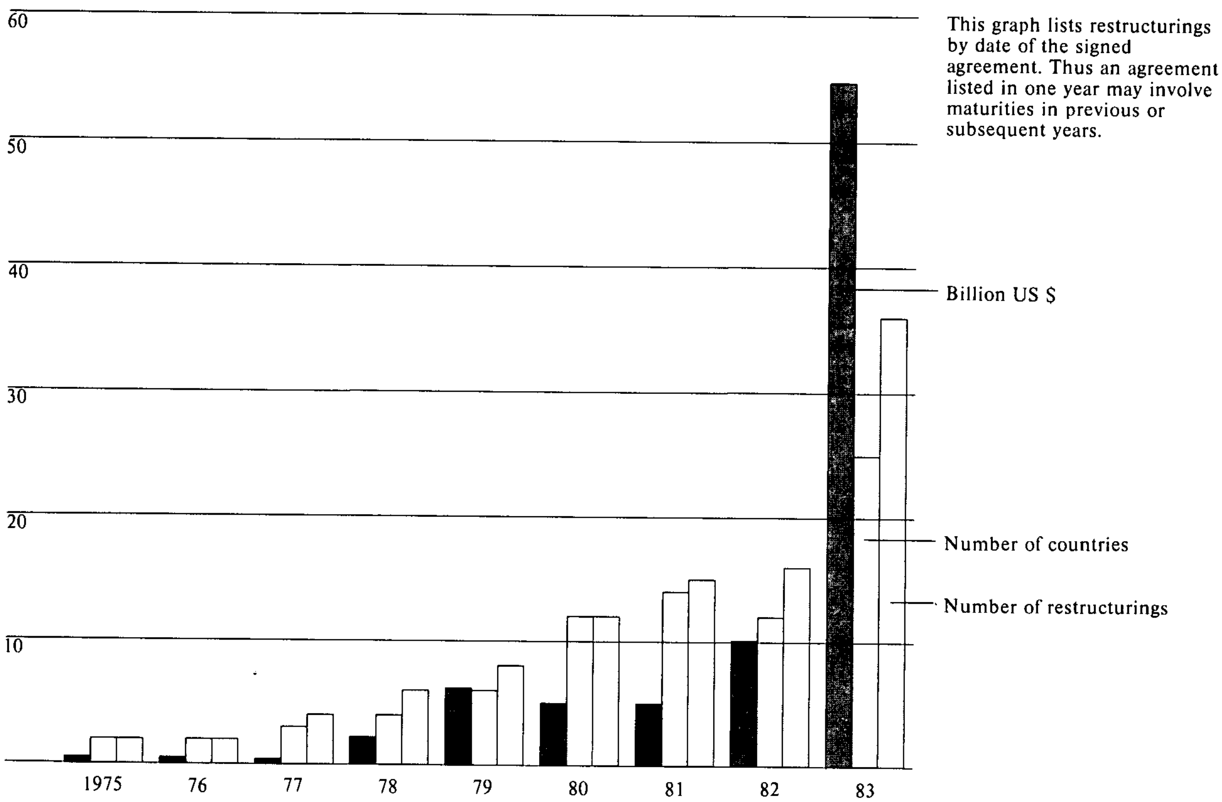
LDC and East European Debt Restructurings, 1975-83



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International Debt Relief: Trends and Key Issues

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The Legacy of 1983

A record 25 LDCs and East European countries obtained debt relief last year. The amount of debt restructured[1]—nearly $55 billion—far exceeded the $10 billion figure registered in 1982 (see figure 1). Over half of the 36 reschedulings and refinancings consisted of debt owed to private creditors with the remainder owed to official sources (see table 1).

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In addition to the sheer magnitudes involved, several other developments set 1983 apart:

- The simultaneous restructuring of debt by several large debtors was unprecedented. While some observers were concerned about the ability of the international financial system to handle this situation, the task has been accomplished thus far without pushing the system to the breaking point.

- About one-third of new medium- and long-term syndicated loans were tied to debt rescheduling packages. Nearly all of this "involuntary" lending went to Latin American debtors.

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The Role of the IMF. A significant change that occurred last year was the more active role played by the IMF in the debt relief process. Debtors' compliance with IMF-supported adjustment programs became a central issue as new lending and commercial and official debt relief exercises were more closely linked to the status of a debtor's relations with the Fund. As in the past, both private and official creditors demanded that a debtor country first seek an IMF arrangement before they would agree to a restructuring. In 1983, however, commercial banks directly tied disbursements of new credits to the quarterly IMF performance targets of several large debtors. Failure to comply led to a rapid deterioration in a country's ability to service its debt because of the debtor's dependence on new bank disbursements.

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The impact of noncompliance is underscored by the experience of five major debtor countries that failed to meet IMF targets during 1983 (see table 2):

- The IMF withheld two $325 million disbursements to ***Argentina*** in August and November due to a series of violations of Fund criteria including accumulation of arrearages on external debt, discrimination against British firms, and failure to meet performance targets on the public-sector deficit and central bank holdings of domestic assets. Buenos Aires's noncompliance also caused banks to withhold $1.0 billion of new credits arranged in early 1983.

- The IMF declared ***Brazil*** out of compliance with its first-quarter 1983 targets on 1 June. As a result, Brazil was unable to draw $410 million and $640 million from the IMF and commercial banks, respectively, in both June and September. Because Brasilia and the IMF did not reach agreement until November on a revised stabilization package, the Fund and the banks withheld disbursement until yearend.

- ***Chile*** missed its first-quarter performance targets on domestic assets held by the central bank and net foreign reserve holdings. Santiago, thus, was unable to draw $54 million from the Fund in March. The IMF approved a shadow program that brought Chile back on track, and Chile was again able to borrow from the IMF. Banks disbursed the first tranche of a $1.3 billion loan in August.

[1] In this paper *"restructuring"* refers to a renegotiation of the terms of existing debt by a country in payments difficulty and covers both rescheduling and refinancing. When debt is "rescheduled," existing terms—usually the interest spread and the maturity—are altered through agreement between debtor and creditor. Under a debt "refinancing," terms are also altered as new funds are advanced to the debtor to replace funds provided under an earlier agreement.

