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**Collection:** Executive Secretariat, NSC: Country  
File: Records, 1981-1985  
**Folder Title:** Soviet Bloc Economic and Financial  
Situation Update: (04/14/1982) (2)  
**Box:** RAC Box 19

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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** EXECUTIVE SECRETARIAT, NSC: COUNTRY FILE

**Withdrawer**

KDB 8/25/2015

**File Folder** SOVIET BLOC ECONOMIC AND FINANCIAL SITUATION  
UPDATES (4/14/82) (2)

**FOIA**

F03-002/5

**Box Number** 19

SKINNER

108

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
168820	CABLE	072002Z APR 82	1	4/7/1982	B1
168821	CABLE	072017Z APR 82	2	4/7/1982	B1
168822	CABLE	072013Z APR 82	1	4/7/1982	B1
168823	CABLE	RE USSR	2	4/8/1982	B1
168824	CABLE	091630Z APR 82	1	4/9/1982	B1
168825	CABLE	092142Z APR 82	1	4/9/1982	B1
168826	CABLE	101325Z APR 82	1	4/10/1982	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
168827	CABLE	121932Z APR 82	1	4/12/1982	B1
168828	CABLE	140225Z APR 82	2	4/14/1982	B1
		<b>PAR 6/3/2013 CREST NLR-748-19-31-11-1</b>			

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168821	CABLE  072017Z APR 82	2	4/7/1982	B1

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PAGE 01 SECSTATE WASHDC 4570 DTG: 082235Z APR 82 PSN: 031132  
EOB602 AN007207 TOR: 098/2304Z CSN: HCE563

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STER-01 /007 A1

5. FORMER WARSAW UNIVERSITY RECTOR SAMSONOWICZ, WHO WAS FIRED ON APRIL 7, HAS TOLD EMBASSY WARSAW HE BELIEVES HIS DISMISSAL WAS THE RESULT OF A PERSONAL VENDETTA AGAINST HIM BY WARSAW PARTY BOSS KOCIOLEK. EARLIER THIS YEAR PARTY OFFICIALS HAD AGREED TO CANCEL SAMSONOWICZ'S PARTY MEMBERSHIP. EAGLEBURGER  
BT

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~~C O N F I D E N T I A L~~ STATE 094570 TOSEC 050022

ZFF SECRETARY ONLY- ALL POSTS TAKE AS IMMEDIATE  
E.O. 12065: GDS 4/8/88 (SMITH, ARTHUR J.)  
TAGS: PINT, PL  
SUBJECT: POLAND SITREP NO. 157

DECLASSIFIED

NLRR 748-19-31-3-0

BY KDB NARA DATE 8/25/15

1. (C - ENTIRE TEXT)

2. A TRYBUNA LUDU COMMENTARY APRIL 8 INDICATES GROWING OFFICIAL OPPOSITION TO THE RESTORATION OF SOLIDARITY. WESTERN PRESS IN WARSAW INTERPRETS THE COMMENTARY, WHICH CALLS FOR THE UNION'S COMPLETE TRANSFORMATION, AS THE CLEAREST INDICATION SINCE MARTIAL LAW WAS IMPOSED THAT SOLIDARITY MAY BE COMPLETELY ABOLISHED.

3. CONSULATE KRAKOW HAS RECEIVED RELIABLE REPORTS THAT THERE IS GROWING-PRESSURE FROM HARDLINERS IN THE JARUZELSKI REGIME TO DISSOLVE THE POLISH WRITERS UNION IN THE SAME WAY THAT THE POLISH JOURNALISTS ASSOCIATION WAS ABOLISHED IN MARCH. A RECENT EFFORT BY WRITERS UNION PRESIDENT JAN SZECZEPANSKI TO SECURE SUPPORT FOR THE UNION FROM A POLITBURO MEMBER WAS UNSUCCESSFUL.

