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International Economic & Energy Weekly

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 25X1

International Economic & Energy Weekly 25X1

Synopsis

1 **Perspective—International Oil Market: Implications of Increased Iranian Military Activity** 25X1

Increased Iranian military activity could set off a chain of events that would seriously threaten oil supplies and accelerate recent oil price gains. 25X1

3 **The Islamic Economic System and Its Prospects in Iran** 25X1

The Islamic economic system, under which market practices and distribution of income reflect Koranic teachings, has little future in today's turbulent Muslim world—even in Iran where the system is furthest advanced. 25X1

5 **Egypt: Economic Crisis at Hand** 25X1

Within the next few months President Mubarak will probably be forced to decide how to implement long overdue economic policy reforms to stem the rapid deterioration of Egypt's economy. Striking a balance between economic realities and political necessity, however, may prove beyond the capabilities of the current regime. 25X1

25X6

13 **Sub-Saharan Africa: The Status of Economic Reform** 25X1

In our judgment, Sub-Saharan countries are adopting economic reform because they recognize that past economic policies have failed, but also because they are being prodded by foreign bilateral donors and multilateral financial institutions. Even so, we believe the reform measures are being pursued with varying degrees of resolve by individual countries. 25X1

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Perspective

International Oil Market: Implications of Increased Iranian Military Activity

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Increased Iranian military activity could set off a chain of events that would seriously threaten oil supplies and accelerate recent oil price gains. Iran's general mobilization of troops and Tehran's vow to end the war by spring 1987 are among signs that Iran is preparing to launch a major ground assault. 25X1

Iraq already has responded to recent Iranian military preparations by stepping up its campaign against key economic targets including the Sirri Island oil transshipment facility and the Khark Island oil terminal. These follow earlier strikes against oil production, pipeline, and processing facilities. These attacks have substantially reduced excess capacity in Iran's oil export facilities. Repeated, successful bombings against critical elements of the system would be necessary to shut down Iranian exports for an extended period. 25X1

The increasing frequency of Iraq's airstrikes has led Iran to step up its retaliatory strikes against Persian Gulf shipping. Moreover, Tehran, in our view, was behind the recent terrorist attack on Kuwait's oil export system. Iran is capable of additional terrorist attacks or launching missiles against oil facilities on the Peninsula. 25X1

Market fears of a Persian Gulf oil supply disruption have ebbed in the face of a large buildup in surplus production capacity and this year's plunge in oil prices. Nonetheless, of the roughly 8 million b/d of surplus crude oil production capacity worldwide, less than 3 million b/d is outside the Persian Gulf—mostly in Venezuela, Libya, and Nigeria. Within the Gulf, the availability of Saudi supplies remains the key to avoiding a major disruption. Any loss of supplies that does not affect Saudi capacity could be offset by Riyadh and the surplus outside the Gulf. If Saudi exports were seriously affected, however, the market would be confronted with a net supply shortfall. Under these circumstances, we estimate prices could rise by about $5 to $10 per barrel for each million b/d net supply shortfall. 25X1

Actual shortages are not necessary, however, for large spot price runups. Iranian success in ground attacks and concern over an extended disruption of Gulf supplies could create sufficient market uncertainty to boost spot prices by at least several dollars per barrel. The psychology of the market as well as the length and severity of the damage or disruption would determine how long the higher prices persist.

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More ominous would be a major Iranian military success that could lead to greater Iranian influence in the region and within OPEC. Iran has already used its military success to warn Kuwait and Saudi Arabia to abandon efforts to dampen oil prices. Indeed, Iran's Oil Minister asserted last week that, if Iran ever gained control of Iraq's oil facilities, oil prices would rise well above last year's level. Within OPEC, Saudi Gulf allies, fearful of Iranian retaliation, probably would grow more reluctant to take a stand against Iran. Should oil prices rise substantially due to supply disruptions, greater influence may allow Iran to keep them high for an extended period. 25X1

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The Islamic Economic System and Its Prospects in Iran [1]

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The Islamic economic system, under which market practices and distribution of income reflect Koranic teachings, has little future in today's turbulent Muslim world—even in Iran where the system is furthest advanced. Under the Ayatollah Khomeini, Islamic economic philosophy has been implemented only in piecemeal fashion, and, once the war with Iraq ends, the secular needs of reviving the economy will probably prevail over fundamentalist principles.