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Table 1
LDC and East European Debt Restructurings in 1983

	Month	Amount Restructured (*million US $*)	Maturity (*years*)	Grace Period (*years*)	Interest Rate (*percentage points above LIBOR*)	New Money Commitments [a] (*million US $*)
Private restructurings						
Argentina	November	5,500	5.0	3.0	NA	1,500
Brazil	February	4,800	8.0	2.5	2.125	4,400
Chile	July	1,300	7.0	4.0	2.125	1,300
Costa Rica	September	615	8.0	4.0	2.250	225
Cuba	December	130	7.0	3.0	2.250	0
Dominican Republic	September	568	5.0	1.0	2.250	0
Ecuador	October	1,210	6.0	1.0	2.250	431
Malawi	March	57	6.5	3.0	1.875	0
Mexico	August/September/ October/December	22,824	8.0	4.0	1.875	5,000
Nigeria	July September	1,350 480	3.0 2.8	5.5 3.5	1.500 1.500	0 0
Panama	September	185	6.0	3.0	2.250	93
Peru	July	380	8.0	3.0	2.250	450
Poland	October	1,400	10.0	5.0	1.750	0
Romania	June	601	6.5	3.5	1.750	0
Togo	October	84	7.3	NA	2.000	0
Uruguay	July	629	6.0	2.0	2.250	240
Yugoslavia	September	1,400	6.0	3.0	1.750	600
Zambia	October	67	7.0	3.0	2.250	0
Official restructurings						
Brazil	November	3,800	9.0	5.0		
Central African Republic	July	13	9.5	5.0		
Costa Rica	January	200	8.3	3.8		
Cuba	March	413	8.5	3.5		
Ecuador	July	200	7.5	3.0		
Liberia	December	22	10.0	5.0		
Malawi	October	30	8.0	3.5		
Mexico	June	2,000	5.5	3.0		
Morocco	October	980	8.0	4.0		
Niger	November	27	10.0	5.0		
Peru	July	1,044	7.5	3.0		
Romania	May	148	6.0	3.0		
Senegal	December	8	9.0	4.0		
Sudan	February	536	16.0	6.0		
Togo	April	300	9.5	5.0		
Zaire	December	1,000	11.0	5.0		
Zambia	May	375	9.5	5.0		

Source: IMF, Embassy, and press reports.

[a] Funds committed by banks and associated with the restructuring.

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Restructurings, Official and Private

Official. *Official creditors rescheduled more than $11 billion in 1983. The forum for nearly all of the official reschedulings was the Paris Club where a group of creditor governments met at the debtor's request to renegotiate the debtor's obligations within a common framework. The terms reported in IMF and other financial publications were generally consistent with those of earlier reschedulings—maturities of 7.5 to 9.5 years, grace periods of three to five years, with interest rates determined on a bilateral basis.*

The Paris Club normally reschedules arrearages but tries to exclude short-term obligations and debt that has been previously rescheduled. In 1983, however, two countries were deemed to have exceptionally severe debt problems and received extraordinary debt relief. Sudan had both previously rescheduled debt included in its agreement, along with a maturity of 16 years including a six-year grace period, and capitalization of moratorium interest. Zaire also received relief on previously rescheduled debt.

Private. *Private creditors agreed in 1983 to restructure nearly $44 billion. The terms for the private restructurings with commercial banks generally included maturities of seven to eight years including two to three years of grace and interest spreads of 1.75 to 2.25 percentage points above LIBOR. In addition, debtors were charged a rescheduling fee of 1.0 to 1.5 percent of the total amount rescheduled.* 25X1

Bank reschedulings usually covered payments due in a 12-month consolidation period, but exceptions were made to include debt owed over two years as in the cases of Costa Rica and Uruguay. In nearly all agreements, at least 90 percent of principal repayments due in the consolidation period were rescheduled, with over half involving 100 percent of principal. Short-term debt was covered in about half of the bank agreements. Several private reschedulings included arrearages on principal repayments. Interest arrearages were not rescheduled except in the case of Sudan. However, the agreements on Costa Rica and Poland included revolving short-term trade facilities that were equivalent to rescheduling of interest payments. 25X1 25X1

Banks remained unwilling to reschedule debt at less than market rates, a condition sought by some major debtors. However, this policy required that banks maintain or increase their exposure to countries with large bank debts in order to keep these countries' interest payments current. 25X1 25X1

- ***Peru*** failed to comply with its public-sector deficit target and was unable to draw $70 million from the Fund in September. Commercial banks responded by withholding two $100 million disbursements. In addition, negotiations between the Government of Peru and the World Bank for a structural adjustment loan of $200 million were suspended until Lima reached an agreement with the Fund.

- In early September the IMF determined that the ***Philippines*** was out of compliance with its standby facility, and the Fund suspended further disbursements until Manila agrees to make major changes in its economic policies. Although no commercial bank credits were tied to IMF disbursements, failure to comply has delayed negotiations on a private creditor rescue package.

Government reluctance to accept an IMF-supported austerity program also held up debt relief measures in both Nigeria and Venezuela. ***Nigeria*** avoided coming to terms with the IMF throughout 1983; a major sticking point in negotiations was the government's reluctance to devalue the naira. Although Western banks agreed to refinance $1.4 billion of short-term debt in July and another $500 million in September, yearend arrearages stood at about $5 billion. We believe bankers are unlikely to agree to major new lending until Lagos comes to terms with the IMF. 25X1

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Table 2
Selected IMF Standby and Extended Arrangements, as of December 1983 [a]

Million US $

Country	Date of Arrangement	Expiration Date	Amount of Agreement	Amount Available, 1984	Comments
Standby arrangements					
Argentina	January 1983	April 1984	1,650	1,000 [b]	Argentina fell out of compliance in August 1983. Currently negotiating for a new loan.
Barbados	October 1982	May 1984	35	10	
Central African Republic	April 1983	April 1984	20	10	
Chile	January 1983	January 1985	550	230	
Ecuador	July 1983	July 1984	173	85	
Ghana	August 1983	August 1984	262	180	
Guatemala	August 1983	December 1984	126	100	
Haiti	November 1983	September 1985	65	35	
Hungary	December 1982	January 1984	523	Fully drawn	On 13 January 1984 Hungary won approval for a one-year, $450 million standby program.
Kenya	March 1983	September 1984	194	110	
Korea, South	July 1983	March 1985	633	400	
Liberia	September 1983	September 1984	61	40	
Mali	December 1983	May 1985	45	20	
Mauritius	May 1983	August 1984	54	40	
Morocco	September 1983	March 1985	315	200	
Niger	October 1983	December 1984	20	12	
Panama	June 1983	December 1984	165	100	
Philippines	February 1983	February 1984	347	250 [b]	Manila is negotiating a new 18-month, $650 million standby for 1984.
Romania	June 1981	June 1984	1,213	515 [b]	Bucharest will probably allow the current agreement to expire without further drawdown before a new agreement covering 1984-85 is signed.
Senegal	September 1983	September 1984	69	45	
Solomon Islands	June 1983	June 1984	2	1	
Somalia	July 1983	January 1984	66	Fully drawn	
Sri Lanka	September 1983	July 1984	110	65	
Sudan	February 1983	February 1984	187	25	Negotiations under way for 1984 program.
Togo	March 1983	April 1984	24	8	
Turkey	June 1983	June 1984	248	150	
Uganda	September 1983	September 1984	105	60	
Uruguay	April 1983	April 1985	416	215	
Western Samoa	June 1983	June 1984	4	1	
Zaire	December 1983	March 1985	250	200	
Zambia	April 1983	April 1984	234	130	
Zimbabwe	March 1983	September 1984	333	220	