4. A WELL-INFORMED POLISH OFFICIAL RECENTLY TOLD OFFICERS OF A U.S. EMBASSY IN WESTERN EUROPE THAT THE CUT-OFF OF WESTERN CREDITS IS NOW POLAND'S PRIMARY ECONOMIC PROBLEM. HE SAID SOME PERSONS WITHIN THE

GOVERNMENT ARE NOW CALLING FOR A MODIFICATION OF POLITICAL POLICIES SO THAT WESTERN CREDIT LINES WILL REOPEN. THE OFFICIAL CONCEDED THAT LITTLE PROGRESS HAS BEEN MADE IN REVIVING THE POLISH COMMUNIST PARTY (PZPR) AND SAID THAT INTERNEES WILL NOT BE RELEASED UNTIL BROADER POLITICAL QUESTIONS ARE RESOLVED. JARUZELSKI'S RECENT VISITS TO THE USSR AND EAST GERMANY WERE DIFFICULT, HE SAID, BECAUSE BOTH COUNTRIES PRESSURED HIM TO TAKE A HARDER LINE AGAINST MODERATE ELEMENTS AND ALSO AGAINST THE WEST, ESPECIALLY THE U.S.

*update*

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168822	CABLE  072013Z APR 82	1	4/7/1982	B1

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168823	CABLE  RE USSR	2	4/8/1982	B1

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168824	CABLE  091630Z APR 82	1	4/9/1982	B1

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168825	CABLE  092142Z APR 82	1	4/9/1982	B1

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PAGE 01 OF 02 BUDAPEST 1850 DTG: 061332Z APR 82 PSN: 029686  
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INFO AMEMBASSY BELGRADE 3884  
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AMEMBASSY BUCHAREST 4825  
AMEMBASSY LONDON 1769  
AMEMBASSY MOSCOW 4252  
AMEMBASSY PARIS 1790  
AMEMBASSY PRAGUE 4559  
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*Update*

NLRR 748-19-31-8-5

BY EDS NARA DATE 8/25/15

~~C O N F I D E N T I A L~~ BUDAPEST 1850

EXDIS  
DEPARTMENT PASS TREASURY, AND FRB  
PARIS ALSO FOR OECD  
E. O. 12065: RDS-1 04/07/02 (KUCHEL, ROLAND K.)  
TAGS: EFIN, IMF, CEMA, HU, US, GW, FR, UK  
SUBJECT: HUNGARY'S FINANCIAL SITUATION-SOME WESTERN BANK VIEWS  
REF: BUDAPEST 1751

1. ~~C~~-ENTIRE TEXT.

2. ECON OFFICER RECENTLY SEPARATELY MET WITH FRG AND UK EMBASSY OFFICERS AND WITH SOCIETE GENERALE REP IN BUDAPEST TO REVIEW HUNGARIAN FINANCIAL SITUATION. FRG REP HAD JUST RETURNED FROM MEETINGS WITH SEVERAL BANKS AND 90 FIRMS IN GERMANY. NO GERMAN FIRM REPORTED HUNGARIAN PAYMENTS DIFFICULTIES. FRG DIPLOMAT NOTED GERMAN BANKS' EXPECTATIONS THAT HUNGARY WOULD PROBABLY NEED TO RESCHEDULE, ADDING GERMAN BANKERS SEEMED WARY OF ANY NEW DEALINGS WITH ALL EES. BRITISH BANKS SEEMED, ACCORDING TO UK REPS, MORE CONFIDENT OF HUNGARY'S ABILITY TO AVOID SERIOUS FINANCIAL DIFFICULTIES. NEVERTHELESS, UK FIRMS WERE BEGINNING TO COMPLAIN ABOUT SOME DELAYS IN PAYMENTS AND HUNGARIAN REQUESTS FOR 180-DAY SUPPLIER CREDITS.

3. SOCIETE GENERALE REP IN BUDAPEST ALSO PROVIDED ECON OFFICER WITH HIS BANK'S ASSESSMENT OF HUNGARY'S CREDIT-WORTHINESS. HE SAID SOCIETE GENERALE FELT THAT, BECAUSE HUNGARY HAS A SERIOUS ECONOMIC REFORM PROGRAM, IT IS RELATIVELY FLEXIBLE AND BEST ABLE AMONG THE EE'S TO COPE WITH ITS ECONOMIC PROBLEMS. HUNGARY IS, HOWEVER, IN HIS BANK'S VIEW, STILL HIGHLY CENTRALIZED AND HENCE, LESS ABLE THAN MARKET ECONOMIES TO EXPAND EXPORTS RAPIDLY. HUNGARY NEEDED, IN HIS VIEW, A MUCH LARGER HARD-CURRENCY TRADE SURPLUS TO ELIMINATE IN 1982 AN ANTICIPATED 600 MILLION DOLLAR CURRENT ACCOUNT DEFICIT. YET ANY SIGNIFICANT EXPORT EXPANSION TO THE WEST WAS NEARLY IMPOSSIBLE GIVEN THE NUMEROUS CENTRAL PLANNING CONSTRAINTS ON HUNGARIAN ENTERPRISES AND THE COMBINATION OF CONTINUED RECESSION AND GROWING PROTECTIONISM IN WORLD TRADE.

