CONFIDENTIAL

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Prime Minister
CDP
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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Charles Powell
10 Downing Street
LONDON
SW1

5 February 1986

Dear Charles,

INTERNATIONAL FINANCIAL SCENE

I enclose the latest in the regular series of reports on developments on the international debt front.

The major factor in the economic outlook is clearly the sharp fall in oil prices. The benefits of this in terms of higher world growth will be less immediate than the problems caused by the fall in export earnings for major oil producers such as Mexico and Nigeria. Our judgement is that if prices were to stabilise at around $18 to $20 a barrel, this should be manageable even for the hardest hit. At lower prices, however, the situation would become increasingly difficult. In an immediate response to the situation Mexico and Venezuela are reported to have called for a meeting of the Cartagena Group. Other, non-oil factors, in particular interest and exchange rate movements, have been moderately helpful.

On the institutional front, reasonably positive progress is being made in the wake of the Baker initiative. The IBRD have been working hard behind the scenes on structural programmes for most of the major debtors, although a "candidate" for Baker treatment is unlikely to emerge until the April Interim and Development Committee meetings. Indeed, real identification of such candidates will only be possible over time as changes in gross flows can be measured. It is also worth noting that the recent Inter-American Development Bank Conference in London, which attracted many senior Government figures from Latin America, took a generally moderate tone, whilst we are also making some progress with the concept of using a co-ordinated approach to export credit as an additional lever in the debt discussions. On the negative side, however, is the reluctance of Brazil and Nigeria to negotiate with the Fund on Standby Arrangements which would be the key to rescheduling by both commercial banks and the Paris Club.

On individual countries, there are no significant changes to the list of those giving cause for concern but the fall in oil price has significantly worsened the outlook for some of those already on the critical list, in particular Mexico and Nigeria. Mexico will clearly need considerably more new finance than originally forecast. M. De Larosiere in his discussions with the Chancellor this week took the view that successful handling of Mexico's problems was the single most important issue in the current debt outlook. Despite the forceful tone of his speech to the IADB Conference, Finance Minister Herzog pledged a continuing commitment to adjustment policies in his conversations with both the Chancellor and Governor. The position in relation to Nigeria is discouraging. The recent budget did not go far enough, at least on the external side. The need to do so is now increased by the fall in oil prices, but the Government is distinctly unimpressive and so far, despite the oil price fall, appears to continue to see devaluation as politically impossible. Without it the Fund are most unlikely to agree to an SBA. In these circumstances, it may not be easy to avoid default. The prospects will be clearer after senior Nigerian officials have held talks this week in Washington and the Fund have made a fuller appraisal of the Nigerian economy in the course of subsequent Article IV consultations.

On Brazil, the problem remains her relationship with the Fund. The agreement with the commercial banks to reschedule 1985 medium term maturities and roll over 1986 maturities and short term trade lines was only agreed after the banks requested (and got) some signal of greater commitment by Brazil to the Fund (in the form of a letter to the Managing Director promising closer co-operation in future). It remains to be seen what this will amount to in practice. Something more concrete will be needed for the Paris Club. More generally much will depend on whether Brazil's recent impressive trade and growth performance can be sustained and her inflation brought under better control. The latter prospect is not enhanced by the weakness of the Government.

In Eastern Europe, Poland's official creditors are keeping up pressure on the Poles for comparable treatment with the banks in relation to Poland's limited capacity to repay debt. The Poles have now taken this up with the commercial banks who have yet to react formally. On Yugoslavia, difficulties with the Fund on interest rate policy now seem to have been resolved. This will allow the banks to activate their MYRA and the UK bilateral agreement on restructuring 1985 debts to be resolved.

Finally, the last two reports noted Egypt as a potential addition to the list of major debtors. This now seems inevitable given the direct and indirect consequences of the fall in oil prices for her economy and the reluctance of the Egyptian Government to take any early measures of adjustment.

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I am copying this letter to Len Appleyard (FCO), John Mogg (DTI) and John Bartlett (Bank of England).

Yours ever
Rachel.

RACHEL LOMAX

Annex to COP 5/2.
International Financial Scene

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INTERNATIONAL FINANCIAL SCENE

1 The statements supporting Baker from the US and UK banks (and the statement issued after the meeting of European banks in Zurich in November) which were noted in the last Report were followed later in December by statements also from the Japanese, French, Canadian and Italian banks; more recently Saudi, German, Dutch and Swiss banks have expressed their support, and Belgian banks are expected to make their own statement shortly. Meanwhile, the Cartagena group of countries met in Montevideo on 16 December, and gave a guarded welcome to the Baker initiative whilst expressing a considerable number of reservations and re-stating some of its own earlier objectives: thus the initiative still seems to be having some success in holding in check the rhetoric that had been rising rapidly in the lead-up to the Annual Meetings in Seoul.

2 Discussions are continuing on how to take the initiative forward: the MD of the IMF and the President of the World Bank met nine senior bankers from six countries earlier this month and discussed how the initiative might work. Ecuador, Argentina and Mexico had all been mentioned as early recipients of "Baker funds", with opinion shifting repeatedly as to which would be the first to qualify. The President of Ecuador announced on 17 January that his country was the first to "sign up to the Baker plan". (It might be argued, however, that, as negotiations over Ecuador's package had largely preceded Baker, this was not "true" Baker money; in any case it is clear that success with Ecuador will not have as much impact on sentiment amongst banks and debtors as would success with a major debtor. And, even for Ecuador, there is a long way to go before any funds are disbursed.) The Fund has been playing its part fully in seeking to put together Baker packages; and despite initial suggestions, particularly from the banks, that the World Bank was not responding with sufficient urgency to the enhanced role that had been envisaged for it, it too is working intensively, preparing medium-term studies of the Baker countries. Co-operation between the two institutions is reported to be very good. However, if no clear progress has been made on the Baker initiative, say, by the time of the Interim Committee meetings in April, there is a serious danger that the debtors will become disillusioned.

3 Discussion of the Baker proposals for the poorer debtors, mainly those in Africa, was taken forward on 29 January in the IMF Board, with consideration of proposals to use IMF Trust Fund reflows to provide concessional assistance for the poorer debtors. On 27-28 January IDA Deputies met in Paris to consider the size of IDA 8, which is due to begin spending in 1987. It is reported that a replenishment within the range of $10 1/2-12 bn might be agreed.

4 Perhaps even more important than the Baker proposals is the question of the role of the IMF in any future debt negotiations. Brazil is insisting that it will not accept Fund conditionality for the time being, although it is seeking Fund endorsement of its own economic programme (which it regards as non-negotiable); the Nigerian authorities too have bowed to domestic public opinion and have rejected borrowing from the Fund, although they have taken a number of the measures which the Fund would probably have recommended, and are seeking approval of their strategy from creditor countries. Peru has built up substantial arrears to the Fund, and has stated that it will not try to reach any agreement with it - but, in a reversal of previous policy, the Peruvians have now suggested that they would be willing to allow a Fund mission to visit the country for Article IV consultations. And in the Philippines the major Opposition candidate in next month's Presidential election has stated that she would not accept a Fund role in the policies of her country in the near future.