Table 2
Selected IMF Standby and Extended Arrangements, as of December 1983 [a] (continued)

Million US $

Country	Date of Arrangement	Expiration Date	Amount of Agreement	Amount Available, 1984	Comments
Extended Fund Facility arrangements					
Brazil	March 1983	February 1986	4,663	1,500	
Dominica	February 1981	February 1984	9	1	
Dominican Republic	January 1983	January 1986	408	130	
Grenada	August 1983	August 1986	15	6 [b]	Talks have begun for a revised one-year agreement.
India	November 1981	November 1984	5,250	1,785	India has indicated it will not draw the full amount available.
Ivory Coast	February 1981	February 1984	533	35	
Jamaica	April 1981	April 1984	157	80 [b]	Jamaica has abandoned its EFF and is negotiating a standby loan for $180 million.
Malawi	September 1983	September 1986	110	30	
Mexico	January 1983	December 1985	3,752	1,600	
Peru	June 1982	June 1985	715	350 [b]	Peru fell out of compliance and is negotiating a new IMF facility.

[a] Countries with Fund agreements that expired in December include Costa Rica, Honduras, South Africa, Thailand, and Yugoslavia.

[b] Access to these funds is currently suspended because of noncompliance.

[redacted] 25X1

Venezuela also failed to renegotiate maturing debts during 1983 as Caracas refused to enact a meaningful stabilization program in a presidential election year. Since the December elections, moreover, the government has still not entered into serious negotiations with the Fund. Commercial banks may agree, however, to renegotiate Venezuela's debt without a Fund arrangement because the country does not require any new credits. [redacted]

More Restructurings in 1984

We believe this year will bring a continuation of debt repayment difficulties and additional reschedulings and refinancings; in fact, both the number of restructurings and the volume of debt involved should surpass last year's levels. Sluggish export performance, continued high real interest rates, large principal repayments, and the reluctance of banks to increase their exposures will keep restructuring activity high. [redacted]

The amount of external financing required by LDCs and East European countries will remain large this year despite the painful balance-of-payments adjustments many of these countries have made (see table 3). We estimate the combined current account deficits of LDCs and East European countries will total $66 billion.[2] In addition, non-OPEC LDCs plan to increase reserves by about $9 billion, according to a recent US Treasury estimate, which would mean that about $75 billion in new money will be required to finance the expected current account deficits and the planned increase in foreign exchange reserves. New lending should be sufficient to cover these needs (see inset "The Sources of LDC and East European Funding"). [redacted] 25X1

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[2] This total consists of an estimate by the US Treasury for non-OPEC LDC current accounts and CIA estimates of OPEC and East European current accounts. [redacted] 25X1

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Table 3 *Billion US $*
LDCs and Eastern Europe: External Financing Needs and Sources [a]

	1981	1983 [b]	1984 [c]
Needs			
Total	**115**	**151**	**158**
Current account deficit	50	66	66
Of which interest:	68	77	82
Principal repayments (medium and long term)	65	79	83
Reserves buildup	0	6	9
Sources			
Total	**115**	**151**	**158**
Direct investment (net)	12	11	11
Private loans (medium and long term)	55	30	25
Official loans and grants	45	48	50
Short-term loans (net)	−6	−2	−6
IMF (net)	4	9	8
Restructured debt	5	55	70

[a] Figures taken from CIA, Treasury, and OECD estimates.
[b] Estimated from preliminary data.
[c] Projected.

However, $83 billion in medium- and long-term principal repayments also will come due this year, an amount far in excess of the repayment ability of these countries. The bulk of these obligations will have to be restructured or allowed to lapse into arrearages. According to Embassy and financial reporting, some 30 to 40 debtor nations will seek approximately $70 billion in debt relief this year. Some 30 countries are currently seeking or have already agreed to restructure in 1984. Countries that will restructure their debt that did not do so in 1983 probably will include Venezuela, the Philippines, and Ivory Coast (see tables 4 and 5).

According to Embassy and financial reporting, key developments in debt relief operations now under way include the following:

- ***Argentina***'s new government would like to reschedule 1982 and 1983 amortization payments and arrearages along with debt maturing in 1984. Argentina has about $12 billion in 1982-84 public-sector maturities.

The Sources of LDC and East European Funding

An important source of funding for LDCs and Eastern Europe will decline again this year as bank lending attitudes remain extremely cautious in the face of persistent external payment difficulties. On the basis of reporting in financial publications and discussions with financial analysts, we estimate that new bank lending to LDCs and Eastern Europe will total only $25 billion in 1984, down from $30 billion last year and from $55 billion in 1981. Most new commercial bank lending to financially troubled countries will be tied to debt relief packages. On the basis of negotiations in progress, we estimate this form of involuntary lending will amount to roughly $16 billion—or almost 65 percent—of total new bank lending this year. 25X1

Increases in capital from other sources will about offset these declines in bank lending. Official flows from developed countries and multilateral institutions—the most important source of financing for many of the poorest developing countries—should increase slightly over 1983 levels to about $50 billion, according to the OECD. The OECD notes that, as a result of declining flows from surplus OPEC countries, developing country Official Development Assistance receipts are not expected to increase markedly in 1984. We believe the IMF will not encounter any difficulties in meeting program commitments during 1984; according to Treasury estimates, the Fund should provide roughly $8 billion in program funds this year, of which over $5 billion will go to major debtors. 25X1

