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Memorandum for:

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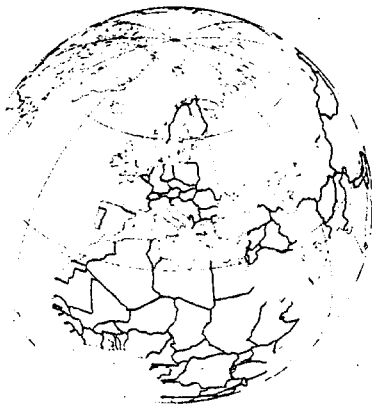
Attached is a copy of West European debt statistics your office requested. Also, there is a Text Box explaining the definition of foreign debt which will appear in a forthcoming Intelligence Assessment on West European foreign debt.

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I shall be on holiday until July 15. If there are any questions please call me upon my return I hope we can be of further assistance.

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2 July 1984

EUR A

Office of European Analysis

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Text Box 1

External Debt -- What Is It?

Following the definition used by the International Monetary Fund (IMF), external debt is the total stock of obligations residents of one country owe to the rest of the world. It comprises all short-, medium-, and long-term liabilities of the private and public sectors, including bonds, bank loans, bank deposits, trade credits, letters of credit and bankers' acceptances. Liabilities to a country's own citizens living abroad, and liabilities to nonresidents that are denominated in the country's own currency are part of foreign debt under this geographic approach, although these two categories are a very small part of the total. [REDACTED]

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Because of data and reporting problems country debt compilations cannot be completely accurate. Ironically, West European debt data are generally more difficult to compile than data on LDCs, which are published by the World Bank. Although the IMF, Bank for International Settlements (BIS), and Organization for Economic Cooperation and Development (OECD) are improving their collection systems, comprehensive disaggregated data are not available on a timely basis. Moreover, countries experiencing debt problems often hide or delay publication of data so that creditor confidence is not jeopardized. This is done by including borrowing activity in vague categories such as

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"other capital flows" or by increasing the relative amount of short-term debt -- liabilities with a maturity of one year or less. Accurate figures for short-term debt do not usually exist until well after the end of a calendar year. As a result, short-term debt can swing greatly during the course of a year and may or may not surface as a problem depending on other financial flows. Portugal and France, for example, have used short-term debt extensively without the market as a whole becoming fully aware of the extent of the borrowing activity. [redacted]

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Conceptual [redacted] problems also require making judgmental adjustments to the data. In countries where the banks are significant international financial intermediaries--Austria, Belgium, France, Italy, the Netherlands, Spain, Switzerland, the United Kingdom, and West Germany--short-term foreign currency liabilities are included only to the extent they exceed short-term foreign currency assets. We have made this adjustment because the amounts owed by banks in these countries are to a large extent deposit liabilities--a good portion of which are interbank deposits--used to finance lending as well as redeposit activity. Intercompany indebtedness between the nonresident parent and local subsidiary is technically a part of total debt but often not reported as such. Instead, in most countries this credit is reported, if at all, as a component of direct investment and is generally not separately identified. Finally, it is also common practice among countries not to report nonbank

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trade credits. These intercompany obligations skirt the normal letter-of-credit paper trail through banks and simply do not make it into the reporting system; these figures are relatively small. [redacted]

Table 1

Western Europe: Total External Debt

(billions US \$)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982^a</u>
Total Western Europe	410.9	507.1	595.7	626.8	681.9
WE-12	204.1	254.5	303.3	334.7	369.5
Belgium	8.0	14.1	19.2	26.0	31.0
Denmark	25.8	30.4	30.4	31.8	33.4
Finland	13.0	14.2	17.1	17.6	19.1
France	50.3	65.8	81.1	91.1	106.1
Greece	5.8	6.5	8.6	10.0	11.2
Iceland	0.9	1.0	1.1	1.2	1.4
Ireland	8.1	12.0	15.0	16.5	18.9
Norway	28.3	32.6	33.9	32.1	31.0
Portugal	7.8	9.9	12.3	15.6	18.5
Spain	19.7	24.1	29.9	34.4	37.4
Sweden	20.9	26.9	34.3	36.8	38.9
Turkey	15.5	16.8	19.4	21.6	22.6
Other WE	206.8	252.6	292.4	292.1	312.4
Austria	9.7	11.7	14.3	14.7	13.3
Italy	36.3	39.5	52.8	61.3	66.0
Netherlands	12.2	16.2	20.0	15.9	16.8
Switzerland	15.8	21.6	26.0	25.3	28.6
United Kingdom	53.6	66.0	71.8	61.8	68.3
West Germany	79.2	97.6	107.5	113.1	119.4