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PAGE 02 OF 02 BUDAPEST 1850

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4. SOCIETE GENERALE REP FELT THAT HUNGARY WILL PROBABLY ALSO BE UNABLE TO CUT IMPORTS BY VERY MUCH AS A MEANS OF REDUCING ITS CURRENT ACCOUNT EXPENDITURES. THE BULK OF HUNGARY'S IMPORTS ARE RAW MATERIALS AND SEMI-FINISHED PRODUCTS NEEDED FOR HUNGARY'S INDUSTRIES. NEVERTHELESS, FEKETE STATED TO SOCIETE GENERALE REPS THAT HUNGARY WILL BEGIN APRIL 1 TO "DRASTICALLY REDUCE" ALL CONSUMER GOODS IMPORTS.

EXDIS

5. A SOCIETE GENERALE STUDY SHOWS THAT HUNGARY MIGHT BE ABLE TO CUT IMPORTS BY A MAXIMUM OF 600 MILLION DOLLARS (I.E., BY 12 TO 14 PERCENT) AND THEREBY BRING THE CURRENT ACCOUNT INTO BALANCE. BUT SUCH A DRASTIC CUT IN IMPORTS WILL BE VERY DIFFICULT TO ACHIEVE AND COULD NOT BE REPEATED EASILY IN 1983. EVEN SO, HUNGARY WOULD NEED TO ROLL OVER AT LEAST 900 MILLION DOLLARS IN MEDIUM-TERM REPAYMENTS FALLING DUE THIS YEAR. THE NORMAL IMF DRAWINGS WHICH HUNGARY MIGHT ARRANGE (I.E., 400 MILLION DOLLARS) AND THE REPORTED BIS LOAN OF 200 MILLION DOLLARS THIS YEAR, HOWEVER, MIGHT BE ADEQUATE (ALONG WITH RESERVES) TO MEET HUNGARY'S FINANCING NEEDS. BUT THIS IS THE MOST OPTIMISTIC SCENARIO.

EXDIS

6. THE SOVIETE GENERALE REP SAID HIS BANK STILL CONCLUDES THAT, GIVEN THE ABOVE CIRCUMSTANCES, LENDING TO EASTERN EUROPE HAD BECOME TOO RISKY FOR A COMMERCIAL BANK AND THAT IT IS TIME FOR THE IMF AND WESTERN GOVERNMENTS TO STEP IN. HE SUGGESTED THAT SHORT-TERM GOVERNMENT EXPORT CREDIT GUARANTEES FOR SEMI-FINISHED PRODUCTS AND RAW MATERIALS COULD HELP HUNGARY MAKE UP SOME OF THE REDUCTION IN WESTERN BANK CREDITS. IF THE HUNGARIANS ARE ABLE TO OBTAIN SUPPLIER CREDITS, RESCHEDULING COULD BE POSTPONED FOR ANOTHER SIX MONTHS, GIVING THE IMF A CHANCE TO WORK OUT A PROGRAM OF ASSISTANCE.

EXDIS

7. SOCIETE GENERALE REP HAD RECENTLY ACCOMPANIED THE HEAD OF HIS BANK'S INTERNATIONAL DIVISION TO A MEETING WITH THE NATIONAL BANK OF HUNGARY'S FIRST DEPUTY PRESIDENT, JANOS FEKETE. THE SOCIETE GENERALE INTERNATIONAL DIVISION HEAD REVIEWED FOR

