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Central Intelligence Agency

Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

International Financial Situation Report #28
17 May 1984

## Summary

We believe Latin American debtors will more actively seek to gain easier debt repayment terms from creditors over the next several months as a result of the recent rise in US interest rates. The Presidents of Argentina, Brazil, Colombia, Mexico, and Venezuela have expressed their concerns publicly over the impact that US interest rates will have on Latin American debt service payments. Other developments in recent weeks include: 25X1

[redacted]

- Despite some problems with monetary aggregates and continuing inflation, Brazil's performance under its IMF-supported stabilization program has generally been in line with projections in the early months of 1984, and Brasilia should obtain its next drawings from the IMF and commercial banks. [redacted] 25X1 25X1

- Buenos Aires appears to be making little progress toward agreeing on the terms of a letter of intent with the IMF team currently in the country. Although Central Bank President Garcia Vazquez last week confirmed with the Embassy Argentina's intention to complete Fund negotiations by the end of May, we believe the deadline is unrealistic.

- According to Embassy reporting, the IMF on 26 April approved $340 million in compensatory financing and standby credit facilities for Peru after Lima agreed to slightly revise its austerity program. [redacted] 25X1 25X1

- An IMF team in Manila last week indicated that progress is being made with the Philippine government on terms and conditions for a new standby arrangement. The Embassy expects that adoption of these measures — including an adjustment of the exchange rate system — could occur within two weeks after the 14 May parliamentary elections. [redacted] 25X1

[redacted] 25X1

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This situation report was prepared by analysts of the Intelligence Directorate. Comments are welcome and may be addressed to the Situation Report Coordinator, [redacted] 25X1 25X1

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## KEY ISSUE

### Latin American Complaints over Rising US Interest Rates

We believe Latin American debtors will more actively seek to gain easier debt repayment terms from their creditors over the next several months as a result of the recent rise in US interest rates. Although several LDCs have made exaggerated statements about the impact of a rise in US interest rates on debt service payments, we estimate that a one percentage point rise in both the Eurodollar and the US prime rate increases the annual net interest payments on Latin American debt by nearly $2 billion after a lag of 3-6 months. The Presidents of Argentina, Brazil, Colombia, Mexico, and Venezuela have expressed their concerns publicly over the impact that US interest rates will have on Latin American debt service payments. According to press reporting, Argentine President Alfonsin recently contemplated calling a meeting of Latin American presidents over the issue, but other major debtors such as Brazil have been reluctant to accept Argentina's lead on the debt issue.

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## DEVELOPMENTS IN MAJOR COUNTRIES

### Mexico

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According to press reporting, Grupo Alfa—Mexico's largest private sector debtor—has reached a tentative agreement to reschedule part of the holding company's $800 million debt over 12 years, including five years of grace, at a fixed interest rate of 10 percent. Subject to Mexico City's approval, $300 million of this debt will be converted to equity. This agreement, however, is dependent on reaching an overall restructuring on the corporation's total debt of $2.5 billion. Rescheduling negotiations have been underway since early 1982, and creditors admit a final agreement is still months away. According to the press, bankers reluctantly agreed to the 10 percent interest rate — as opposed to the average private sector interest rate of 2 percentage points above LIBOR — because they believe it is the only way to recover their funds. [redacted] 25X1

[redacted] private debt reschedulings under this mechanism had been at a standstill since late March, [redacted] Private sector creditors are refusing to absorb the 15 percent withholding tax on foreign interest payments as they did in the past. Mexico City recently closed a tax loophole that had allowed companies to avoid the tax by converting their debt to floating rate notes held by creditor banks. The tax exemption is now only available for notes actively traded on a foreign stock exchange. We believe private sector reschedulings will continue to progress slowly with government assistance limited to the coverage of exchange risk through the FICORCA program. Mexico City may provide some limited additional assistance in cases similar to the Moctezuma Brewery rescheduling where a foreign bank instigated bankruptcy proceedings and the domestic firm is a large employer. Unless Mexico City changes its policy, we believe new foreign loans to the private sector will probably be limited to trade credits that have government guarantees. [redacted] 25X1 25X1 25X1 25X1

## Brazil

Brazil's performance under its IMF-supported stabilization program have been in line with projections in the early months of 1984. A $3.5 billion trade surplus for January through April easily surpasses most forecasts, and the US Embassy reports that Brazil is within easy reach of its 1984 target of $9.1 billion. According to Embassy reporting [redacted] Brazil also met its other first quarter performance criteria — [redacted] As a result, Brasilia should obtain its next drawings from the IMF and commercial banks. [redacted] 25X1 25X1 25X1 25X1 25X1 25X1