The US Treasury estimates that total foreign direct investment flows to developing countries will probably be in the range of $10-11 billion in 1984, roughly equal to last year's performance. The volume of investment is somewhat misleading, however, as many foreign enterprises have been unable to secure foreign exchange to remit dividends. The resulting forced retained earnings last year accounted for more than a third of total foreign direct investment, and we estimate that some $4.5 billion—or about 40 percent—of projected total 1984 direct investment will be in the form of blocked remittances. 25X1

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Table 4
LDCs and Eastern Europe:
Debt Restructurings in 1984 [a]

	In Process [b]	Probable [c]	Possible [c]
Africa/ Middle East	Central African Republic (o) Ivory Coast (o,c) Liberia (o,c) Madagascar (o,c) Morocco (o,c) Mozambique (o,c) Nigeria (c) Senegal (o,c) Sudan (o) Sierra Leone (o) Togo (o,c) Uganda (o,c) Zaire (o,c) Zambia (o,c)	Angola (o,c) Guinea-Bissau (o,c) Somalia (o)	Egypt (o,c) Mauritania (o,c) Nigeria (o) Upper Volta (o)
Asia	Philippines (o,c)		
Latin America	Argentina (o,c) Bolivia (c) Brazil (c) Chile (c) Costa Rica (o) Cuba (o,c) Dominican Republic (o) Ecuador (c) Honduras (c) Mexico (c) Nicaragua (c) Peru (o,c) Venezuela (c)	Jamaica (c)	Chile (o) Colombia (c) Costa Rica (c) Guyana (c) Paraguay (c) Venezuela (o)
Eastern Europe	Poland (o,c) Yugoslavia (o,c)		

[a] o = official, c = commercial.
[b] See appendix A for a chronology of debt restructuring activities of 11 key debtors.
[c] See appendix B for a description of potential 1984 debt restructurings.

- ***Brazil*** has rescheduled all medium- and long-term debt maturing in 1984. The rescheduling, which amounts to about $5.3 billion, is spread over nine years, with five years of grace, and would carry an interest spread of 2.0 percentage points above LIBOR (London interbank offered rate).

Table 5
Major Debtors: Selected
1984 Bank Restructurings

Billion US $

Country	Amount To Be Restructured	Related New Money
Total	**58.1**	**13.0**
Argentina	12.0	3.2
Brazil	5.3	6.5
Chile	2.1	0.8
Ecuador	0.6	0.5
Ivory Coast	0.8	0.1
Morocco	0.5	0.0
Nigeria	5.0	0.0
Peru	1.7	0.0
Philippines	10.5	1.7
Poland	1.9	0.2
Venezuela	16.5	0.0
Yugoslavia	1.2	0.0

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- ***Venezuela*** is seeking to refinance approximately $13.1 billion in deferred 1983 principal repayments and would like to stretch out payments on another $3.4 billion coming due in 1984. The new government states that a debt restructuring will be given highest priority, but negotiations are likely to take several months.

- ***Nigeria*** has pledged, in the wake of the recent coup, to honor all previous reschedulings and legitimate repayment requests and to press for an IMF arrangement. Lagos must bring current nearly $500 million in outstanding payments under letters of credit and reschedule at least $5 billion in overdue payments under suppliers' credit agreements. 25X1

- The ***Philippines*** has requested that commercial creditors reschedule $1.5 billion in medium- and long-term credits maturing through June 1985, along with $9 billion in short-term credits coming due during the same period. The Philippines has also petitioned government creditors for a rescheduling of $4 billion in official obligations.

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- ***Poland*** has made substantial progress toward a precedent-setting, multiyear bank rescheduling agreement. The 1984 bank agreement is expected by bankers to consolidate all future principal repayments not covered under the three previous reschedulings. In addition, bank creditors are also offering more than $150 million in trade financing. Warsaw has also requested a multiyear rescheduling of nearly $12 billion—including $7 billion in arrearages on official debt accumulated since 1981—pressed for new credits from governments, and attempted to link any Paris Club agreement to negotiations for IMF membership.

- ***Yugoslavia*** and Western creditor governments have agreed to refinance all principal payments coming due in 1984—over $500 million—subject to final approval of an IMF program. At Yugoslavia's request, agreement was reached outside a formal Paris Club session. We believe commercial creditors will probably assent to a request to refinance $1.2 billion in 1984 maturities. [redacted] 25X1

Key Issues for 1984 and Beyond

While we believe most restructuring requests in 1984 will be met, several issues could make negotiations difficult in the coming months and years. [redacted] 25X1

IMF Programs and Political Repercussions. Debtors' compliance with their IMF austerity programs will again be a very important issue in 1984. Noncompliance with Fund programs already jeopardizes negotiations on second- and third-round debt relief packages, especially for countries asking for new loans. For the most part, we believe creditors must see an IMF agreement in place, perceive that the country is adhering to its program, and believe it will achieve an eventual improvement in its balance of payments before restructuring payments and making additional loans. [redacted] 25X1

Despite this general view, commercial banks are under pressure to refinance Venezuela's public-sector debt without an IMF program in place. The banks argue that, because Venezuela does not need new money, debt restructuring without an IMF arrangement would not create a precedent. Nonetheless, we believe that restructuring in the absence of Fund conditionality could reduce the incentive for other debtors to maintain austerity. [redacted] 25X1

While bankers believe stringent conditionality to be essential, debtor countries are increasingly emphasizing the substantial political risks that austerity entails. Protests and violence against austerity measures already have erupted in Tunisia; when the government removed subsidies on cereal products in late December 1983, protests forced the authorities to rescind the move a week later. Moroccan officials have also expressed concern that strict adherence to their standby program risks serious disturbances similar to the 1981 food-price riots. The Siles government in Bolivia is being confronted with popular demonstrations and threatened by coup plotting after mandating price increases for basic goods and a 60-percent devaluation. [redacted] 25X1

Increased domestic opposition to austerity has contributed to calls for relaxed conditionality. Governments in Nigeria and the Philippines have balked at taking austerity measures; they allowed foreign exchange reserves to drop and arrearages to mount, rather than impose politically explosive devaluations and other unavoidable adjustment measures. In the months ahead, we expect several governments, including those of Argentina and Morocco, to press vigorously for more lenient adjustment programs. [redacted] 25X1

Implications of Continued Restructurings. Recent debt restructurings have merely postponed repayment problems to the latter part of the 1980s. We believe that commercial banks will not voluntarily lend to cover all amortization payments in the years ahead, particularly to major Latin American debtors. Consequently, when these payments come due—most large principal repayments start during 1986-87—we expect debtors will again require additional financial relief. As restructurings by major debtors continue, the risk of losing the participation of some commercial banks increases. [redacted] 25X1
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West European banks will take a less conciliatory posture in negotiations in future South American debt restructurings. To keep debt relief packages from unraveling, we believe all lenders and borrowers will have to remain committed to the current renegotiation strategy. [redacted] 25X1