FEKETE THE PROBLEMS WESTERN BANKS SEE IN MAINTAINING, LET ALONE EXPANDING, LENDING TO EE'S, MAKING THE FOLLOWING POINTS: NOTING THAT THE DETERIORATION IN EAST-WEST RELATIONS AFFECTS THE POLITICAL CLIMATE FOR LENDING TO ALL EE'S AND THE USSR, THE SOCIETE GENERALE BANKER TOLD FEKETE THAT WESTERN BANKS ARE ALSO LESS WILLING TO LEND TO THE EAST AND THE DEVELOPING WORLD FOR FINANCIAL REASONS. THE MAJOR INTERNATIONAL BANKS WANT TO SHIFT THEIR ACTIVITIES TO THE MORE PROFITABLE HOME MARKET. IN ADDITION, THEY SEE DOMESTIC MARKETS AS MORE ATTRACTIVE BECAUSE, WITH THE END OF A RECESSION, THE BANKS EXPECT GOVERNMENTS TO START REFLATING THEIR ECONOMIES, THEREBY CREATING A GREATER DEMAND FOR CREDIT.

8. FEKETE'S RESPONSE WAS ALONG THE LINES REPORTED IN REFTEL, ATTRIBUTING HUNGARY'S PROBLEMS PRIMARILY TO THE LOSS OF ONE BILLION DOLLARS IN DEPOSITS AT THE NATIONAL BANK FROM FRENCH, WEST GERMAN AND OTHER BANKS.

9. COMMENT: SOCIETE GENERALE REP LAST WORKED IN POLAND DURING 1977-79 AND IS KNOWLEDGEABLE ABOUT EASTERN EUROPE. HE IS HIS BANK'S REPRESENTATIVE TO THE BUDAPEST-BASED CENTRAL EUROPEAN INTERNATIONAL BANK (A WESTERN BANK CONSORTIUM WITH HUNGARY). HE HAS BEEN A GOOD SOURCE OF INFORMATION IN THE PAST.  
BERGOLD  
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168827	CABLE  121932Z APR 82	1	4/12/1982	B1

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Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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SOVIET BLOC ECONOMIC AND FINANCIAL SITUATION  
UPDATES (4/14/82) (2)

*FOIA*

F03-002/5  
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19

108

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<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
168828	CABLE  140225Z APR 82	2	4/14/1982	B1

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Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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DOS-REVIEWED 14-May-2013: NO OBJECTION TO DECLASSIFICATION

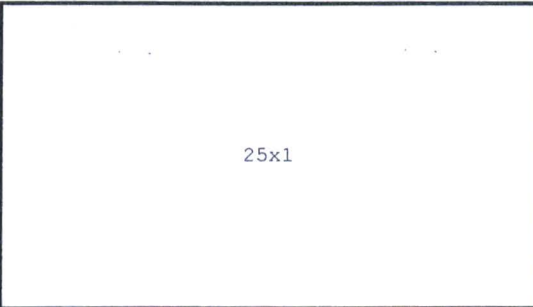
# NATIONAL SECURITY COUNCIL MESSAGE CENTER

CC

PAGE 01 OF 02 SECSTATE WASHDC 9221 DTG: 140225Z APR 82 PSN: 038233  
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JOINT STATE-TREASURY-COMMERCE MESSAGE  
E.O. 12065: GDS 4-13-88 (FRECHETTE, MYLES R.R.)  
TAGS: EFIN, CU, UK  
SUBJECT: (U) POSSIBLE CUBAN DEBT RESCHEDULING

REFS: A) LONDON 7098 B) STATE 84696 C) STATE 14927

PARIS ALSO FOR OECD, BRUSSELS ALSO FOR USEEC  
1 (U) U.S. GOVERNMENT BELIEVES IT DESIRABLE,  
SUBJECT TO CAVEATS IN PARA. 10 BELOW, THAT FINANCIAL  
PRESSURE ON CUBA BE MAINTAINED. WE VIEW DEBT  
RESCHEDULING AS AN INDIRECT EXTENSION OF CREDIT  
WHICH, LIKE DIRECT EXTENSION, GIVES CUBA GREATER  
FLEXIBILITY IN POLITICAL MEDDLING. EMBASSIES  
SHOULD, THEREFORE, CONVEY AS APPROPRIATE IN INFORMAL  
DISCUSSIONS WITH FOREIGN BANKING CONTACTS THE CRITICAL  
STATE OF CUBA'S FINANCES AND OUR JUDGEMENT OF THE  
RISKS INVOLVED FOR BANKS FROM CONTINUING TO LEND  
TO CUBA. PARAS 2-5 BELOW CONTAIN FURTHER INFORMATION  
ON THE STATE OF CUBA'S FINANCES TO SUPPLEMENT THAT  
CONTAINED IN REFTEL B AND OTHER MESSAGES. PARAS  
7-9 BELOW RESPOND TO REF. A.