Despite these economic achievements, growing political pressures for growth have been evident in Brazil in recent months as the presidential race gains momentum. Although some industrial recovery has been noted in early 1984 in sectors related to exports and agriculture, it has not yet been translated into a broad-based upturn. The US Consulate in Sao Paulo reports that the US business community in Brazil is generally skeptical about an overall economic recovery this year, largely because of a continued decline in investment and squeezed consumer purchasing power. Nevertheless, we believe Brasilia may use its much improved payments and foreign exchange positions to launch an import drive to boost economic growth in the second half of this year. The Brazilians probably will increase substantially imports of raw or intermediate materials and capital goods to promote industrial production. We also foresee greater food imports in order to reduce inflationary pressures and alleviate the need for restrictive government policies. [redacted] 25X1



[redacted] 25X1

[redacted]

Brasilia is becoming apprehensive of rising world interest rates because of the potential for upsetting the government's economic plans. The Brazilian Foreign Ministry issued a note to various foreign governments containing what is viewed by the US Embassy to be extraordinarily strong criticism of last week's rise in the US prime rate. In the view of the Embassy, the release of the note by the Foreign Ministry—instead of a member of the economic team—suggests that Brasilia will pursue the issue in intergovernmental talks. More importantly, [redacted] the prime rate increase may precipitate a dramatic deterioration in relations between Brazil and its foreign bank creditors. We believe that the rising interest rates since March will harden Brasilia's resolve to force a major debt restructuring on easier terms in negotiations with banks planned late this summer. [redacted] 25X1

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[redacted]

Argentina

Buenos Aires appears to be making little progress toward agreeing on the terms of a letter of intent with the IMF team currently in the country. Although Central Bank President Garcia Vazquez last week confirmed with the Embassy Argentina's intention to complete Fund negotiations by the end of May, we believe the deadline is unrealistic. President Alfonsin has decided to postpone consultations on the debt with the opposition Peronist party until 21 May when former President Isabel Peron is expected to return from exile in Spain, according to press reporting. Alfonsin hopes that Peron will be able to unify the opposition enough to begin negotiations leading to Congressional approval for his financial programs. We believe, however, that Peron's return could open old wounds within the party and further delay agreement on the debt. [redacted] 25X1

Meanwhile, the Embassy reports that a lack of a credible budget is hampering progress with the Fund. Presidential advisor Prebisch told Alfonsin last week that some government agencies have not provided monetary and budget data needed for the Fund discussions. In an effort to overcome bureaucratic footdragging, Alfonsin directed Prebisch to tell each department exactly what information is needed and to demand it on Presidential orders. Prebisch is then to travel to the United States and to explain the efforts to resolve data problems, thereby assuring creditors that Argentina is not stalling. [redacted] 25X1

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Should a letter of intent be delayed until June—which we now believe to be highly probable—it would increase tensions in discussions with banks and prevent Buenos Aires from meeting its self-imposed, mid-year deadline for completing refinancing of 1982-84 public sector maturities. Bank confidence received another blow last week with the strong domestic criticism to the latest jump in the US prime interest rate. Alfonsin stated that interest rate hikes over the past two months will add to the debt service burden and threaten efforts to spur recovery perceived necessary to assuage domestic discontent. His comments were mirrored by Congressmen of both major parties who are expected to demand preferential interest rates for Argentina and therefore further delay an agreement. [redacted] 25X1

Meanwhile, commercial banks have rolled over to 15 June the $750 million remaining payment on last year's $1.1 billion bridging loan. The financial press indicated that the US Treasury also extended to 31 May its commitment to loan Argentina $300 million once a letter of intent is agreed upon with the IMF. Until an IMF letter of intent agreement is concluded, bank creditors are declining to consider Argentina's request to reopen negotiations on the 1982-83 rescheduling or disburse the remaining $1 billion in the medium-term commercial facility. [redacted] 25X1



[redacted] 25X1

25X1 [redacted]

## REGIONAL SITUATIONS

### Latin America

In Latin America, Chile's new money loan is 90 percent subscribed, Venezuela has made little progress in its rescheduling efforts, the IMF approved new funds for Peru, and Colombia is approaching a foreign exchange crisis. [redacted] 25X1

#### Chile

The chairman of Chile's bank advisory committee publicly announced on 9 May that 90 percent of the $780 million new money loan was subscribed, but difficulties still remain in completing the credit. US regional banks are still reluctant to contribute to the remaining 10 percent, [redacted] Although the bank committee is confident that these banks will soon commit, we believe some arm-twisting will be required. [redacted] concern about Chile's political future and ability to service the debt have heightened fears about new lending. [redacted] 25X1 25X1 25X1