5 The banks seem prepared to go along with some weakening of the IMF's role, to a limited extent, in some cases. In the case of Brazil, for instance, the Advisory Committee are reported to have proposed a rescheduling over about seven years of $6 bn 1985 past due maturities, but have proposed no more than a one year extension to March 1987 of some $8 bn of 1986 maturities and $16 bn of short-term loans. In part this reflects a desire by the banks not to precipitate any crisis, and a recognition of the reduced vulnerability of some of the debtors following the drastic external adjustment that they have achieved: Brazil's position, for instance, is greatly strengthened by its ability to do without new money for the time being. On the other hand, the banks have so far shown very little inclination to reach agreement with Peru, although here too they have shown themselves unwilling to take any action that might exacerbate the situation. Banks have until recently resisted negotiating with Nigeria whilst the country refused to go to the Fund, but there are signs now that they may be wavering. In the case of South Africa, where an IMF programme would be clearly impossible, there are reports that banks might be prepared to go along tacitly with revised South African proposals - recognising the desirability of being able to get at least some of their money out of the country

within the next few years - as long as the new proposals show that the South Africans have responded to some of the concerns which the banks had expressed earlier.

6 Authorities in creditor countries are likely to have to form a view as to whether to seek to dissuade banks from accepting a dilution of IMF authority. On the one hand, a reduction in banks' reliance on Fund endorsements of particular countries might be seen as a step towards "normality"; and, given the revolving nature of the Fund, it might perhaps be argued that the institution should for a while dis-engage somewhat from some of the countries with which it has been involved over the past few years. However, reluctance to deal with the IMF generally implies a reluctance to undertake important parts of IMF packages - action to cut inflation by Brazil, or to devalue the naira by Nigeria - and thus reflects a lack of commitment to undertaking, or persisting with, the required adjustment. For most debtor countries such an attitude might be considered, at best, premature, and acceptance of it by the creditors would seem bound to lead to rapid contagion to other debtors in similar positions.

7 Looking at the world economic environment, the major uncertainty over the past six weeks has been over oil prices. Prices fell sharply following the OPEC announcement in December that they would seek to "secure and defend for OPEC a fair share in the world oil market" and have been extremely volatile since then. Whilst the price trend is at the moment clearly downwards, the magnitude of the eventual fall is difficult to forecast. Recent evidence suggests that, with Saudi output rising from a 20-year low of 2.4 mbd in August to 4.7 mbd in December, the country has, at least partly, abandoned its role as swing producer. With some oil now trading below $20 pb, this implies a price fall of 25% from the level of last autumn. This is is already having a serious impact on the outlook for Mexico and Nigeria; other oil exporters, such as Venezuela and Indonesia, will be affected if the price falls much further. But oil importers, such as Brazil and poorer African debtors, will of course stand to gain.

8 There has been a reversal over the last six weeks in the downward trend of aggregate non-oil commodity prices, but this is due almost entirely to rises in certain food prices. In the six weeks to mid-January the Economist Index of non-oil spot commodity prices rose 8.6% in SDR terms (10.1% in $). Food prices rose by 10.6% over this period, largely because of fears that the drought in Brazil had seriously damaged the 1986 coffee and soya crops; coffee prices themselves rose by 56%. The rise in coffee prices clearly brings an immediate gain to those

exporters (such as Colombia) whose crop has not been affected. For Brazil the impact is unclear - coffee accounted for almost 10% of exports in 1984, and it is estimated that up to half of this year's crop may have been lost - but much of the reduction in volumes is likely to be made up by the increase in prices, and the country may be able to dispose of existing stocks. The Brazilians themselves are claiming that they will be net beneficiaries to the tune of $700 mn this year. Meanwhile, most other commodity prices continue to decline. Wheat prices stand about 25% below their level of a year ago: this has caused, for instance, an 8% decline in revenue earned by Argentina from wheat exports in 1985 despite the country increasing the volume exported by over 20%. Tin trading on the LME remains suspended; on the (thin) secondary markets, prices are now over 30% below the LME price at the time of suspension of trade. As noted in the last Report, most major producers have diversified away from dependence on tin: the only debtor likely to be seriously affected by a collapse of the tin price is Bolivia.

9 Interest and exchange rate developments continue to be mildly favourable to debtor countries. Long-term interest rates fell in the US in December, following the signing into law by President Reagan of the Gramm-Rudman bill to reduce the fiscal deficit, and on perceptions of improved inflationary prospects arising from the fall in the oil prices. However, this fall was partially reversed in January, as expectations about future growth improved, and amidst increased market concerns about the consitutionality of the Gramm-Rudman measures and hence their likely impact on future federal deficits. For the longer-term doubt remains as to whether political will exists to implement Gramm-Rudman fully. The three month eurodollar rate remains around 8 1/4%. Meanwhile the G5 Finance Ministers suggested after their meeting on 18 January that future moves in interest rates ought to be down rather than up. Following the announcement of the freeze on Libyan assets the dollar fell briefly, but it has recovered more recently, and is now roughly back to its level of the beginning of the year, about 10% in effective terms below its level at the time of the Plaza Agreement.

10 The unemployment rate in the US fell to 6.9% in December from 7.0% in November; and, as already noted, expectations of growth this year have been raised slightly. The immediate protectionist threat to the debtors from the US also seems to have lifted following President Reagan's veto of the bill passed by Congress which would have limited imports of textiles, copper, and shoes from eleven Asian countries and Brazil; an attempt to override the veto is expected to be made this August, and it remains to be seen whether the waning of protectionist pressure in Congress since the Plaza Agreement will endure. Elsewhere, growth in Germany appears to be stronger than expected, but growth in Japan is expected to slow.

11 Within the debtor countries themselves, the pattern outlined in the last Report seems to be persisting. Brazil exceeded its external trade surplus target in 1985, whilst making very limited progress in reducing its fiscal deficit and none in its inflation rate. In Argentina, the 'austral' plan still seems to be effective in controlling inflation and maintaining creditor confidence, although the country remains in deep recession and the combination of deteriorating terms of trade and worsening competitiveness on manufactured goods makes the external outlook rather unpromising. The situation in Mexico continues to be worrying, with the fall in oil prices adding to the country's economic problems, on both the external and internal sides; however some reassurance may be gained from the firm fiscal measures recently announced by the authorities.

12 The banks have rejected the proposals which the South Africans put forward last November for handling the country's debt. Revised proposals are being worked out which will be put to the banks by Leutwiler at a meeting on 20 February. Reports suggest that the banks may be more inclined to go along with these proposals, at least tacitly, as long as the South Africans have responded to some areas of particular concern (in particular on the absence of any repayments until the end of the decade), as they consider that the South Africans would otherwise (at best) seek to impose the original proposals unilaterally.

13 LDCs borrowed a total of $1.5 bn in the FRN market in December, almost one third of their 1985 totals. Most of the better known Asian borrowers were involved (South Korea, Malaysia, Thailand, Hong Kong and India); there was negligible use of other borrowing instruments.

Further details on individual countries are given below.

14 Latin America

The Foreign and Finance Ministers of the 11-member Cartagena Group met in Montevideo on 16 December to formulate a response to the Baker initiative. The participants issued a joint communique at the end of the meeting which gave a guarded welcome to the initiative but also restated many of their earlier demands including (inter alia) the relaxation of IMF and IBRD conditionality and the limitation of debt service payments to a level consistent with sustained growth (on a case-by-case basis).