Confronted with the prospect of continued restructurings, the international financial community is also concerned about global economic conditions, which must be favorable for countries to service their debts. [redacted] under favorable global conditions Brazil's credit needs could decline considerably.[3] However, in the event of a global economic shock—a rise in real interest rates, a slowing in OECD growth, an increase in OECD trade restrictions, or a major oil shock—the analysis indicated Brazil's financial needs would grow to levels that lenders would be unwilling to finance. If some shock hit the world economy over the next few years, we believe that LDC and East European debt servicing problems would intensify. [redacted]

Debtors' Demands. We believe the issue of debtors' demands for easier terms from creditors will surface with increasing frequency during this year. Press reporting indicates that many large debtor countries are becoming bolder in their debt negotiating stances, requesting more favorable terms—longer maturities and grace periods, lower interest spreads, and reduced front-end fees—on both new and existing loans. For example, Argentine Economy Minister Grinspun stated to that country's advisory committee that the government wanted easier loan terms on 1982-83 maturities than those given the state airline company, whose rescheduling was to serve as the model for other agreements. [redacted]

Banks are already agreeing to reduce interest spreads on new or existing loans to some debtors. For example, Mexico's bank advisory committee agreed to cut 0.75 percentage point off the interest spread charged in the banks' $3.8 billion new money loan for 1984. Peru received better terms on a $2.6 billion refinancing plan in February than it got in 1983. We believe banks also may ease loan terms—including lengthening of maturities and grace periods—on credits to other debtors showing progress in adjusting their economies. [redacted]

Some debtors, however, are seeking more substantial relief and are calling for a sharing of responsibility between debtors and creditors for solving the debt problem and assuming losses. Press reports indicate that Latin American governments are looking for ways to get creditors to ease loan terms, even substantially beyond those recently given to Mexico, Brazil, 25X1
and Peru. The OAS Special Committee on Finance 25X1
and Trade is studying the possibility of tying debt servicing to growth rates. The Quito Declaration—issued by a group of 30 Latin American nations at a conference in January—recommends that debtors use only a reasonable percentage of export earnings to service their debt obligations. [redacted] 25X1

Bankers have said they will oppose any proposals to charge interest rates below market-related rates such as LIBOR, which is roughly the banks' marginal cost 25X1
of funds. Many bankers argue that it is counterproductive for a country to seek below-market interest rates when restructuring its debt, even if banks can be forced to accede to such rates. They note that, while such terms would address the debtors' immediate repayment problem, they would so alienate the banks involved as to almost certainly jeopardize the debtors' longer term access to new credits. [redacted] 25X1

Potential Radical Actions. Probably the most serious threat to the resolution of debt problems, although at this time a low probability one, is some form of radical action by the debtors—a debtors' cartel, an explicit repudiation of debt, or a prolonged refusal to make debt servicing payments. The establishment of a 25X1
cartel currently seems less likely following the Organization of American States conference held last September to discuss mutual debt problems. The mild proposals following the conference allayed creditors' fears. In addition, several Embassy reports indicate that there are major impediments to joint action including: fears of the large debtors that there will be long-term damage to their creditworthiness and reluctance of smaller debtors to act in the absence of a major debtor. We believe that, as long as Mexico and Brazil continue to avoid radical proposals, such as a debtors' cartel, joint action is unlikely. [redacted] 25X1

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[redacted]

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We also believe that the odds of a country's repudiating its debt or declaring a long-term moratorium on all debt service payments remain low because a debtor can receive most of the same benefits by merely letting arrearages grow and still maintain relations with its creditors. The possibility of a debtor country unilaterally determining which repayment obligations it would honor was raised in late 1983 and early 1984. Argentina's newly elected Alfonsin government made a reference to the repayment of "legitimate external debt" as a part of its platform. In addition, Nigeria's General Buhari pledged in January to honor all "genuine" repayment obligations. Subsequent discussions have not revealed any changes in these countries' approach to debt renegotiations as suggested by such references 25X1

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Appendix A

Key Debtors: Chronology of Debt Relief Activities

Argentina

The Falklands conflict in April 1982 resulted in Argentine trade disruptions, large capital outflows, and payments arrearages exceeding $1.4 billion. Argentina's problems were compounded by the severe bunching of amortization payments; by August 1982 roughly half of total external debt was scheduled to fall due before the end of 1983. Argentina began negotiations with the IMF in September 1982 on a stabilization program supported by a standby loan. As a condition for Fund approval, the IMF requested that creditor banks undertake a three-part package that included disbursement of the first tranche of a $1.1 billion bridge loan; $1.5 billion of new medium-term financing for 1983; and the rescheduling of principal falling due in 1983, including short-term maturities. The bridge loan was signed in late December 1982 and the first tranche of $600 million was disbursed early the next month. [redacted]

Buenos Aires's request for a standby arrangement and compensatory financing totaling $2.2 billion was approved by the IMF in late January 1983, and $900 million was disbursed. By May Argentina received its first-quarter standby tranche, but negotiations with private banks for the medium-term loan and the rescheduling of maturing debt still had not been completed. Banks delayed talks because of the discrimination against British firms and Argentine bankruptcy laws. The government was unable to draw $325 million from the IMF in August when the central bank failed to meet its quantitative target on net domestic assets, which fueled an inflation rate more than double the rate targeted under the IMF program. Argentina also faced noncompliance because of debt arrearages, foreign exchange restrictions, and a rising fiscal deficit. [redacted]

In late 1983 Argentina's central bank began issuing bonds and promissory notes to refinance about $5.5 billion in private-sector debt carrying an official exchange rate guarantee. This enabled commercial bankers to disburse the first tranche of the $1.5 billion new money loan on 1 December 1983, despite Argentina's noncompliance with its IMF program. Economy Minister Grinspun has publicly stated that Argentina wants to reschedule as a single package past debt from 1982 and 1983 with about $12 billion in public and private debt due in 1984. [redacted] 25X1
Argentina will require at 25X1
least $1 billion in new money from commercial banks in 1984 in addition to the $1 billion in undisbursed funds from the $1.5 billion medium-term loan.
[redacted] 25X1