Completion of this loan is crucial because the IMF will require continued lender support for Chile's adjustment program before releasing about $60 million from this year's standby agreement. Although Chile likely will obtain these funds, we are growing concerned about the resurgence of financial difficulties later in the year. [redacted] these funds are insufficient to support the reactivation efforts announced by the new economic team under present IMF targets and probably will require some drawdown in reserves. The recent rise in interest rates will add to Chile's payments problems. [redacted] 25X1 25X1 25X1

These financial strains could be further intensified by a political decision to spur a major economic recovery to reduce unemployment. Santiago has agreed to comply with the IMF program negotiated by former Finance Minister Caceres in the first half of 1984. According to press reports, however, Finance Minister Escobar is demonstrating more concern with reducing unemployment. Should Escobar pursue even more expansionist policies than presently planned — and we believe political needs make this likely — IMF targets probably would be not be met and some disbursements from the Fund and commercial banks could be delayed. [redacted] 25X1

#### Venezuela

Venezuela continues to move slowly toward breaking the impasse in its debt restructuring talks. To improve repayment capabilities, President Lusinchi this month centralized payment of interest to foreign creditors in the Finance Ministry, according to the US Embassy. [redacted] the press reports that Venezuela paid $40 million in overdue private interest, the first private debt payment since February 1983. Creditors have indicated to Lusinchi their appreciation of these moves and have granted Venezuela another 90-day extension on its repayments moratorium on public-sector debt, according to Embassy reporting. [redacted] 25X1 25X1 25X1

We judge, however, that Caracas' recent efforts fall short of bankers' expectations about necessary corrective actions. [redacted] 25X1 25X1



25X1 [redacted]

[redacted] 25X1

[redacted] 25X1

[redacted] 25X1

Venezuela's failure to pay its debts has prompted US bank regulators to downgrade classification of all Venezuelan public and private-sector loans, according to press reports, a move that will also impede a quick rescheduling agreement. Moreover, we believe new difficulties will plague upcoming debt talks. [redacted] 25X1 25X1

Peru

According to Embassy reporting, the IMF on 26 April approved $340 million in compensatory financing and standby credit facilities for Peru after Lima agreed to slightly revise its austerity program. The public sector deficit target — relaxed at Lima's request from the previously agreed 3.8 percent of GDP to 4.1 percent — will still require sharp cuts in government spending and large tax increases to reduce the deficit from the 10 percent level recorded last year. Moreover, we believe the relaxation of price controls and higher import surcharges likely will increase last year's triple-digit inflation rate, further eroding living standards and raising social tensions. [redacted] 25X1

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[redacted]

We anticipate that an alternate scheme for economic revitalization — referred to in Peru as the Toledo report — will gain adherents. The plan calls for easier credit for employment-intensive industries and new export incentives for non-traditional goods. According to the financial press, this plan is gaining the support of Central Bank President Webb and other government officials. Should Lima opt for such a program, however, relations with the Fund could be strained. We believe, however, that Belaunde will probably try to avoid a complete break with the Fund to preserve his 1984 refinancing package. [redacted] 25X1

Colombia

Embassy reporting indicates that the recent financial difficulties experienced by Colombian banks are a prelude to a foreign exchange crisis. Banco de Colombia, the largest Colombian bank, has requested a refinancing of $670 million in short-term debt, and Banco de Bogota has suspended debt repayments. Embassy reporting also indicates that these refinancings are causing credit lines to be cut by foreign banks.



[redacted] 25X1

[redacted] 25X1

[redacted] capital flight has accelerated. With Colombia's liquid reserves being depleted and exports still depressed, we believe Bogota probably will have to turn to the IMF soon in order to obtain foreign financial support and to reschedule its debt. [redacted] 25X1

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Bolivia

According to a US Embassy report, Latin American officials recently discussed a proposal for a $200-250 million loan for Bolivia, along the lines of the recent $500 million bridge loan for Argentina. This proposal may have been spawned by the UN Secretary General's efforts to support Bolivia's ailing economy. Details of the composition of the loan, however, are uncertain. [redacted] According to US Embassy reports, Colombia, Venezuela, Peru, Mexico, Argentina, and Brazil will be asked to contribute $16 million each, and Bolivia would like Argentina or Brazil to coordinate the effort. [redacted]

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Reactions by prospective donors have been mixed. [redacted] Brazilian Foreign Minister Guerreiro has indicated that Brazil may participate, according to Embassy reporting. The US Embassy in Caracas, however, reports that the Venezuelan Central Bank opposes participation because of its $600 million in unpaid debts from other Latin countries. We believe the loan would be an incentive for La Paz to implement further stabilization measures, but it could also represent another step toward closer coordination of Latin American financial policies. [redacted]

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[redacted] 25X1

Cuba

Cuba is pressing for more favorable terms for the rescheduling of $365 million of debt falling due this year. In a report recently submitted to its creditors, Havana states that the terms of last year's agreement — a spread of 2.25 percentage points above