15 At an earlier meeting in San Jose, the small Latin American debtors warned that, collectively, their debts could pose an even greater threat to the international banking system than those of the larger debtors in the region. They demanded equality of terms for the region's debtors and increased dialogue between the small debtors and their creditors. This message was subsequently endorsed by the Cartagena Group.

16 Turning to events in individual countries, Argentina continues to hold the support of the international financial institutions which it gained through the implementation of the 'austral plan' last summer. The country may well be an early candidate for funds under the Baker initiative, although the timing of this is uncertain as the Argentinians have indicated that they wish to consolidate the economic adjustment already achieved before seeking a formal package. Meanwhile, inflation remains at its relatively subdued level of less than 3% per month as against 30% in June 1985 before the introduction of the 'austral' plan, although it remains to be seen whether the momentum of the anti-inflationary drive can be maintained if and when price and wage controls are removed. The government has taken the first step towards relaxing the wage freeze by offering a 5% across-the-board salary increase from 1 January, with private sector companies allowed to give up to a further 5% as a productivity bonus. Although the end-September public-sector performance criteria were not met, the IMF has agreed tc set revised criteria for end-March 1986, and expects to complete successfully the second review, at present under way, of the country's performance under the SDR 1.4 bn SBA, thus paving the way for the next purchase of SDR 236.5 mn and the disbursement - probably in February - of the third and penultimate tranche ($0.6 bn) of the $4.2 bn bank loan. For 1986 the Argentinians have estimated their financing needs at $4 bn, in addition to the restructuring of $5.9 bn of bank debt falling due this year. This may be met by new bank money of $1-2 bn, a follow-on SBA (possibly for SDR 1.5 bn) as well as new project lending from the World Bank group and the IDB.

17 Brazil's trade surplus in 1985, at $12.4 bn, exceeded its target for the year, and was only slightly down on 1984's record $13.1 bn; real GDP grew by 7.4% over the year. The authorities have been encouraged by this performance into adopting harder negotiating positions on debt issues, and this is posing a number of immediate problems for the international financial community. The Advisory Committee resumed negotiations with the Brazilian authorities in New York in the week beginning 13 January, following two rounds of talks in December which failed to produce agreement. The Advisory Committee requested a greater commitment from

Brazil to the IMF, and Brazil sent a further letter to the Fund MD which promised closer co-operation with the Fund in the future, as a prelude to a MYRA. The Committee then agreed to offer Brazil a limited package involving the rescheduling of 1985 public sector maturities over six or seven years, and the rollover of $8 bn of 1986 public sector maturities and of $16 bn of short-term facilities to March 1987. The Advisory Committee have telexed an outline of the package to banks worldwide, together with a request from the Brazilians for an interest rollover to 15 March, and negotiations with the Brazilians are likely to resume in the first week of February. These are expected to centre on the pricing of the rescheduled loans, on the provision by the Brazilians of withholding tax certificates, the location of jurisdiction for the agreements, and on re-lending conditions. A subcommittee of the Advisory Committee will be exchanging views with the Brazilians on these issues in Brazil before the full Advisory Committee reconvenes.

18 As regards official debt, the Paris Club has stipulated that it will only reschedule 1985/86 official debts if Brazil agrees a formal IMF programme; meanwhile, the country has built up substantial arrears on payments due in 1985. The stance taken by the Brazilian authorities with regard to the $0.5 bn of medium and long-term debts (known as "Resolution 63" loans) of the three Brazilian banks liquidated in November is proving to be an area of continuing difficulty in the negotiations. The Brazilian position, as put to the Advisory Committee in December, is that at least 25% of the collapsed banks' liabilities will be met, but that any excess over 25% would only come from the sale of assets of the banks. The foreign creditor banks regard this as inadequate. The Brazilian team have since indicated that the authorities may honour at least 50% of the loans, but it is not yet clear whether this offer is a firm one.

19 In Mexico, the latest forecast is for a current account deficit of $600 mn this year (based on a $2 pb lower oil price in 1986 than in 1985) but this is widened appreciably as oil prices fall from Mexico's assumed average of $22.50 per barrel. On the basis of this forecast, which already appears to have been overtaken by events, $2.5 bn of net new financing will be required from banks in 1986 (after allowance for capital outflows and a rebuilding of reserves), and the authorities have indicated that they wish to take advantage of the Baker initiative. In addition, they hope to refinance $250 mn of principal due this year under the existing MYRA and to reschedule (over 12 years) the $950 mn pre-payment of 1983 new money which was postponed for six months following the earthquake. As yet, the banks have not reacted. They may, however, have been reassured by the disbursement earlier this month of the $300 mn Fund facility for earthquake reconstruction, and by the toughness of the Mexicans' 1986 budget.

20 The situation in Jamaica remains critical. The "fresh look" mission (comprising the IMF, World Bank and USAID) arrived in the country on 27 January; but the hoped-for short-term revival of the SBA has not, so far, been agreed with the IMF, although some progress has reportedly been made in talks between the staff and the authorities.

21 Turning to the smaller South American countries, most have signed new money and/or rescheduling packages with commercial banks in recent months, or expect to do so in the near future; and most are making progress under their various arrangements with the IMF. The major exception is Peru. Bolivia signed a draft Letter of Intent to the IMF on 12 December which is believed to include a request for a one-year SBA for SDR 50 mn. The authorities are also reportedly seeking a CFF drawing of SDR 55 mn to compensate for the loss of tin export revenues since trading was suspended in October. The Cabinet resigned on 21 January, but in introducing his new Cabinet President Parz emphasised that economic policy would still be based on the austerity measures introduced in August. The banks are now said to be receptive to Bolivia's need to reschedule 1984/85 maturities. Chile continues to make progress towards resolving its external financing problems. The $1085 mn new money deal from commercial banks ($300 mn of which is in the form of an IBRD co-financing) was finalised in mid-December when Banca Nazionale del Lavoro exchanged its participation in the Chile package for Midland's participation in the $4.2 bn loan for Argentina: Chile thereupon received $740 mn from the banks. In November the country had drawn down the first conditional tranche under the SDR 750 mn EFF, as well as the first $125 mn under the IBRD $250 mn SAL, but it failed to meet some of the 1985 IMF end-year performance criteria; however, agreement has now been reached with the Fund to relax slightly some of the 1986 performance criteria.

22 Colombia's $1 bn new money loan was signed on 17 December: drawings are subject to the country meeting quantitative economic targets under IMF enhanced surveillance and also IBRD conditionality relating to trade and exchange rate policy. Although the IMF mission currently in Colombia has yet to give an assessment of the country's end-1985 performance, the end-September targets were met comfortably. On 19 December, Ecuador signed a rescheduling with banks covering $2.5 bn of public sector maturities due between 1985 and 1989. The country remains in good standing with the Fund, and the President has claimed that his country is the first to "sign up to the Baker plan". (Whether Ecuador really is a beneficiary of the Baker initiative is open to question, as negotiations over the present package were largely completed before the initiative.) Separately, Ecuador is

hoping to resume normal market borrowing in the near future (as is Colombia), and is hoping to arrange a $300 mn bankers' acceptance facility early this year.