Brazil

The abrupt drying up of bank lending after the Mexican liquidity crisis in August 1982 precipitated a severe payments crisis in Brazil. Nearly one-half of Brazil's $7.5 billion reserves were drawn down by yearend. Late in 1982 Brazilian authorities initiated discussions with the IMF to obtain an extended 25X1
arrangement and with international banks to request a four-part debt rescue package—now referred to as Phase I. Brazil's private bank creditors agreed in February 1983 to provide $4.4 billion in new medium-term loans (Project 1) and to refinance about $4.8 billion of 1983 maturities (Project 2). Commercial banks disbursed $2.5 billion in March and tied three additional $633 million disbursements to IMF drawings. In Phase I the banks also pledged to roll over $8.8 billion of short-term, trade-related debt (Project 3) and to reestablish interbank lines (Project 4) to about $10.8 billion. However, from the outset, short-term financing fell considerably short of proposed levels. [redacted] 25X1

At the same time the banks agreed to the Phase I package, the IMF approved Brazil's request for Fund 25X1
resources totaling $5.9 billion during 1983-85 with initial drawings of about $1.2 billion. Further drawings under the extended facility were to become available during 1983 on 31 May, 31 August, and 30

November. However, these drawings were delayed until November because Brazil was unable to meet most performance criteria for the first and second quarters of 1983. In November the IMF Executive Board agreed to modify the performance criteria. The IMF disbursed $1.2 billion to Brazil on 30 November, and commercial banks in turn released $1.9 billion. Most of the money was used to repay bridge loans from the Bank for International Settlements (BIS) and other banks and interest approaching 90 days in arrears. [redacted]

By fall 1983 Brazil had obtained agreements in principle from creditors for another rescue package—known as Phase II—to meet its financing needs for the rest of 1983 and 1984. Brazil's bank advisory committee agreed to an $11.8 billion new loan and rescheduling package. Project 1 of the financing plan is a $6.5 billion new money facility, and Project 2 is a refinancing of about $5.3 billion in 1984 debt maturities. Brazil approached the Paris Club in mid-August to reschedule official debt due in 1983 and 1984, and on 23 November Western governments agreed to reschedule $3.8 billion. In addition, Brazil is seeking $2.5 billion in export credits from industrial countries. [redacted]

Chile

The IMF approved a two-year standby arrangement for Chile for about $550 million in January 1983. An initial drawdown of $130 million was made in January, but a series of difficulties prevented Chile from making further drawings until late 1983. In mid-January the Chilean Government assumed greater control of the country's banking system by liquidating three financial institutions and intervening in the operations of five others. The interventions upset foreign bankers, and banks stopped all voluntary lending to Chile. Chile requested a 90-day postponement of principal repayments on 31 January until arrangements for a debt rescheduling with creditors could be reached. The BIS provided a $350 million bridge loan and commercial banks lent $180 million before a $1.3 billion new money facility was signed in July 1983. Chile's creditor banks also agreed in principle in July to restructure over $2 billion of public and private debt due in 1983 and 1984. So far, four public-sector agencies have signed agreements with commercial banks to restructure over $1.6 billion, according to press reports. Chile indicated it will seek a medium-term bank loan from commercial banks of about $780 million for 1984 financing needs, which we believe will eliminate the need for additional debt reschedulings in 1984. [redacted] 25X1

Mexico

In August 1982 Mexico declared a moratorium on principal payments on its external debt. Negotiations began with the IMF for an extended arrangement and with commercial banks for a restructuring of public-sector debt and a major new loan. The Fund granted Mexico in December 1982 a $3.8 billion extended facility on the condition that private banks provide $5 billion in new money; the loan was put together in late February 1983. The first drawing for $1.7 billion took place on 24 March 1983, with the remaining drawings conditional upon disbursements from the IMF during 1983. [redacted] 25X1

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Mexico thus far has kept in compliance with its IMF-supported stabilization program. With its program on track, Mexico obtained the necessary financing for 1983 from the IMF and commercial banks. In addition, about $22.8 billion in public-sector debt owed to commercial banks has been restructured over eight years. The first portion of the rescheduling package with international banks was signed in August 1983 and consisted of three restructuring agreements totaling $11.4 billion. Five more government agencies rescheduled debt in September amounting to $8.3 billion. Also, in October, several more public-sector agencies signed agreements in New York to reschedule $2.8 billion. Eleven more agreements were signed in December to reschedule $324 million. [redacted] 25X1

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Mexican authorities announced a scheme in April 1983 to help private-sector firms reschedule debt to foreign banks. A new trust fund—FICORCA—was established to administer the program; by the 25 October 1983 closing date approximately $11.6 billion had been entered into FICORCA. In November the

Central Bank announced the creation of a second trust fund in hopes of rescheduling remaining private-sector debt. Also, in December, Mexico asked commercial banks for a $3.8 billion loan for 1984; we expect the loan to be signed by April. [redacted]

Morocco
Morocco's foreign exchange earnings failed to keep pace with rapidly escalating debt service costs during the last three years; by mid-1982 Rabat had exhausted its foreign exchange reserves. In October 1983 Morocco's Western government creditors—through the Paris Club—agreed to reschedule $980 million in official debt falling due between September 1983 and December 1984 over eight years, with four years of grace. Arab governments did not participate in the Paris Club accord but later rescheduled the $350 million they were owed under similar terms. [redacted]

Morocco, on 9 September, requested that its creditor banks agree to a 90-day standstill on principal repayments, pending a rescheduling of commercial debt falling due between September 1983 and December 1984. Negotiations are still under way, and press reports indicate as much as $500 million in principal may be rescheduled. However, attempts to persuade banks to maintain their short-term credit and trade finance lines at their August 1983 levels have met with only limited success. [redacted]

Morocco sought and obtained from the IMF in September 1983 an 18-month, $315 million standby arrangement. Rabat's ability to maintain the program has now been called into question because of the government's decision to reestablish food price subsidies that were eliminated last December. Morocco must find ways to reduce budget outlays or risk future drawings under the Fund stabilization program. In addition, commercial creditors may balk at signing a rescheduling if the Fund program is suspended. [redacted]

Nigeria
Nigeria fell into arrears on short-term trade credits in mid-1982 due to reduced petroleum export receipts and mismanagement of the country's financial affairs. Nigeria's financial position continued to deteriorate during the first half of 1983; by June the current account deficit had swollen to nearly $1 billion. Lagos remained current on medium- and long-term debt repayments, but arrearages on short-term trade credits amounted to over $6 billion by June 1983, [redacted] 25X1
[redacted] 25X1