[redacted] 25X1

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[redacted]

LIBOR with an 8.5-year repayment period, including 3.5 years of grace — would be unacceptable. The report blames Cuba's debt problems solely on external factors: low world sugar prices, inflation in the developed countries, the withdrawal by Western banks of $500 million of short-term deposits in Cuban banks, and high world interest rates. It further alleges that Havana's economic policies are sound and that Cuba overfulfilled the economic performance targets set in its 1983 rescheduling agreement. Cuba is also requesting that a clause be included in this year's agreement that would commit creditors to reschedule 1985 maturities provided that Havana meets the terms of the 1984 agreement. [redacted] 25X1

Eastern Europe

Poland

In late April, the Poles and Western bankers reached a tentative rescheduling agreement, according to Embassy reporting. The terms included:

- o rescheduling of 95 percent of principal repayments due from 1984 through 1987 over ten years, including a grace period of five years;
- o an interest spread of 1.75 percentage points above LIBOR on rescheduled obligations; and 25X1
- o payment in 1984 to include the remaining 5 percent of principal, a 1-percent rescheduling fee, and interest on all of the debt to be rescheduled. [redacted]

The banks also agreed to extend more than $700 million in short-term credit facilities this year and next. Embassy reporting indicated that $330-350 million will be new credits in the form of a pool to backstop Polish letters of credit. Each bank will contribute an amount equal to 4.5 percent of its exposure; the increase is split into two tranches — the equivalent of 3.5 percent to be provided in 1984 and the remaining 1.0 percent in 1985. The remainder of the credit facilities is an extension on repayment of $374 million in trade credits from the 1982 agreement which comes due next year. In addition, Poland must pay off some $100 million in interest arrearages to banks before the rescheduling agreement can go forward. [redacted] 25X1

The chief hurdle that will have to be overcome before the scheduled July signature is obtaining agreement from all of the banks to the new loan facility. [redacted] 25X1 25X1 25X1 we believe they are likely to have difficulty in convincing all of the banks to contribute. [redacted] 25X1

Western Europe

[redacted] 25X1



[redacted] 25X1

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## Asia

### Philippines

An IMF team in Manila last week indicated that progress is being made with the Philippine government on terms and conditions for a new standby arrangement, according to Embassy reporting. President Marcos reportedly agreed to take action necessary to reduce growth in the money supply and to limit government deficit spending. The Embassy expects that adoption of these measures — including an adjustment of the exchange rate system — could occur within two weeks after the 14 May parliamentary elections.

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## Africa/Middle East

In Africa, Nigeria announced the terms for conversion of outstanding trade arrearages to US dollar-denominated promissory notes, and the Ivory Coast and Sudan obtained debt relief from the Paris Club.

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[redacted] 25X1

Nigeria

The Central Bank of Nigeria publicly announced on 18 April provisions for the conversion of outstanding trade arrearages to US dollar-denominated six-year promissory notes. US corporations have been given until 13 June to register their claims with the Central Bank. The notes will be redeemable over a 3.5-year period beginning October 1986 and will bear interest from 1 January 1984 at one percentage point above LIBOR. [redacted] 25X1

[redacted] 25X1

Nigeria's Paris Club creditors have issued a joint response to Lagos noting that the announcement failed to distinguish between holders of guaranteed and nonguaranteed credits, according to Embassy reporting. The statement reiterated that all guaranteed credits must be rescheduled through negotiations conducted multilaterally by the governments that guaranteed the claims and not in the framework set up for uninsured creditors. The letter also stated that holders of insured credits are not bound by the terms presented in last month's offer. In addition, Paris Club creditors have insisted that Lagos must first reach agreement with the IMF before any rescheduling can occur. An IMF team is currently in Lagos to continue negotiations on a possible standby arrangement. Lagos' 1984 budget announced earlier this month includes some measures likely to meet IMF and creditor approval, such as a large allocation to service public sector debt. It fails, however, to address key issues still under discussion, including a devaluation and reductions in some government subsidies. [redacted] 25X1

Lagos announced on 23 April that new naira notes would be issued to replace the country's old naira. The government ordered Nigeria's land borders sealed until 6 May — the date old naira notes ceased to be legal tender — in an effort to prevent naira held illegally abroad from being repatriated. According to press reports, the move was hailed publicly as a forward step in the government's campaign against corruption. The financial press notes, however, that it is highly doubtful that the conversion will proceed efficiently or that it will actually catch many of the corrupt individuals that are its target. The currency swap may temporarily tighten liquidity and help the government control growth in the money supply, but we believe these benefits will be short-lived and do not address the distortions resulting from the overvalued naira. [redacted] 25X1