23 In contrast, Peru's relations with its creditors have continued to deteriorate. In December, the government announced that the country would suspend all repurchases from the IMF until August 1986; this seems to be the first occasion on which a country has announced such a move. By 6 January Peru had accumulated arrears to the Fund totalling SDR 68.2 mn. The Fund Board gave the Peruvians one month to resolve the problem or else to be declared ineligible to use IMF resources. (Ineligibility would threaten Peru with the loss of further IBRD disbursements as well as those from the Fund.) In response Peru is reportedly now budgeting to pay $300 mn to the Fund, $270 mn to the IBRD, and $30 mn to the Fondo Andino this year. The banks' Advisory Committee held talks with the Peruvian authorities on 15 January: no real progress was made, and the banks are pressing the Peruvians strongly to make a substantial payment of interest on 12 February, to reduce arrears by 90 days. The Peruvians for their part stressed the importance of their change of direction towards the Fund and suggested that they might now be willing to allow a Fund team into the country to carry out the 1985 Article IV consultation.

24 Uruguay has reached agreement in principle with its commercial bank creditors on a MYRA covering $1.6 - 2.0 bn of maturities falling due between 1985 and 1989. It is expected that the MYRA will be signed in the near future. Final signature of Venezuela's MYRA has been held up by administrative delays on the Venezuelan side and by the need to reach agreement on the terms of a re-lending facility. Signature is not now expected before February. There has been further progress towards the rationalisation of private sector debt, with the exchange controls office RECADI announcing that $6.9 bn of private sector debt, 45% of the total covered by applications, has been approved for servicing at subsidised exchange rates. On the economic front, results for 1985 are likely to have been moderately encouraging, but prospects for 1986 are less good, with the abolition of the OPEC price structure having already resulted in a fall in the price of Venezuela's heavy crude oil.

25 South and East Asia

The Philippines' IMF programme is once again back on course following agreement with the IMF to relax the end-year fiscal target. This will release $525 mn of commercial bank new money. However, economic performance in 1985 was dismal (GDP fell 4.5%) and prospects this year remain relatively bleak. In an uncharacteristically frank annual report, the State Bank of Pakistan has called the country aid-dependent and living beyond its means; although the government has begun structural and fiscal reforms, there remains considerable scepticism on its ability to see them through. Prices for tea, which accounted for over 40% of Sri Lanka's export revenue in 1984, fell by half in 1985. With other export receipts and workers' remittances and tourism also depressed, there was a current account deficit of 5% of GNP, and the debt service ratio rose over the year from about 17% to almost 21%. Moreover the Tamil/Sinhala conflict continues to threaten external viability. Both Pakistan and Sri Lanka were expected to request IMF Standby programmes in 1985, but both have so far managed to avoid the necessity.

26 Elsewhere in the region South Korea's export performance picked up at the end of 1985, with exports for the year up 3.5% on 1984 levels. GNP growth of 7% has been officially targetted for 1986, following a growth rate of about 5% last year. The authorities are also aiming for a balanced current account, and inflation of 3% or less. Indonesia's prospects for 1986 are not encouraging. A particularly austere budget for 1986/87 (beginning April) has just been presented, including a 22% cut in development spending, but budget projections have been based on a rather optimistic assumption of $25 per barrel for average oil prices. The current account deficit can be expected to widen significantly this year if oil prices fall sharply. However, bankers continue to be impressed by the authorities' resolution, and a $300 mn FRN was well-received in mid-January. In Thailand the authorities appear to be sticking to their austerity programme in the face of considerable political difficulties.

27 Eastern Europe

Poland's official creditors met in Paris on 17-18 December and agreed to roll over until end-March the $550 mn moratorium interest due at end-1985 under the 1982-84 rescheduling agreement. The payment of some $200 mn principal due in January under the 1981 agreement has not yet been made, although the banks received almost $200 mn of interest during this month. A further meeting with the Poles on 24 January, (which followed a meeting of the technical "Task Force" on 23 January) gave preliminary consideration to 1986 maturities and outlined in greater detail governments' wishes for comparable treatment with the banks; the next session in planned for 6-7 March. The Poles agreed to put the question of comparable treatment to the banks at their meeting in Vienna on 28 January. Yugoslavia has refused to increase interest rates under the formula laid down in the current SBA, thereby rendering the agreement technically inoperative and making itself ineligible to draw the next tranche due at end-February. A Fund mission was in Belgrade on 23-25 January to try to resolve the interest rate question; it will report to an IMF Board meeting on 10 March. Under the terms of the banks' MYRA, signed on 18 December, the first refinancing loans (due to commence on 12 March, covering 1985 and 1986 maturities) will proceed only if the SBA is in order. Official creditors are showing increasing irritation; many are disinclined to view an official MYRA with favour. In the meantime no date or venue has been set for official creditors to meet the Yugoslavs, although a Geneva meeting seems possible.

28 Southern Europe

In Greece there has been no sign of a relaxation of the tighter policy initiated in the October package and reinforced by the conditions attached to the ECU 1.75 bn loan under the Community Loan Mechanism, the first three tranches of which have recently been raised. The government also plans to raise $1.5 bn directly from the markets in each of the next two years, partly to refinance the expected hump in external debt repayments. The Portuguese government continues with the policy of "controlled expansion" it adopted after the inconclusive elections last October. Whilst this expansion is likely to lead to some deterioration of the current account in the future, the external position is at present still continuing to improve. Market confidence has also been bolstered by EC accession, and the country has been able to restructure its short-term debt to reduce the proportion at short-term. It has been announced that the monthly depreciation of the escudo will be resumed in April.

29 Africa

The IMF has advised Egypt that until economic reforms are implemented, rather than talked about, and an effort is made to close the country's 1986/87 external financing gap (which is projected to be in excess of $2 bn), the Fund can do no more than lay the ground work for a programme. An approach to the Paris Club seems unavoidable, and Egypt's situation continues to deteriorate as the oil price falls. Negotiations regarding Moroccan rescheduling of 1983-4 commercial bank maturities broke down on 6 January. This followed the failure, for the second time in succession, by the Moroccans to make an initial payment of some $80-85 mn, necessary to effect the agreement. The first review of the 18-month IMF Standby arrangement (approved last September) took place in early December; the IMF Staff were, however, unable to complete the review because of Morocco's failure to meet performance criteria, including agreement with the commercial banks on reschedulings of 1983-84 and 1985-86 maturities. An IMF mission will return to Morocco in February. In Libya commercial arrears have risen to $4-$5 bn and military debts are of similar magnitude. Clearing arrears by oil-barter arrangements is becoming increasingly difficult in the face of falling world oil prices, and the authorities cannot continue to draw down reserves of foreign currency at the rates seen in the early 1980's. The direct effect of US sanctions is likely to be modest.