Some 25 of Nigeria's principal commercial creditors 25X1
agreed in mid-July to refinance about $1.4 billion in overdue letter-of-credit payments. The July agreement, however, only covered one-fourth of Lagos's arrearages and contained no formula for providing new financing. In September Nigeria concluded a second refinancing agreement covering approximately $600 million in short-term arrearages not dealt with under the former agreement. According to Embassy reporting, the Fund prompted Nigeria to begin discussions in November to refinance the remaining $5 billion in trade arrearages, a necessary condition 25X1
for an IMF agreement. Since the 31 December coup, those discussions have continued, but the new government has proved unwilling to discuss a restructuring of medium-term debt, arguing that debt service is current on these obligations. [redacted] 25X1
[redacted] these longer term obligations must eventually be 25X1
rescheduled to ease payment demands in late 1984. [redacted] 25X1

Major General Buhari's pledge to honor "genuine" debt obligations and to pursue talks with the IMF, the 25X1
World Bank, and foreign creditors is being viewed favorably by the country's commercial creditors. [redacted] 25X1
[redacted] doubts about 25X1
Buhari's appreciation of the depth of Nigeria's financial difficulties and his ability to formulate a strategy to deal with the situation. We believe any attempt to impose austerity measures—particularly a devaluation, which the Fund has insisted must be a precondition to any adjustment program—will heighten the chance for political turmoil. [redacted] 25X1

Peru 25X1
The IMF approved a three-year extended arrangement for Peru in June 1982, and drawings were made through August 1983. Peru signed an agreement in June 1983 with 275 international banks for an $830

million financial rescue package, which included $380 million to pay off debt maturing between March 1983 and March 1984 and $450 million in new money to balance its foreign accounts. Commercial banks also agreed to maintain short-term credit lines of about $2 billion. In addition, Peru reached agreement with the Paris Club in July 1983 to reschedule more than $1 billion in debt due to Western government creditors between May 1983 and February 1985. [redacted]

By late 1983, however, Peru could not comply with IMF targets and sought to delay its November drawing until a new program could be designed. The main problem was the government's budget deficit; an IMF team calculated that the deficit would top 9.0 percent of GDP compared with the target of 4.1 percent. Consequently, Peru's private bank creditors postponed the disbursement of $200 million of the $450 million new money loan. In February 1984 the IMF accepted Peru's request for a new $275 million standby facility; the IMF executive board will review the arrangement in mid-April. Also in February, Peru agreed in principle with international banks to a debt relief package that will restructure the government's 1984 maturities. About $1.7 billion in principal payments due this year and next will be stretched out over nine years with a five-year grace period. The agreement also calls for banks to maintain about $880 million in short-term trade credits. [redacted]

Philippines

The Philippines first encountered lender resistance in mid-1982, and that concern intensified by mid-1983 because of occasional hard currency shortages, the country's high debt service ratio, and the uncertain political environment. Philippine borrowers, unable to access long-term sources of funds, borrowed heavily in the short-term market. In addition, bankers shortened loan maturities and charged Philippine borrowers almost 2 percentage points over LIBOR—nearly triple the rates charged a year earlier—to roll over existing credits. Capital flight accelerated in the wake of the August 1983 assassination of opposition leader Aquino, and government borrowers began to accumulate arrearages. In an effort to arrest the rapidly deteriorating situation, the Central Bank assumed a larger role in allocating foreign exchange. [redacted]

The Philippines concluded a one-year $347 million standby agreement with the IMF in February 1983, but in early September the IMF suspended disbursements after Manila failed to limit new short-term borrowings. Negotiations for a new IMF standby program have been hindered by doubts about the validity of Central Bank data and the ability of the government to manage the money supply. The new agreement—involving drawings of $650 million over 18 months—is not expected to be signed before June, according to [redacted] Embassy sources. In February, the Fund was still investigating several troubling issues including the rapid growth in arrearages and the widening 1984 financing gap. [redacted]

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In mid-January Manila was granted an extension of its original 90-day moratorium on principal repayments to commercial creditors. The current moratorium—due to expire on 15 April—will probably be extended as well and will buy time for the Philippines to continue negotiations aimed at rescheduling bank debt. In addition, Manila's request for a Paris Club rescheduling of $5.5 billion in medium- and long-term official obligations will probably remain stalled until the Fund program comes through. [redacted] once Manila has a Fund-approved adjustment program, final discussions on rescheduling the approximately $6 billion of medium-term debt and $3.5 billion of short-term debt maturing between October 1983 and June 1985 should be concluded within a month. The Philippines has also requested almost $3.9 billion in new money from banks, governments, and multilateral agencies to cover 1984 financing requirements. In our judgment, Manila should overcome resistance from some smaller banks and get the $1.65 billion in new bank money it needs through June 1985. Embassy reporting notes Manila's official creditors, following the US and Japanese lead, are expected to cooperate by extending additional trade credits and export guarantees. [redacted]

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Poland

In early 1981, a year before Brazil or Mexico encountered debt servicing difficulties, Poland announced it would be unable to service its external obligations.

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Commercial banks rescheduled Poland's 1981 debt in April 1982 and 1982 debt in December 1982. An agreement covering 1983 commercial debt was concluded in November 1983. It rescheduled 95 percent of medium- and long-term principal repayments over 10 years with five years of grace. In addition, the banks agreed to relend 65 percent of interest payments as short-term trade credits. Discussions are already under way between banks and Polish officials for 1984 debt. [redacted] the terms are expected to be the same as the 1983 accord but will probably be extended to cover all remaining principal repayments not dealt with under the three previous reschedulings. [redacted]

Western government creditors and Polish officials reconvened for the first time since the 1981 rescheduling in late 1983. The Paris Club insisted that arrearages under the 1981 agreement must be eliminated before 1982 official obligations can be rescheduled. The Poles, in turn, have requested multiyear debt relief, resurrected a pre-martial-law request for IMF membership—Poland is not now a member—and pressed for new credits. Western governments responded that committing new credits and debating IMF membership are not Paris Club functions. [redacted]