Ivory Coast

The Ivory Coast and 12 Paris Club creditors agreed on 5 May to reschedule about $300 million in principal and interest payments due official creditors this year. The debt was rescheduled over nine years with four years of grace. The rescheduling follows approval of a one-year IMF standby program for the Ivory Coast and marks the first time the country has had to seek formal debt relief. Meanwhile, Embassy reporting indicated that an Ivorian financial delegation traveled to New York last week to begin discussions aimed at rescheduling some $400 million in principal repayments due to commercial bank creditors in 1984. [redacted] 25X1

Sudan

Sudan's official creditors agreed on 3 May to reschedule about $500 million in 1984 repayment obligations over 15 years, including six years of grace. The terms of this Paris Club rescheduling are similar to those of the 1983 agreement — principal, interest, and arrearages were all rescheduled, and half of the interest on arrearages was



[redacted] 25X1

[redacted] 25X1

capitalized. Previously rescheduled debt, however, was excluded from the agreement. During the discussions, creditors noted the illogic of continuing to capitalize interest, a procedure which increases the stock of outstanding debt. However, no concrete alternatives were presented, according to Embassy reporting. [redacted] 25X1



[redacted] 25X1

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# ANNEX A

## Latin American Reactions to Rising US Interest Rates

Several South American leaders have recently voiced complaints that rising US interest rates are undermining the adjustment measures they have taken. According to Embassy reporting, Argentine President Alfonsin denounced the interest rate hike and urged the leaders of Mexico, Brazil, Colombia, and Venezuela to make similar statements. These countries subsequently issued individual statements condemning the higher rates. 25X1

In Brazil, President Figueiredo released an official note indicating concern that the increase in US interest rates will do away with a significant portion of the results obtained thus far in making adjustments, according to press reporting. Figueiredo also indicated that the rise in interest rates will in no way contribute to stimulating hopes for more promising days, which are essential in moments of difficulty and sacrifice. 25X1

According to Embassy reporting, Ecuador's Central Bank Manager Pachano claimed that the efforts being made by the developing countries are being partially frustrated by the behavior of the international financial market and the tremendous insensitivity of the industrial nations. 25X1

We believe Latin American debtors will more closely coordinate their criticism of rising US interest rates in the future and could issue collective statements against rising interest rates before the London Economic Summit next month. 25X1

Several Latin American governments have made statements on the estimated impact of a rise in US interest rates on their debt service payments; however, we believe these claims are inflated and do not accurately reflect the true cost. 25X1 25X1

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ANNEX B

## Argentina: Medium-Term Financial Outlook Under Alternative Economic Scenarios*

Although the 11th-hour agreement that prevented US banks from having to classify over $4 billion in Argentine loans as nonperforming eased Argentina's immediate financial crisis, many observers remain skeptical that Buenos Aires can obtain sufficient funds to satisfy its longer term borrowing needs and avoid a prolonged financial crisis. In order to investigate whether the country's financial difficulties will persist throughout the rest of the decade, we have developed a balance-of-payments simulation model. Given assumptions about future global economic conditions and the future course of the Argentine economy, the model projects the key variables required to calculate net borrowing needs. We used the model to examine Argentina's net borrowing needs through 1990 under four sets of assumptions. [redacted] 25X1

We first projected Argentina's net borrowing needs assuming favorable economic conditions—moderate economic growth and export price inflation, slowly falling interest rates, and slowly rising oil prices. Under these conditions, the results indicate that Buenos Aires' net borrowing needs through 1990, would remain high at 55 percent of the level in the peak borrowing years of 1979-81. Net borrowing would rise to $6.5 billion in 1984—up from $3.3 billion in 1983—before falling back to an average of $4.5 billion per year in the 1985-90 period. Consequently, outstanding debt would rise by $34 billion, reaching $74 billion in 1990. [redacted] 25X1

Although we believe that Argentina's net borrowing needs would be high under favorable economic conditions, they are projected to be considerably higher—up to 85 percent of the average level in the peak borrowing years 1979-81—under scenarios incorporating global economic shocks. Of the three shocks examined, a classical recession—assumed to hit in 1985—would raise Buenos Aires' net borrowing needs the least. Such a recession would push the country's net borrowing to an average of $5.5 billion per year in the 1985-90 period. Using the favorable economic conditions case as a baseline, the additional amount of net borrowing generated by such a recession in the period would be $6 billion. Argentina's debt would rise to $79 billion in 1990. [redacted] 25X1

As another alternative, we examined the impact of an oil supply disruption — assumed to occur in 1985 — on Argentina's net borrowing needs. Our projections indicate that an oil supply disruption would raise Buenos Aires' net borrowing needs significantly more than a classical recession, to an annual average of $6.7 billion in the 1985-90 period. Total net borrowing following the oil shock would exceed the favorable economic condition baseline by $13 billion during this period. Outstanding debt would jump nearly 120 percent from last year's level to $87 billion in 1990. [redacted] 25X1