30 The Nigerian authorities announced on 12 December, after a national debate which showed widespread hostility to the Fund, that they would not to agree an IMF programme. On 31 December the authorities announced in their 1986 budget that they intended limiting debt service to 30% of export earnings this year. (Estimates for the debt service ratio without the ceiling and without rescheduling are around 45% for 1986.) Although this was later presented as a negotiating position, the then Finance Minister Kalu subsequently appeared to say that 30% was the maximum Nigeria could pay after rescheduling and that he was seeking an even lower level of debt service, possibly in the context of a MYRA covering 1986-88. The budget was heralded as an "IMF budget without the IMF" and has been enthusiastically received in Nigeria. It seems to adopt policies with some of the objectives favoured by the IMF (on exchange rate adjustment, subsidy removal and trade liberalisation), but allows a more gradual approach, and aims to introduce a series of financial reforms as well as to reduce dependence on oil. It remains to be seen how far the authorities go in implementing these policies. At the moment the authorities appear to hope that the Fund will endorse retrospectively their adjustment programme and so open the doors to a rescheduling. Initial reports indicate that the Fund staff will be reluctant to do this, though an Article IV mission in March/April will allow the dialogue to resume.

31 Creditors have so far declined to reschedule medium and long-term debts in the absence of a Fund programme. On 19 December Paris Club creditors reaffirmed their refusal to reschedule debts or offer new medium-term credits in the absence of a Fund agreement. The need for IMF endorsement was relayed to Professor Akinyemi the Minister of External Affairs during his recent visit to the UK and other Western countries. The UK also offered to negotiate a new line of credit which would be activated by a Paris Club rescheduling. The banks have been resisting requests for a London Club rescheduling of commercial debt, again pending agreement of an IMF programme. Kalu subsequently announced that Nigeria would seek to reschedule some of its medium and long-term debts on a loan by loan basis. Meanwhile, progress on the rescheduling of short-term trade arrears continues to be slow. In a Cabinet

reshuffle on 24 January Kalu changed places with Minister of National Planning Okongwu. Kalu's move has been attributed to annoyance at his pro-IMF stance; it remains to be seen whether he will still visit the UK on 11 February.

32 Sudan's Finance Minister Magid resigned after the Council of Ministers rejected a proposed Fund package on 2 December. No progress had been achieved in producing an alternative programme before the Fund Executive Board meeting on 3 January, which had been called to consider the country's eligibility to use IMF resources, and it was decided that the country would be declared ineligible from 3 February, unless there were major positive developments before then. The new Finance Minister Osman, appointed on 2 Janaury, is reported to have said that the government was considering the earlier proposed package.

33 Middle East

The high cost of the Gulf war has driven Iraq to seek an increasing number of bilateral rescheduling agreements, some of which have included attempts to settle outstanding debts with oil.

INDEBTEDNESS AND BRITISH EXPOSURE $ billion

	Total external debt	British-owned banks' exposure[1]	ECGD amounts at risk	
	End-Dec 1985*	End-June 1985	End-Sept 1985 [2]	End-Sept 1985 [3]
Latin America				
Argentina	51	2.5	0.2	0.2
Brazil	100	6.7(0.6)	0.8	1.8
Chile	20	1.3(0.1)	-	0.1
Colombia	14	0.6(0.1)	-	0.2
Ecuador	8	0.6	0.1	0.1
Mexico	98	6.4(0.3)	0.5	1.3
Peru	14	0.3	0.1	0.1
Venezuela	38	2.3(0.1)	-	-
Far East				
Indonesia	36	0.7(0.3)	0.8	1.6
Philippines	27	1.3(0.1)	0.2	0.2
South Korea	46	2.2(0.5)	0.4	0.8
Eastern Europe (convertible currency)				
Hungary	11	0.5(0.1)	-	0.1
Poland	30	0.5	1.2	1.3
Romania	6	0.2	0.3	0.5
Yugoslavia	18	0.9(0.1)	0.7	1.0
Southern Europe				
Greece	16	1.3(0.2)	0.3	0.4
Portugal	16	1.2(0.1)	0.2	0.3
Turkey	22	0.4	0.2	0.4
Africa				
Egypt	34	0.4(0.3)	0.2	0.9
Morocco	14	0.2	0.1	0.2
Nigeria	19	1.3(0.1)	1.9	3.3
South Africa	22	4.0(0.5)[4]	0.8	2.8
Sudan	9	0.0	0.2	0.2
Middle East				
Israel	30	0.5	0.1	0.2

[1] This column now shows exposure defined as consolidated external claims, adjusted for certain inward and outward risk transfers in respect of guaranteed loans, plus any net claims on local residents in local currency.
Amounts in brackets represent total unused commitments adjusted for certain inward and outward risk transfers in respect of guaranteed loans.
[2] Defined as unrescheduled principal disbursed, plus political claims paid and claims under examination.
[3] Defined as guaranteed principal and contractual interest, plus political claims paid and claims under examination.
[4] Data not compatible with those previously shown, because of deconsolidation of subsidiaries which are no longer majority owned.
* current estimate

OVERDUE FINANCIAL OBLIGATIONS TO THE FUND*

Country	Due Date of Earliest Arrears Outstanding	Total Outstanding (SDR mn)
Kampuchea	13 March 1975	27.5#
Guyana	31 May 1983	27.8#
Viet Nam	6 February 1984	47.2#
Sudan	12 July 1984	208.0
Liberia	19 December 1984	34.3
Sierra Leone	25 January 1985	13.3
Tanzania	15 March 1985	20.1
Gambia	7 August 1985	5.3
Peru	9 September 1985	68.2
Somalia	21 October 1985	13.0
Jamaica	24 October 1985	25.5
		490.2

NB The above figures are derived from Fund papers issued with respect to individual country complaints. There will have been further overdue obligations falling due subsequently, so the figures are not completely up-to-date. A Fund source indicates that total arrears were 620.3 mn as at 2.1.86 but this figure is not divided country by country.

* for members with at least one obligation with respect to repurchases or charges overdue for more than one month.

\# Guyana and Viet Nam are ineligible. Kampuchea is out of contact with the Fund.

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(US$ millions)