^a Preliminary

Table 2

Western Europe: Change in Total External Debt

	(Percent change)				
	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982^a</u>	<u>1978-1982</u>
Total Western Europe	23.4	17.5	5.2	8.8	66.0
WE-12	24.7	19.2	10.4	10.4	81.0
Belgium	76.6	35.9	35.4	19.2	287.5
Denmark	18.0	-0.1	4.6	5.2	29.5
Finland	9.8	19.9	2.8	8.8	46.9
France	30.8	23.3	12.3	16.5	110.9
Greece	12.4	31.8	15.9	12.3	93.1
Iceland	11.1	13.7	7.0	14.9	55.6
Ireland	47.7	25.4	9.6	14.9	133.3
Norway	15.3	3.9	-5.3	-3.3	9.5
Portugal	27.1	24.7	26.8	18.6	137.2
Spain	22.2	23.7	15.4	8.7	89.9
Sweden	28.6	27.4	7.3	5.7	86.1
Turkey	8.9	15.1	11.4	4.5	45.8
Other WE	22.2	15.8	-0.1	7.0	51.1
Austria	20.5	22.1	2.5	-9.4	37.1
Italy	8.8	33.7	16.1	7.7	81.8
Netherlands	32.8	23.5	-20.7	5.9	37.7
Switzerland	36.8	20.3	-2.7	13.0	81.0
United Kingdom	23.1	8.8	-13.9	10.5	27.4
West Germany	23.3	10.1	5.2	5.6	50.8

^a Based on preliminary debt data.

Table 3

Western Europe: External Debt as a Share of GDP

	(percent)				
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982^a</u>
Total Western Europe	16	16	17	20	23
WE-12	19	20	21	26	31
Belgium	8	13	16	27	37
Denmark	46	46	46	55	59
Finland	38 ²	34	34	36	39
France	11	11	12	16	20
Greece	18	17	21	27	30
Iceland	41	40	38	40	54
Ireland	66	69	84	99	108
Norway	70	69	59	56	55
Portugal	44	49	50	66	79
Spain	13	12	14	18	21
Sweden	23	25	28	33	40
Turkey	30	24	34	37	43
Other WE	14	14	14	16	18
Austria	17	17	19	22	20
Italy	14	12	13	18	19
Netherlands	9	10	12	11	12
Switzerland	19	22	26	27	30
United Kingdom	17	16	14	12	15
West Germany	12	13	13	17	18

^a Based on preliminary debt data.

Table 4

Western Europe: External Debt Service Ratio*

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982^a</u>
Total Western Europe	26	26	29	35	38
WE-12	26	30	32	40	43
Belgium	6	9	12	17	29
Denmark	51	49	59	60	66
Finland	35	30	44	61	67
France	23	24	30	41	44
Greece	34	29	23	33	41
Iceland	28	25	29	36	43
Ireland	30	37	67	86	84
Norway	46	45	32	38	39
Portugal	46	43	62	93	129
Spain	31	29	32	40	43
Sweden	29	29	30	42	49
Turkey	155	163	106	73	77
Other WE	25	23	26	32	35
Austria	36	34	31	39	42
Italy	31	26	27	40	42
Netherlands	7	7	8	9	9
Switzerland	15	18	22	27	28
United Kingdom	18	17	23	28	26
West Germany	35	35	36	42	44

* Interest plus payments on long- and short-term debt, as a percent of exports of goods and services.

^a Based on preliminary debt data. Ratios for Iceland and Ireland are based on 1981 exports of goods and services.

Table 5

Western Europe: Total Debt as a Percent of Exports of Goods and Services

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982^a</u>
Total Western Europe	55	53	54	59	66
WE-12	72	70	70	78	85
Belgium	14	19	22	30	37
Denmark	151	143	126	138	150
Finland	123	104	98	100	117
France	44	45	47	54	67
Greece	98	84	102	109	142
Iceland	100	91	92	100	128
Ireland	117	141	146	172	NA
Norway	166	152	120	112	113
Portugal	200	187	178	248	314
Spain	88	80	88	102	108
Sweden	77	77	87	99	111
Turkey	535	560	524	365	286
Other WE	44	43	43	46	53
Austria	47	45	46	52	48
Italy	50	42	50	61	67
Netherlands	19	20	21	17	19
Switzerland	46	56	60	61	71
United Kingdom	53	49	43	39	47
West Germany	45	47	46	51	54

^a Based on preliminary data.