Finally, Argentina's net borrowing needs were projected under the assumption that a tight money recession occurs in 1985. We estimate that a tight money recession would do more damage to net borrowing needs than the other two shocks examined. In the event of a tight money recession, the country's net borrowing would rise to an average of $7.3 billion per year in the 1985-90 period. Compared to the favorable economic conditions baseline, the additional amount of net borrowing generated in the period would

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be about $17 billion. Outstanding debt would rise to $90 billion in 1990. 25X1

In addition to the size of Argentina's net borrowing needs through 1990, the country's longer term financial outlook will depend on lender attitudes towards the country. Although it is difficult to predict lender attitudes toward any LDC several years in the future, many financial experts are convinced that lenders would be unwilling to finance Buenos Aires' projected borrowing needs even under favorable economic conditions. There is little disagreement, however, that the country's projected net borrowing needs following the shocks to the global economy that we examined would clearly be more than lenders would be willing to provide. Recognizing that economic shocks to the world economy are likely and that many experts are convinced that Buenos Aires' projected borrowing needs would not be satisfied even under favorable economic conditions, we believe Argentina will be plagued by severe financial difficulties throughout the rest of the decade. 25X1

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Trade Trends in Key Debt-Troubled Countries
Million US Dollars at a Seasonally Adjusted Annual Rate

| | Annual | | | Quarterly | | | | 1983 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1981 | 1982 | 1983 | 83I | 83II | 83III | 83IV | Oct | Nov | Dec | Comment |
| Argentina | | | | | | | | | | | |
| Exports | 9,040 | 7,620 | 7,940 | 7,720 | 7,360 | 7,480 | 9,200 | 8,280 | 9,600 | 9,720 | Preliminary 1st quarter data shows |
| Imports | 9,530 | 5,380 | 4,510 | 4,320 | 4,880 | 4,760 | 4,080 | 3,960 | 4,440 | 3,840 | trade surplus at $4.2 billion |
| Balance | -490 | 2,240 | 3,430 | 3,400 | 2,480 | 2,720 | 5,120 | 4,320 | 5,160 | 5,880 | annual rate. |
| Brazil | | | | | | | | | | | |
| Exports | 23,280 | 20,220 | 21,860 | 20,880 | 23,000 | 22,320 | 21,240 | 21,120 | 20,880 | 21,720 | Embassy reports Jan-Apr 1984 trade |
| Imports | 24,140 | 21,090 | 16,780 | 17,520 | 16,360 | 16,120 | 17,120 | 16,440 | 16,920 | 18,000 | surplus at $10.6 bill. ann. rate; |
| Balance | -860 | -870 | 5,080 | 3,360 | 6,640 | 6,200 | 4,120 | 4,680 | 3,960 | 3,720 | gov't may ease import curbs. |
| Chile | | | | | | | | | | | |
| Exports | 3,980 | 3,810 | 3,840 | 3,640 | 4,160 | 3,920 | 3,640 | 3,720 | 3,840 | 3,360 | |
| Imports | 6,410 | 3,560 | 2,770 | 2,840 | 2,680 | 2,720 | 2,840 | 2,880 | 2,760 | 2,880 | |
| Balance | -2,430 | 250 | 1,070 | 800 | 1,480 | 1,200 | 800 | 840 | 1,080 | 480 | |
| Costa Rica | | | | | | | | | | | |
| Exports | 950 | 890 | 870 | 800 | 800 | 1,000 | 880 | 960 | 960 | 720 | |
| Imports | 1,190 | 850 | 990 | 880 | 960 | 1,000 | 1,120 | 960 | 1,200 | 1,200 | |
| Balance | -240 | 40 | -120 | -80 | -160 | 0 | -240 | 0 | -240 | -480 | |
| Ecuador | | | | | | | | | | | |
| Exports | 2,530 | 2,160 | 2,210 | 2,240 | 2,360 | 2,080 | 2,160 | 2,040 | 2,160 | 2,280 | Embassy reports narrowing of trade |
| Imports | 2,240 | 2,000 | 1,470 | 1,560 | 1,440 | 1,280 | 1,600 | 1,320 | 1,560 | 1,920 | surplus in 1st quarter following |
| Balance | 290 | 160 | 740 | 680 | 920 | 800 | 560 | 720 | 600 | 360 | easing of trade rules. |
| Indonesia | | | | | | | | | | | |
| Exports | 22,230 | 22,160 | **20,810** | 18,760 | 20.920 | **21,960** | **21,600** | **19,560** | **22,320** | **22,920** | |
| Imports | **16,710** | **17,270** | **13,790** | **15,360** | **13,600** | **13,720** | **12,120** | **14,280** | **10,680** | **11,400** | |
| Balance | **5,520** | **4,890** | **7,110** | **3,400** | **7,320** | **8,240** | **9,480** | **5,280** | **11,640** | **11,520** | |
| Ivory Coast | | | | | | | | | | | |
| Exports | 2,530 | 2,280 | **2,220** | 2,400 | 1,720 | 2,240 | **2,520** | 2,760 | 2,280 | **2,520** | |
| Imports | 2,390 | 2,200 | **1,810** | 2,040 | 1,760 | 1,960 | **1,480** | 1,440 | 1,560 | **1,440** | |
| Balance | 140 | 80 | **410** | 360 | -40 | 280 | **1,040** | 1,320 | 720 | **1,080** | |
| Kenya | | | | | | | | | | | |
| Exports | 1,150 | 1,020 | **780** | 840 | 800 | **640** | **840** | **840** | **840** | **840** | Nairobi has slashed duties on |
| Imports | 1,960 | 1,630 | **1,080** | 1,040 | 1,120 | **920** | **1,240** | **1,080** | **1,320** | **1,320** | most imports by an average |
| Balance | -810 | -610 | **-300** | -200 | -320 | **-280** | **-400** | **-240** | **-480** | **-480** | of 15 percent. |
| Mexico | | | | | | | | | | | |
| Exports | 19,450 | 21,580 | 21,230 | 20,040 | 21,160 | 21,880 | 21,840 | 21,720 | 21,720 | 22,080 | Jan data shows trade surplus |
| Imports | 24,110 | 14,620 | 8,190 | 6,520 | 8,760 | 8,760 | 8,720 | 8,760 | 8,760 | 8,640 | at $16 billion annual rate. |
| Balance | -4,660 | 6,960 | 13,040 | 13,520 | 12,400 | 13,120 | 13,120 | 12,960 | 12,960 | 13,440 | |