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TABLE A

Current Country List	BIS reporting area banks: End-Sept 1985 Claims	Liabilities	Net claims	Changes on year before: Claims (Increase +)	Liabilities	Banks in the UK: external sterling and foreign currency claims and liabilities*: End-Sept 1985 Claims	Liabilities	Changes on year before: Claims (Increase +)	Liabilities	UK-registered banks' consolidated external claims in sterling and foreign currencies**: End-June 1985	Changes on year before (Increase +)
Argentina	28,398	9,020	19,378	+ 2,080	+ 810	4,360	169	+ 520	+ 9	3,384	- 57
Bolivia	681	207	474	- 8	- 19	159	18	+ 22	- 1	114	- 15
Brazil	77,405	16,722	60,683	+ 1,270	+ 752	13,480	2,040	+ 554	+ 136	9,461	+ 431
Chile	13,776	2,774	11,002	+ 169	- 832	2,469	262	+ 310	- 344	2,112	+ 186
Colombia	6,888	3,443	3,445	- 89	+ 473	715	201	+ 2	+ 28	737	- 90
Costa Rica	889	193	696	+ 18	+ 3	277	14	+ 19	+ 5	198	+ 14
Ecuador	5,103	2,006	3,097	+ 239	+ 281	708	59	+ 56	- 15	789	+ 53
Jamaica	596	306	290	+ 18	+ 10	73	52	- 9	- 14	51	- 5
Mexico	72,390	21,537	50,853	- 1,180	+ 72	12,688	2,230	+ 628	- 761	8,855	+ 119
Peru	5,747	2,551	3,196	- 126	- 418	663	225	+ 145	- 7	707	+ 3
Uruguay	2,126	2,491	- 365	+ 252	+ 215	348	158	+ 47	- 3	391	+ 15
Venezuela	25,525	19,873	5,652	- 231	+ 538	3,593	947	+ 305	- 40	2,821	+ 46
Indonesia	14,810	6,091	8,719	+ 354	+ 555	1,462	632	- 2	- 22	1,450	- 213
Pakistan	1,182	1,588	- 406	+ 268	+ 143	602	975	+ 167	+ 89	245	+ 50
Philippines	13,590	2,922	10,668	- 187	+ 622	1,558	288	- 242	+ 66	1,570	- 79
South Korea	33,114	5,356	27,758	+ 2,847	+ 429	3,167	941	+ 145	+ 7	2,675	- 280
Sri Lanka	695	450	245	+ 7	+ 40	187	205	+ 51	+ 68	102	+ 11
Thailand	7,481	1,980	5,501	+ 272	+ 336	588	510	- 57	- 31	403	- 97
Hungary	8,511	2,472	6,039	+ 1,872	+ 1,239	2,179	916	+ 593	+ 635	698	- 25
Poland	9,394	1,675	7,719	+ 165	+ 110	2,302	279	+ 41	+ 47	1,157	- 167
Romania	3,096	323	2,773	- 307	- 343	1,096	100	+ 1	- 109	618	- 64
Yugoslavia	9,949	2,748	7,201	+ 198	+ 187	2,974	452	+ 66	+ 6	1,786	+ 80
Greece	13,761	6,741	7,020	+ 1,455	+ 1,020	5,943	3,797	+ 397	+ 493	1,489	- 68
Iceland	1,036	104	932	+ 92	+ 16	483	42	- 15	+ 11	314	+ 16
Ireland	8,697	3,910	4,787	+ 907	+ 716	5,276	3,222	+ 279	+ 767	1,244	- 346
Portugal	11,843	4,907	6,936	+ 418	+ 1,435	4,156	1,584	+ 83	+ 609	1,257	- 190
Turkey	6,434	2,490	3,944	+ 1,344	+ 425	1,228	737	+ 453	+ 222	542	+ 96
Congo	1,026	205	821	+ 117	+ 79	104	11	+ 7	-	64	+ 12
Egypt	6,753	8,262	- 1,509	+ 139	+ 563	1,323	3,714	- 168	+ 21	829	- 96
Ivory Coast	2,858	1,109	1,749	+ 16	+ 467	512	397	- 1	+ 172	358	+ 18
Kenya	661	1,251	- 590	+ 15	+ 126	329	1,123	+ 7	+ 132	244	- 25
Libya	1,025	5,005	- 3,980	- 134	+ 1,825	222	1,320	- 48	+ 567	80	- 20
Morocco	4,669	743	3,926	+ 262	- 20	628	28	+ 37	- 14	377	+ 5
Nigeria	8,722	1,721	7,001	+ 423	+ 368	3,790	1,218	+ 242	+ 182	2,549	+ 15
South Africa	16,649	2,398	14,251	- 1,042	+ 37	7,944	1,382	+ 132	+ 634	4,526	-1,036
Sudan	976	1,005	- 29	+ 69	+ 137	293	812	- 2	+ 219	96	- 36
Tunisia	1,450	622	828	+ 233	+ 118	149	84	+ 28	- 23	70	+ 4
Zaire	676	899	- 223	- 17	+ 14	169	52	- 13	+ 2	104	- 5
Zambia	465	245	220	+ 6	+ 38	378	205	+ 41	+ 37	316	+ 69
Zimbabwe	731	275	456	- 51	+ 120	485	187	+ 39	+ 84	312	- 72

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(US$ millions)

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TABLE A

Current Country List	BIS reporting area banks					Banks in the UK: external sterling and foreign currency claims and liabilities*				UK-registered banks' consolidated external claims in sterling and foreign currencies**	
	End-Sept 1985			Changes on year before		End-Sept 1985		Changes on year before		End-June 1985	Changes on year before (increase +)
	Claims	Liab-ilities	Net claims	Claims (increase +)	Liab-ilities	Claims	Liab-ilities	Claims (increase +)	Liab-ilities		
Iran	1,358	6,943	- 5,585	- 125	- 402	138	3,316	+ 8	+ 523	43	- 23
Iraq	4,567	1,160	3,407	+ 1,415	+ 171	456	616	+ 195	+ 60	227	+ 71
Israel	5,551	6,910	- 1,359	- 374	- 465	1,155	2,465	- 302	- 450	449	- 81
Jordan	1,183	2,108	- 925	+ 305	+ 42	201	1,193	- 18	- 126	180	+ 38
Syria	950	1,257	- 307	+ 224	+ 94	184	340	+ 34	+ 35	122	+ 7
1 Total	443,387	166,998	276,389	+13,598	+12,127	91,194	39,518	+ 4,777	+3,906	56,116	-1,731
2 Total claims/liabilities to countries outside BIS reporting area, offshore centres and international organisations (but inc Ireland)	611,477	386,561	224,916	+33,878	+29,926	124,548	109,509	+ 7,893	+7,419	74,474	-2,579
1 as % of 2	72.5	43.2				73.2	36.1				

* S1 & S2 data

** C1 data

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TABLE B

CONSOLIDATED EXTERNAL CLAIMS AND UNUSED COMMITMENTS OF UK-REGISTERED BANKS IN STERLING AND FOREIGN CURRENCIES

End-June 1985 ($ millions)