Table 6

WE-12: Months of Imports Covered by Foreign Exchange Holdings

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Western Europe	2.1	2.1	2.2	1.7	1.5
WE-12	1.2	1.6	2.5	1.4	1.1
Belgium	0.6	0.7	0.9	0.5	0.4
Denmark	1.8	1.5	1.4	1.1	1.0
Finland	1.3	1.2	1.1	0.9	0.9
France	1.0	1.4	1.8	1.4	1.1
Greece	1.9	1.5	1.3	0.9	0.9
Iceland	1.8	1.7	1.5	1.9	1.3
Ireland	3.7	2.2	2.5	2.4	2.3
Norway	1.6	2.1	2.5	2.7	2.9
Portugal	1.8	1.5	0.8	0.5	0.4
Spain	5.4	5.0	3.2	3.0	2.2
Sweden	1.7	1.0	0.8	1.0	1.0
Turkey	2.0	1.5	1.7	1.5	1.1
Other WE	2.6	2.5	2.0	1.9	1.8
Austria	3.0	1.6	1.7	1.9	2.1
Italy	1.9	2.3	2.2	2.0	1.4
Netherlands	0.7	1.0	1.3	1.1	1.3
Switzerland	7.2	5.5	4.4	4.3	5.0
United Kingdom	1.9	1.7	1.5	1.1	0.9
West Germany	3.3	3.7	2.2	2.2	2.3

Table 7

Western Europe: Current Account Balances

	<u>1974-1983</u>	<u>1974-1978</u>	<u>1979-1983</u>	<u>1982</u>	<u>1983</u>
Total WE	-139.7	-28.7	-111.0	-21.5	2.3
WE-12	-176.2	-62.1	-114.1	-33.4	-14.3
Belgium	-16.1	0.0	-16.1	-2.7	-0.5
Denmark	-17.7	-6.9	-10.8	-2.2	-1.2
Finland	-8.0	-4.1	-3.9	-1.0	-1.0
France	-19.0	2.0	-21.0	-12.1	-4.0
Greece	-15.6	-5.2	-10.4	-1.9	-1.9
Iceland	-0.8	-0.4	-0.4	-0.3	-0.1
Ireland	-9.5	-2.0	-7.5	-1.3	-1.1
Norway	-9.4	-14.3	4.9	0.5	2.5
Portugal	-14.6	-5.2	-9.4	-3.2	-1.5
Spain	-27.6	-11.3	-16.3	-4.2	-2.4
Sweden	-19.1	-5.0	-14.1	-3.5	-1.1
Turkey	-19.0	-9.8	-9.2	-1.2	-2.0
Other WE	36.5	33.4	3.1	11.9	16.6
Austria	-7.7	-4.5	-3.2	0.7	-0.1
Italy	-19.0	-2.7	-16.3	-5.5	0.1
Netherlands	11.8	6.0	5.8	3.2	4.5
Switzerland	25.3	14.1	11.2	3.6	3.0
United Kingdom	14.6	-10.8	25.4	9.4	3.1
West Germany	11.6	31.3	-19.7	3.6	3.9

Table 8

WE-12: Foreign Debt and Current Account Estimates

(Billions US\$)

	Foreign Debt			Current Account					
	Total ^a			Percent of GDP			OECD Balances ^b		
	1983	1984	1985	1983	1984	1985	1983	1984	1985
WE-12	383.0	390.5	390.5	34	33	33	-14.3	-7.9	-0.9
Belgium	31.5	32.0	30.5	39	37	34	-0.5	-0.3	1.5
Denmark	34.5	36.0	37.0	61	61	60	-1.2	-1.5	-1.0
Finland	20.0	21.0	22.0	42	41	40	-1.0	-1.0	-0.8
France	110.0	112.0	111.5	21	21	20	-4.0	-2.0	0.5
Germany	13.0	15.0	17.5	38	44	48	-1.9	-2.0	-2.3
Greece	1.5	1.5	1.5	61	61	61	-0.1	0.0	0.0
Ireland ^c	19.5	20.0	20.5	107	108	108	-1.1	-1.1	-0.5
Norway	28.5	26.0	24.0	53	50	47	2.5	2.3	2.0
Portugal	20.0	21.0	21.5	101	110	116	-1.5	-0.8	-0.8
Spain	40.0	40.5	40.5	26	26	24	-2.4	-0.5	0.0
Sweden ^d	40.0	39.5	38.0	44	111	38	-1.1	0.5	1.5
Turkey	24.5	26.0	26.0	51	48	48	-2.0	-1.5	-1.0

^a Projected. Based on current account balances and rounded to the nearest one-half billion dollars.

^b assumes no major shifts in government policies.

^c Ireland's current account figures for 1983 and 1984 are official Irish numbers reported by the US Embassy in Dublin and were not available to the OECD for publication in the July Outlook.

^d The OECD 1985 current account forecast for Sweden we believe is overly optimistic and should be closer to \$0.5 billion.

Distribution: West European Foreign Debt Statistics

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