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Trade Trends in Key Debt-Troubled Countries- (continued)
Million US Dollars at a Seasonally Adjusted Annual Rate

| | Annual | | | Quarterly | | | | 1983 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1981 | 1982 | 1983 | 83I | 83II | 83III | 83IV | Oct | Nov | Dec | Comment |
| Morocco | | | | | | | | | | | |
| Exports | 2,350 | 2,050 | **2,090** | 2,000 | 2,040 | 2,040 | **2,280** | **2,760** | **2,400** | **1,680** | Embassy reports sharp rise in exports and imports in the first 2 months of this year. |
| Imports | 4,400 | 4,310 | **3,620** | 3,720 | 3,400 | 3,840 | **3,520** | **3,840** | **3,600** | **3,120** | |
| Balance | -2,050 | -2,260 | **-1,530** | -1,720 | -1,360 | -1,800 | **-1,240** | **-1,080** | **-1,200** | **-1,440** | |
| Nigeria | | | | | | | | | | | |
| Exports | 19,480 | 16,540 | 11,640 | 8,320 | 12,880 | 13,960 | 11,400 | 10,800 | 12,000 | 11,400 | Military gov't announced higher and more comprehensive tariffs this month. |
| Imports | **17,420** | **13,230** | **7,840** | **8,640** | **7,080** | **7,520** | **8,120** | **7,080** | **8,520** | **8,760** | |
| Balance | **2,060** | **3,310** | **3,800** | **-320** | **5,800** | **6,440** | **3,280** | **3,720** | **3,480** | **2,640** | |
| Peru | | | | | | | | | | | |
| Exports | 3,260 | 3,270 | 3,000 | 2,720 | 3,280 | 3,320 | 2,680 | 2,640 | 2,640 | 2,760 | |
| Imports | 3,470 | 3,610 | 2,510 | 2,520 | 2,440 | 2,400 | 2,680 | 2,760 | 2,760 | 2,520 | |
| Balance | -210 | -340 | 490 | 200 | 840 | 920 | 0 | -120 | -120 | 240 | |
| Philippines | | | | | | | | | | | |
| Exports | 5,660 | 4,960 | 4,890 | 4,680 | 4,800 | 5,000 | 5,080 | 5,160 | 4,920 | 5,160 | Embassy reports additional 3% import surcharge has been imposed this month. |
| Imports | 8,470 | 8,310 | 7,960 | 8,240 | 8,200 | 7,720 | 7,680 | 7,680 | 8,040 | 7,320 | |
| Balance | -2,810 | -3,350 | -3,070 | -3,560 | -3,400 | -2,720 | -2,600 | -2,520 | -3,120 | -2,160 | |
| Venezuela | | | | | | | | | | | |
| Exports | 20,990 | 17,480 | **15,390** | 15,000 | 17,000 | 14,920 | **14,640** | 14,400 | 13,920 | **15,600** | Feb devaluation should aid improvement in trade balance. |
| Imports | **12,070** | **12,730** | **6,290** | **8,200** | **5,120** | **5,160** | **6,680** | **5,640** | **5,760** | **8,640** | |
| Balance | **8,920** | **4,750** | **9,100** | **6,800** | **11,880** | **9,760** | **7,960** | **8,760** | **8,160** | **6,960** | |
| Zaire | | | | | | | | | | | |
| Exports | 660 | 570 | **570** | 640 | **560** | **560** | 520 | **480** | **480** | **600** | |
| Imports | 670 | 500 | **500** | 400 | **600** | **480** | 520 | **480** | **600** | **480** | |
| Balance | -10 | 70 | **70** | 240 | **-40** | **80** | **0** | **0** | **-120** | **120** | |
| Total | | | | | | | | | | | |
| Exports | **137,510** | **126,620** | **119,310** | **110,760** | **122,720** | **123,280** | **120,480** | **117,360** | **120,840** | **123,240** | |
| Imports | **135,170** | **111,250** | **80,000** | **83,840** | **78,400** | **78,320** | **79,440** | **78,720** | **78,360** | **81,240** | |
| Balance | **2,340** | **15,370** | **39,310** | **26,920** | **44,320** | **44,960** | **41,040** | **38,640** | **42,480** | **42,000** | |