	Total lending	Lending to banks	Lending to public sector	Maturity Analysis					Exposure*	Unused commitments	
				Under 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years		Total	Of which: Exposure **
Argentina	3,384	928	1,671	803	273	354	674	433	3,394	297	289
Bolivia	114	24	79	28	14	20	12	5	102	3	1
Brazil	9,461	2,750	4,437	1,484	537	1,000	3,229	3,136	10,058	1,000	635
Chile	2,112	1,050	765	449	135	239	794	474	2,078	98	62
Colombia	737	159	407	216	67	73	240	121	752	156	60
Costa Rica	198	50	143	34	12	31	67	31	195	26	25
Ecuador	789	102	585	220	54	112	321	29	784	45	35
Jamaica	51	3	45	13	7	8	13	3	45	3	-
Mexico	8,855	2,362	4,251	1,549	639	1,008	3,281	2,191	8,806	455	291
Peru	707	92	543	157	33	72	185	87	649	72	33
Uruguay	391	35	294	89	22	55	182	28	386	21	21
Venezuela	2,821	590	1,279	1,245	173	247	583	172	2,812	51	55
Indonesia	1,450	35	820	395	91	136	391	379	858	677	335
Pakistan	245	10	134	59	14	37	115	12	228	219	134
Philippines	1,570	371	703	711	87	150	321	194	1,386	144	80
South Korea	2,675	855	765	542	169	325	1,063	550	2,862	564	605
Sri Lanka	102	10	46	17	10	20	45	8	62	49	41
Thailand	403	97	142	106	52	63	129	43	487	289	277
Hungary	698	207	467	211	100	118	174	91	699	83	60
Poland	1,157	176	918	163	84	159	499	222	735	122	24
Romania	618	133	420	110	58	110	268	68	413	105	33
Yugoslavia	1,786	758	638	337	157	245	673	320	1,364	133	106
Greece	1,489	314	640	299	121	180	577	265	1,865	199	232
Iceland	314	126	80	133	26	12	43	98	295	67	73
Ireland	1,244	436	413	577	85	96	207	269	1,835	314	318
Portugal	1,257	43	942	165	84	146	547	272	1,539	169	146
Turkey	542	157	243	152	98	71	172	38	482	189	161
Congo	64	1	30	10	8	18	25	3	24	33	20
Egypt	829	417	117	509	85	63	110	38	682	459	281
Ivory Coast	358	31	287	39	24	41	167	81	324	34	16
Kenya	244	14	161	54	29	25	100	16	133	147	43
Libya	80	56	4	58	4	7	9	1	88	50	50
Morocco	377	35	270	64	47	55	104	46	293	33	12
Nigeria	2,549	304	1,960	597	312	378	827	318	1,559	510	148
South Africa	4,526	1,748	1,500	2,136	466	491	934	475	4,310	1,056	492
Sudan	96	12	72	52	4	4	12	1	93	9	9
Tunisia	70	20	30	20	8	4	13	22	56	63	63
Zaire	104	-	67	8	7	14	38	29	70	-	-
Zambia	314	30	220	182	37	20	56	-	328	54	31
Zimbabwe	312	10	218	77	26	60	108	33	188	274	147

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TABLE B

CONSOLIDATED EXTERNAL CLAIMS AND UNUSED COMMITMENTS OF UK-REGISTERED BANKS IN STERLING AND FOREIGN CURRENCIES

End-June 1985 ($ millions)

	Total lending	Lending to banks	Lending to public sector	Maturity Analysis					Exposure*	Unused commitments	
				Under 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years		Total	Of which: Exposure **
Iran	43	5	1	25	5	1	1	-	41	22	33
Iraq	227	66	85	51	54	73	41	-	108	298	133
Israel	449	328	26	303	70	22	42	1	596	59	55
Jordan	180	17	81	31	14	21	62	39	240	199	152
Syria	122	105	1	98	4	7	9	-	108	21	22
Total	56,114	15,072	27,000	14,578	4,406	6,391	17,463	10,642	54,412	8,871	5,839

** Total unused commitments adjusted for certain inward and outward risk transfers in respect of guaranteed loans.

* Total lending, adjusted for certain inward and outward risk transfers in rexpect of guaranteed loans, plus any net claims on local residents in local currency.