Poland remains close to a complete moratorium; no payments are being made to government creditors, and banks are receiving payments on rescheduled debt only. Warsaw is current, however, on payments under the 1981, 1982, and 1983 bank rescheduling agreements. Poland has been talking with the Paris Club, but appears to see little short-term benefit from ending its de facto moratorium on payments to Western governments. Although many government creditors have been eager to reschedule, in our judgment these creditors have not yet proposed terms and conditions that the Poles could reasonably meet or that would address Poland's limited ability to repay. Poland's payment capacity—less than $2 billion annually by our calculation—is now almost fully absorbed by payments to banks, and any substantial repayments under a Paris Club agreement would probably be made at the expense of private creditors. [redacted]

Venezuela

Venezuela's financial problems began during 1982 when domestic concern about the deteriorating cash flow and the overvalued bolivar sparked large-scale capital flight. In February 1983 the government implemented a three-tiered exchange rate system in an attempt to halt the drain on foreign exchange reserves. One month later, Venezuela postponed principal payments on all public debt and requested a debt rescheduling; Caracas has since been negotiating with a bank advisory committee for the refinancing of some $16.5 billion of public-sector debt due in 1983 and 1984. The advisory committee has insisted that a rescheduling would not occur until an IMF stabilization program was in place, [redacted] but the Venezuelan Government was reluctant to seek an IMF agreement with accompanying austerity measures as the December 1983 presidential elections approached. President-elect Jaime Lusinchi has stated publicly that his number-one priority after taking office on 2 February 1984 would be to restructure Venezuela's foreign debt. We believe that, as long as Venezuela does not request any new money for 1984 and has a workable economic program, an IMF facility may not be viewed as necessary. To encourage a consensus on restructuring, we believe Caracas will need to impose enough economic discipline to appease foreign bankers and agree to higher spreads than it has been willing to accept in the past. Economic policy changes announced at the end of February do not constitute a workable economic program. It is not clear that they will be sufficient from the bank's point of view. To prevent further depletion of its central bank reserves, Venezuela continued to extend its debt moratorium through April 1984. [redacted]

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Yugoslavia

Yugoslavia's financial position deteriorated as a result of a sharp contraction in available credit following the emergence of Poland's payment problems in 1981. Already in arrears by late 1982, Yugoslavia's creditors recognized that the country had no prospect of meeting 1983 obligations. The IMF proposed a rescue plan that would avoid a formal rescheduling but relied critically on creditor willingness to roll over medium- and long-term credits, maintain short-term trade finance, and provide enough new money to replenish reserves. The $6.6 billion package involved a rollover of $3.2 billion in bank credits, $600 million in new bank money, $1.3 billion in loans and export credits from Western governments, $1 billion from the IMF and International Bank for Reconstruction and Development (IBRD), and a $500 million short-term loan from the BIS. Disputes between bank and Western government creditors over burden sharing marred the early stages of discussions, but the agreement was signed in September 1983. [redacted] 25X1

Discussions to restructure 1984 maturities will be concluded soon. The Fund proposed that creditors refinance all 1984 maturities and extend new credits as they did last year. The plan calls for banks to refinance $1 billion and for Western governments to refinance $500 million and extend $250 million in new trade credits [redacted] 25X1

The IMF encountered bitter resistance to its proposed package. Some Western bankers felt that funds advanced in 1983 were used to pay off government creditors, while some governments failed to make good on pledged trade credits. The Fund finally capitulated in January and dropped its initial demand for $400 million in new bank money. Western governments again accommodated Belgrade's desire to avoid a formal Paris Club rescheduling, but terms and conditions have followed Club guidelines. Both official and commercial creditors will now await the signing of an IMF program before signing their own agreements. [redacted] 25X1

Appendix B

Potential 1984 Debt Restructurings

While 30 debtor countries are currently seeking or have already agreed to restructure in 1984, several other countries may also seek debt relief this year:

- The ***Colombian*** Government says it will not restructure, but reserves are dropping steadily. [redacted] the country will probably restructure its debt in 1984. We believe Colombia will have to obtain balance-of-payments support from international banks to avoid a debt restructuring.

- ***Egypt*** has already explored the possibility of official debt relief with both the US and French Governments. Creditor nations are insisting on a multilateral forum for rescheduling discussions linked to an IMF agreement. However, the Embassy reports that President Mubarak remains firmly opposed to any rescheduling of official debt in a formal Paris Club session. [redacted] arrearages on short-term commercial trade finance have been mounting steadily this year. Because we see very little chance for an IMF agreement until the second half of 1984, any rescheduling is likely to occur in 1985.

- ***Guyana*** is hoping to reschedule a large portion of its debt coming due, according to press reports. Finance Minister Greenridge recently told Guyana's parliament that the financial situation was "clearly unsustainable and can only be resolved with methods including rescheduling." No IMF arrangement is in sight.

- ***Jamaica*** is likely to obtain a restructuring of $150 million that is owed to commercial banks, according to press reporting. The government wants the loans falling due between July 1983 and March 1984 to be rolled over into a single package maturing in seven years, with three years of grace.

- ***Mauritania,*** according to Embassy reporting, has been crippled by severe drought and significant declines in fishing and mining revenues, necessitating vastly increased food imports and aggravating an already chronic budget deficit. Mauritania's President noted in a public statement that external debt service requirements will be unmanageable in 1984. Mauritania's Western government creditors will undoubtedly allow arrearages to mount and will not agree to a rescheduling until a Fund program is enacted.

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- ***Somalia*** will face overwhelming debt service payments during the next two years, according to Embassy reporting. Both the IMF and World Bank project that the ratio of debt service to exports could exceed 50 percent by 1986. Somalia has already negotiated informal bilateral agreements and payments moratoriums with several major creditors: the United Arab Emirates, Iraq, Saudi Arabia, and Italy. The United States and possibly France are the only creditors with enough exposure to warrant a Paris Club session. However, according to Embassy reporting, a formal Paris Club session may jeopardize some informal arrangements now in place. Still the Somalis must stay current or obtain relief from scheduled repayments to the United States or risk a mandatory cutoff in US assistance.

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- ***Sudan*** has requested a meeting of official creditors to reschedule debt maturing in 1984. Sudan's creditors recognize that the country is virtually insolvent and cannot service its 1984 obligations. Nevertheless, the Paris Club session tentatively scheduled for mid-February was delayed because Khartoum failed to satisfy three preliminary requirements. Before a rescheduling can take place this year, Sudan must pay off an estimated $25 million in arrearages to Western governments, obtain IMF executive board approval for a 1984 program, and sign the outstanding bilateral agreements with creditors necessary to implement last year's rescheduling. While Sudan was in compliance with its Fund program, its failure to conclude a new program before the current one expire in late February has delayed the official rescheduling until the second quarter. [redacted]

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