Note: Exports f.o.b. and imports c.i.f. are on a customs basis and are derived from IMF International Financial Statistics and other sources.
Imports for Indonesia, Nigeria, and Venezuela are estimated from trade partner data.
Numbers in bold are CIA estimates

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SUBJECT: International Financial Situation Report #28 [redacted] 17 May 1984 25X1

Copy No. 1 Sec. D. T. Regan Treasury
2 R. T. McNamar "
3 Beryl Sprinkel "
4 David Chew "
5 Robert Cornell "
6 Thomas Dawson "
7 Charles Dallara "
8 Charles Schotta "
9 Stephen Canner "
10 Doug Mulholland "
11 Manuel Johnson "
12 George Hoguet "
13 David Mulford "
14 Sec. George Shultz State
15 Kenneth Dam "
16 Hugh Montgomery "
17 Michael Armacost "
18 Ralph Lindstrom "
19 W. Allen Wallis "
20 Langhorne Motley "
21 Richard Burt "
22 Richard McCormack "
23 Chester Crocker "
24 Paul Wolfowitz "
25 Richard Murphy "
26 J.C. Kornblum "
27 Dave Peterson Commerce
28 Lionel Olmer "
[redacted]
31 Roger Robinson NSC
32 Douglas McMinn "
33 Randall Fort PFIAB
34 Leo Cherne PFIAB
35 DCI
36 ExDir
37 SA/DDCI
38 DDI
39 ADDI
40 Ch/PES/DDI
41 David Low, NIO at Large
42 NIO Economics
43 [redacted] NIC/AG
44 DDO
45 Ch/DDO/EPDS
46 Ch/DDO/NCD
47 Ch/DDO/AF
48 Ch/DDO/EA
49 Ch/DDO/EUR
50 Ch/DDO/LA
51 Ch/DDO/NE
52 Ch/DDO/SE
53 IAD/OGC [redacted] 25X1
54 D/ALA
55 D/OEA
56 D/EURA
57 Ch/EURA/EE/EW
58 D/SOVA
59 D/NESA
60 DD/OGI, D/OGI
61 Ch/OGI/SRD
62 Ch/OGI/ISID
63 Ch/OGI/GD
64 Ch/OGI/ECD
65-66 Ch/OGI/ECD/IF
67 Ch/OGI/ECD/IT
68 [redacted] OGI/CO 25X1
69 Chief, CPAS/ISS/SA/DA
70 Ch/OGI/Pub [redacted] 25X1
71-78 OGI/Pub

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1 - Edwin Truman, Federal Reserve Board 25X1
1 - Henry Wallich, Federal Reserve Board
1 - Anthony Solomon, Federal Reserve of New York
1 - Leo Cherne, PFIAB, New York
1 - Alan Greenspan, PFIAB, New York 25X1
2 - Doug Mulholland, Treasury
1 - John Davis, State
1 - Paul McGonagle, State
1 Peter W. Rodman, State
1 - J.D.Bindenagel, State, (for pass to Ambassador Arthur Burns)
1 - Martin Feldstein, CEA
1 - David Wigg, CEA
5 - Dave Peterson, Commerce
1 - Warren E. Farb, Commerce
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1 - Steve Farrar, OMB
1 - William Isaac, Federal Deposit Insurance Corporation
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1 - Ch/ECD
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