	Disbursed Debt - $ bn				Debt Service ratios: Total Debt Service as a % of exports of goods and services (Long Term Debt Service as a % of exports of goods and services				Debt exports ratios: Total Debt Outstanding/ exports of goods and services (Long Term Debt Outstanding/ exports of goods and services				Debt/GNP ratios: Total Total Debt/GNP (Long-term debt/GNP)			
	End-1984 Public	Private	Total	End-1985 Total	1983	1984	1985	1986	1983	1984	1985	1986	1983	1984	1985	1986
Hungary	8.8	n/a	8.8	11.0	66(34)	81(43)	76(49)	70(47)	1.5(1.1)	1.5(1.3)	2.1(1.8)	1.8(1.6)	0.5(0.3)	0.5(0.4)	0.5(0.5)	0.5(0.4)
Iceland	0.9	0.6	1.5	1.8	25(21)	30(24)	45(25)	54(24)	1.2(1.2)	1.4(1.2)	1.6(1.3)	1.4(1.2)	0.6(0.6)	0.7(0.6)	0.8(0.7)	0.8(0.7)
Israel	15.6	14.4	30.0	30.2	73(41)	75(42)	72(39)	67(36)	3.0(2.7)	2.9(2.5)	2.9(2.5)	2.7(2.3)	1.2(1.1)	1.3(1.2)	1.4(1.2)	1.2(1.1)
Poland≠	27.0	n/a	27.0	29.7	59(33)	47(23)	64(55)	72(..)	4.5(4.2)	4.2(4.0)	4.8(4.7)	4.3(..)	0.4(..)##	0.4(0.4)##	.. (..)	.. (..)
Romania	7.1	n/a	7.1	6.1	38(24)	33(26)	33(29)	30(25)	1.3(1.2)	0.9(0.9)	0.8(0.7)	0.6(0.6)	0.2(..)	0.2(..)	.. (..)	.. (..)
Turkey	19.4	1.9	21.3	22.2	51(28)	51(25)	62(28)	66(26)	1.9(1.6)	1.8(1.4)	1.7(1.3)	1.6(1.1)	0.4(0.3)	0.4(0.3)	0.4(0.3)	0.4(0.3)
Yugoslavia	9.9	7.9	18.8-	18.5	57(40)	54(43)	53(45)	48(40)	1.8(1.7)	1.7(1.6)	1.6(1.5)	1.4(1.3)	0.4(0.4)	0.4(0.4)	0.4(0.4)	0.4(0.4)
Greece	9.0	5.9	14.9	15.5	77(28)	83(33)	109(37)	109(42)	1.9(1.2)	2.0(1.3)	2.2(1.5)	2.1(1.5)	0.4(0.3)	0.5(0.3)	0.5(0.3)	0.5(0.4)
Ireland	11.0	2.8	13.8	13.9	22(..)	22(..)	18(..)	17(..)	1.4(..)	1.3(..)	1.2(..)	1.1(..)	0.8(..)	0.9(..)	0.9(..)	0.7(..)
Portugal	6.2	8.8	14.9	16.0	101(32)	97(43)	83(39)	78(34)	2.4(1.8)	2.1(1.7)	2.1(1.7)	2.1(1.7)	0.7(0.5)	0.8(0.6)	0.8(0.7)	0.8(0.7)
Argentina	38.5	10.2	48.7	51.1	154(57)	153(54)	161(58)	154(60)	4.8(3.8)	4.7(3.9)	4.5(3.3)	4.6(3.5)	0.7(0.6)	0.7(0.6)	0.7(0.6)	0.8(0.6)
Bolivia	3.3	0.8	4.1	4.3	115(43)	117(46)	146(49)	138(47)	4.8(4.5)	5.2(4.9)	6.0(5.7)	5.9(5.6)	0.7(0.6)	0.5(0.4)	0.5(0.5)	0.5(0.5)
Brazil	74.8	22.2	97.0	100.0	95(52)	68(44)	80(77)	90(86)	3.8(3.4)	3.2(2.9)	3.6(3.3)	3.5(3.2)	0.4(0.3)	0.4(0.3)	0.4(0.4)	0.4(0.3)
Chile	11.9	7.1	18.9	19.9	116(50)	101(53)	97(53)	91(51)	3.6(3.1)	3.9(3.5)	4.2(3.8)	3.9(3.5)	1.0(0.8)##	1.0(0.9)##	1.3(0.7)##	0.7(0.6)##
Colombia	9.2	3.3	12.5	14.0	123(41)	118(40)	104(45)	93(43)	2.9(2.0)	2.7(2.1)	2.8(2.2)	2.6(2.1)	0.3(0.2)	0.3(0.3)	..(..)	..(..)
Ecuador	7.0	0.2	7.2	7.8	..(34)	..(35)	..(37)	..(38)	..(2.6)	..(2.4)	..(2.7)	..(2.6)	..(0.7)	..(0.7)	..(0.6)	..(0.5)
Mexico	78.2	18.5	96.7	97.6	149(54)	94(48)	102(55)	97(50)	3.5(2.9)	3.2(2.8)	3.4(2.8)	3.5(3.1)	0.7(0.6)	0.6(0.5)	0.6(0.5)	0.6(0.5)
Peru	11.3	2.0	13.3	13.9	52(49)	72(68)	66(61)	60(55)	3.2(2.9)	3.3(3.0)	3.7(3.4)	3.5(3.2)	0.9(0.8)	0.8(0.7)	0.8(0.8)	0.8(0.7)
Uruguay	2.8	0.9	3.7	3.8	66(40)	75(45)	86(47)	80(45)	2.5(2.1)	2.7(2.1)	2.9(2.4)	2.8(2.2)	0.7(0.6)	0.7(0.6)	0.8(0.6)	0.8(0.6)
Venezuela	26.4	13.4	39.8	38.1	162(29)	133(27)	144(37)	141(46)	2.4(1.5)	2.4(1.4)	2.5(1.5)	2.3(1.9)	1.0(0.6)	0.8(0.5)	0.7(0.5)	0.7(0.6)
Indonesia**	25.7	7.1	32.9	35.9	36(17)	41(21)	43(24)	45(26)	1.6(1.4)	1.5(1.3)	1.8(1.6)	2.0(1.8)	0.4(0.3)	0.4(0.3)	0.4(0.4)	0.5(0.4)
Pakistan	..	..	13.3	..	..(..)	27	..(..)	..(..)	..(..)	1.5(..)	..(..)	..(..)	..(..)	0.4(..)	..(..)	..(..)
Philippines*	..	..	25.4	27.2	165(36)	180(43)	152(38)	147(42)	3.3(2.0)	3.3(2.0)	3.1(2.1)	3.3(2.0)	0.7(0.5)	0.8(0.5)	0.8(0.5)	0.8(0.6)
South Korea	..	..	42.7	45.6	61(21)	58(23)	58(24)	53(24)	1.3(0.9)	1.3(0.9)	1.4(1.0)	1.3(1.0)	0.5(0.4)	0.5(0.4)	0.6(0.4)	0.6(0.4)
Sri Lanka	2.5	0.6	3.1	3.4	..(24)	..(17)	..(21)	..(..)	1.4(..)	1.3(..)	1.3(..)	..(..)	0.6(..)	0.5(..)	0.5(..)	..(..)
Thailand	8.5	7.0	15.5	16.7	57(23)	57(24)	56(26)	50(24)	1.5(1.2)	1.5(1.1)	1.5(1.2)	1.4(1.1)	0.4(0.3)	0.4(0.3)	0.4(0.3)	0.4(0.3)
Costa Rica	..	..	3.5	3.6	63(37)	53(30)	82(54)	73(51)	3.4(3.2)	3.2(3.0)	4.0(3.7)	3.3(3.1)	1.1(1.0)	1.0(0.9)	1.0(0.9)	1.0(0.9)
Jamaica	..	..	3.2	3.5	..(27)	..(19)	..(26)	..(38)	.. (2.3)	.. (2.4)	.. (2.8)	.. (3.1)	.. (0.8)	.. (1.3)	.. (1.9)	.. (2.1)
Egypt	..	..	31.8	34.1	81(..)	91(..)	98(..)	92(..)	2.7(2.2)	2.8(2.2)	3.2(2.5)	3.2(2.5)	1.4(1.1)	.. (..)	.. (..)	.. (..)
Morocco	9.5	3.8	13.3	14.4	..(53)	..(40)	..(42)	..(41)	4.2(..)	4.2(..)	4.5(..)	4.5(..)	0.9(..)	1.1(..)	1.2(..)	1.1(..)
Sudan																
Syria																
Tunisia	..	..	3.8	4.0ø	17	20	21	20	1.1	1.2	1.3	1.3	0.4	0.5	0.5	0.5
Congo	1.4	..	..	1.5ø	49(..)	49(..)	53(..)	58(..)	2.0(..)	1.6(..)	.. (..)	.. (..)	1.1(..)	1.0(..)	.. (..)	.. (..)
Ivory Coast	5.5	..	..	6.8ø	42(..)	20(..)	20(..)	34(..)‡	2.6(..)	2.1(..)	2.4(..)	2.3(..)	0.8(..)	0.8(..)	0.9(..)	0.9(..)
Kenya--	2.8	..	..	3.1	26(..)	27(..)	30(..)	28(..)	3.2(..)	2.8(..)	3.0(..)	2.9(..)	0.5(..)	0.5(..)	0.5(..)	.. (..)
Nigeria	18.3	..	18.3	18.7	29(20)	39(30)	57(49)	47(39)	1.7(1.6)	1.6(1.5)	1.6(1.5)	1.5(1.4)	..(..)	..(..)	..(..)	..(..)
South Africa	11.1	15.9	27	22.1	75(16)	87(18)	63(19)	..(19)	1.1(0.5)	1.4(0.7)	1.1(0.6)	..(..)	0.3(0.1)	0.4(0.2)	0.3(0.2)	..(..)
Zaire	..	4.4	4.4	4.4	20(15)	29(19)	58(45)#	50(39)#	2.6(2.4)	2.4(2.3)	2.3(2.1)	2.0(1.9)	..(..)	..(..)	..(..)	..(..)
Zambia	3.4	0.3	3.7	4.0	79(29)	81(34)	127(83)	124(72)	3.3(2.8)	4.0(3.5)	4.0(3.6)	4.5(4.1)	1.1(0.9)	1.2(1.1)	1.3(1.2)	1.5(1.3)
Zimbabwe	2.4	0.1	2.5	2.6	21(17)	25(22)	26(22)	28(24)	1.8(1.8)	1.8(1.8)	1.9(1.8)	1.8(1.8)	..(..)	..(..)	..(..)	..(..)

≠ Assumes capitalisation and rescheduling of nearly all interest arrears, estimated at $4.0 bn at end-1984.

** Financial year figures (April-March)

* Figures include debt to BIS area banks by the offshore centres.

‡ Before rescheduling

\- Includes unclassified short-term debt

.. Not available

n/a Not applicable

ø Public debt only

-- Short-term debt can be assumed negligible

øø Debt/GDP

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TABLE D

RESCHEDULING AND RELATED DEVELOPMENTS

Agreements reached since the last report

Debtor country	Type of Operation	Date of Agreement(s)	Consolidation period (years)	Amount ($ mn)	New Terms Maturity	Grace	Interest rate
Ecuador	Commercial	19 December	5	2,473	12	3	1 3/8
Poland	Official	18 December	-	600	[3-month postponement of interest due end-1985]		
Yugoslavia	Commercial	18 December	4	3,600	9 1/2-10 1/2	3-4	1 1/8

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