EVEN THOUGH CUBA IS ONE OF BANK'S CLOSEST CLIENTS,  
IT IS REPORTED TO BE CONCERNED ABOUT FINANCIAL  
MARKET MOMENTUM AGAINST CUBA, INTERNAL CUBAN  
ECONOMIC PROBLEMS, AND THE CONTINUED ABILITY  
OF THE CASH-SHORT U.S.S.R. TO PROP UP THE CUBAN  
ECONOMY.

6. (U) ACCORDING TO AGEFI ARTICLE CITED PARA  
1 CUBANS ARE FACING ACUTE CASH SQUEEZE, WITH  
SEVERAL LARGE CREDITS MATURING IN NEAR FUTURE.  
ARTICLE REPORTS THAT PRINCIPAL REPAYMENTS WILL  
BEGIN "IN LESS THAN TWO MONTHS" ON DM 150 MILLION  
EURO-CREDIT SIGNED MAY 1979. ALSO, ARTICLE SAYS  
THAT A NUMBER OF SHORT-TERM CREDIT LINES WILL  
COME DUE IN APRIL.



25x6

7. (U) REF A (NOTAL), BEING REPEATED TO INFO  
POSTS, REPORTED CONVERSATION WITH MORGAN GRENFELL  
IN WHICH THAT BANK ENVISIONED A REQUEST BY CUBA  
FOR RESCHEDULING OF ITS DEBT TO PRIVATE BANKS.  
BANK ASKED WHETHER PARTICIPATION IN ANY RESCHEDULING  
WOULD BE CONSIDERED AN "UNFRIENDLY ACT" BY THE  
USG.

8. (U) EMBASSY SHOULD ASSURE MORGAN GRENFELL  
THAT USG CONSIDERS PARTICIPATION IN RESCHEDULING,  
LIKE DECISION ON NEW LENDING, TO BE A DECISION  
FOR BANK TO MAKE.

9. (U) NEVERTHELESS, IN RESPONSE TO INVITATION  
TO COMMENT, EMBASSY MAY PROVIDE FOLLOWING "INFORMAL"  
VIEWS ON SUITABILITY OF A RESCHEDULING FROM AN  
ECONOMIC/FINANCIAL POINT OF VIEW:

--PURPOSE OF A RESCHEDULING IS TO PROVIDE DEBTOR  
WITH OPPORTUNITY TO INSTITUTE AND CARRY OUT APPROPRIATE  
ECONOMIC POLICIES SO THAT IT CAN RESUME TIMELY  
SERVICING OF EXTERNAL DEBT.

--IN CASE OF CUBA, THERE IS LITTLE OR NO ASSURANCE  
THAT CUBA WOULD USE BREATHING SPACE TO RECTIFY  
ECONOMIC MISHANAGEMENT. RATHER, MOST LIKELY  
CONSEQUENCE WOULD BE TO ENCOURAGE CUBA IN BELIEF  
THAT IT CAN PURSUE COSTLY FOREIGN ADVENTURES  
WITHOUT REGARD TO FINANCIAL CONSEQUENCES.

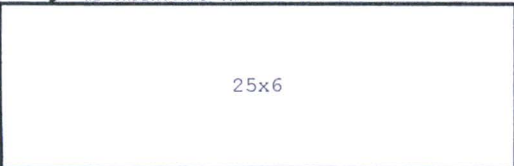
--UNLIKE MOST OTHER CASES, CREDITORS PROVIDING  
RESCHEDULING WOULD NOT BENEFIT FROM DIRECT OR  
INDIRECT TIE WITH IMF STANDBY ARRANGEMENT. THERE  
SEEMS TO BE NO ALTERNATIVE MECHANISM IN CUBAN  
CASE TO ACHIEVE ANY SORT OF CONDITIONALITY.



25x6

25x1 IN THE LONDON-BASED AGEFI EUROCURRENCY FINANCING  
REVIEW, THAT A CUBAN DELEGATION MET IN PARIS  
MARCH 25 WITH TOP OFFICIALS OF SEVERAL FRENCH  
COMMERCIAL BANKS. WE UNDERSTAND THAT PRINCIPAL  
PURPOSE OF CUBAN VISIT WAS A "SECRET MEETING"  
WITH CHAIRMAN OF THE MAJOR FRENCH CLIENT BANK  
OF GOC. ITINERARY AND COMPOSITIONS OF CUBAN  
DELEGATION IS UNKNOWN, ALTHOUGH 25x6  
CUBANS DID NOT REPEAT NOT MEET WITH GOF OFFICIALS.

3. (U) WE UNDERSTAND THAT TOPICS DISCUSSED WERE



25x6



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# NATIONAL SECURITY COUNCIL MESSAGE CENTER

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(IF RESCHEDULING IS ULTIMATELY PROVIDED, ABSENCE OF MULTILATERAL MEANS OF MONITORING WOULD ARGUE FOR MINIMUM POSSIBLE DEBT RELIEF IN ORDER TO PROVIDE OPPORTUNITY FOR EARLY REVIEW.)

--STEADFAST REFUSAL BY PRIVATE BANKS TO RESCHEDULE MIGHT INDUCE USSR TO BAIL OUT CUBA, OBTAINING NEED FOR RESCHEDULING.

10. (C) BECAUSE OF QUESTIONS RAISED BY SOME RECIPIENTS OF REFS B AND C, FOLLOWING IS FURTHER

ELUCIDATION OF OVERALL USG POSITION ON PROPER RELATIONSHIP OF U.S. EMBASSIES AND FOREIGN BANKS ON QUESTION OF CREDIT TO CUBA. THE U.S. PROHIBITS, VIA FOREIGN ASSETS CONTROL REGULATIONS, ITS BANKS (INCLUDING THEIR FOREIGN BRANCHES) FROM LENDING TO CUBA. SINCE THEY HAVE VIRTUALLY NO EXPOSURE IN CUBA, THEY WOULD NOT BE INVOLVED IN ANY PRIVATE RESCHEDULING. (FYI: EXCEPT WHERE THERE ARE FOREIGN ASSETS CONTROLS, THE USG DOES NOT INTERVENE IN LENDING DECISIONS OF U.S. BANKS ANYWHERE OR U.S. AFFILIATES OF FOREIGN BANKS.) ALTHOUGH WE BELIEVE IT DESIRABLE THAT FINANCIAL PRESSURE ON CUBA BE MAINTAINED, WE HAVE NOT FORMALLY ASKED OTHER GOVERNMENTS TO FORBID THEIR BANKS TO LEND TO CUBA. WE DO NOT SEEK TO IMPOSE OUR VIEWS ON PRIVATE BANKS, EITHER U.S. OR FOREIGN BANKS, EXCEPT AS PROVIDED BY U.S. LAW. NEVERTHELESS, AS NOTED IN PARA 1 ABOVE, POSTS SHOULD AS APPROPRIATE, IN INFORMAL DISCUSSIONS WITH FOREIGN BANKING CONTACTS, CONVEY USG VIEWS ON CURRENT CRITICAL STATE OF CUBA'S EXTERNAL FINANCIAL SITUATION AND POOR ECONOMIC PROSPECTS. (SEE ALSO PARA 9.)

11. (C) REF A IS UNCLEAR WHETHER CUBA IS ALSO CONSIDERING DEBT RELIEF FROM GOVERNMENTS. THE USG HAS NO ACTIVE OFFICIAL LOANS OR LOAN GUARANTEES WHICH WOULD RAISE THE QUESTION OF POSSIBLE U.S. PARTICIPATION IN A PARIS CLUB RESCHEDULING. HOWEVER, IF THE SUBJECT OF OFFICIAL DEBT RESCHEDULING DOES ARISE, THIS WOULD BE A MATTER OF CONCERN TO THE USG. WE WOULD WANT TO REVIEW THE MATTER CAREFULLY.

12. (C) 25x6  
HAS EXPRESSED VIEW THAT CUBA WILL BE UNABLE TO SERVICE ITS EXTERNAL DEBT WITHIN A FEW MONTHS AND WILL REQUIRE A DEBT RESCHEDULING.  
HAIG  
BT