Elements of an Islamic Economy

The model Islamic economic system serves as a subordinate component of a militant Islamic state whose people believe in the primacy of Allah, His ownership of productive resources, and the position of man as His trustee in the allocation of these resources. Life for each individual is a test, of whether he will use his God-given free will to choose good over evil and thus maximize his benefits in the afterlife.

Against this essential background of deep-rooted spiritual beliefs, the Islamic economic system features the following operational characteristics:

- The private ownership and use of productive resources within religiously determined constraints.
- The support of the poor by the well-to-do, through alms, taxes, charitable contributions, and the paying of fair wages.
- A strict prohibition against payment of interest as not justified by labor effort or risk and as, historically, a scourge on the backs of the poor.
- A ban on pork, liquor, prostitution, gambling, speculation, and hoarding.
- Strong restrictions on insurance, equating it with gambling or encouraging reckless business behavior.
- A code of fair dealing in the marketplace, which prohibits taking advantage of the ignorance or poverty of either buyer or seller.
- The greatest possible reliance on goods and technology from domestic sources or from brother Islamic countries.

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Mixed Results in Iran

Since Khomeini's accession to power in Iran in 1979, his government has installed the Islamic economic system only in piecemeal fashion because of the survival of strong secularist elements, the preoccupation with the bloody war with Iraq (now in its sixth year), and the Ayatollah's own lack of focus on economic affairs.

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The revolutionary regime has failed to arrange for private operation of the large industrial enterprises seized from the Shah's supporters or to settle disputes over land ownership resulting from the Shah's land reform and the flight of many landowners. The new regime has generally succeeded in putting a floor under consumption through the rationing of basic items, but the poor still suffer bitterly from the drastic overcrowding of housing, growing shortages of consumer goods, dislocations stemming from the war, a 20-percent annual inflation rate, and massive unemployment. The nationalized banking system continues to pay interest under the guise of dividends from pooled investment funds, and private currency transactions flourish at several times the official exchange rate. People continue to drink and enjoy luxuries in private. The marketplace retains its traditional Iranian qualities of lively wheeling and dealing, illegal trafficking in smuggled and rationed goods, bribery, and sale of some goods of abysmally low quality. As for economic self-reliance, oil still must be sold and weapons procured in non-Islamic markets, despite the oft-repeated slogan "Neither East nor West." In the meantime, the population has risen rapidly under the Ayatollah—from 37 million to 46 million people—without a like increase in food production, housing, utilities, and jobs.

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[1] This article presents the conclusions of an economic research contract sponsored by the Office of Near Eastern and South Asian Analysis.

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An Ebbing Tide

The Islamic economic system in Iran probably has reached its high water mark. The conflicting interests of religion and technocratic factions will determine its future course. Once Iran loses the cementing influence of the Ayatollah, the spiritual energy necessary for the further development of the system almost certainly will fade. When the war ends, the Iranian people, although retaining their Islamic coloration, will have to address the secular tasks of pumping more oil, replacing deteriorated industrial plants, and securing additional quantities of food. Broad trade and educational contacts with the secular West will continue. [redacted] 25X1

An Islamic economic system, because of its spiritual underpinnings, loses its essential identity when diluted by substantial secular elements. In contrast, a capitalist system of individual initiative and decentralized market alternatives retains its fundamental identity even in the presence of extensive government ownership and regulation; and a Marxist-Leninist socialist system retains the "feel" of centrally planned allocation of resources and one-party control even with a flourishing second economy of small private moonlighters. [redacted] 25X1

Outside of Iran, the other Muslim states in this postcolonial era have installed secularly minded rulers and have retained their close links to foreign sources of technology and weapons, thus drawing fire from militant advocates of Islamization. The principal accommodation other Muslim nations have made to Islamic economics is in the area of domestic banking—Pakistan and Sudan are major examples. Although they have outlawed interest, such payments continue under the veil of acceptable Islamic terms. Chances of their adopting a truly Islamic economic system appear small in view of the strength of global technological and secularist forces. [redacted] 25X1

[redacted] 25X1

Egypt: Economic Crisis at Hand [redacted]

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Within the next few months President Mubarak will probably be forced to decide how to implement long overdue economic policy reforms to stem the rapid deterioration of Egypt's economy. Such reforms are also critical in gaining international support for badly needed debt relief and additional financial aid. Striking a balance between economic realities and political necessity, however, may prove beyond the capabilities of the current regime. The government appears resigned to the need for an IMF program, but, if economic hardship resulting from a rigorous reform program were perceived as having been "imposed" on Egypt, the threat of domestic unrest would be serious. Even if the Mubarak regime can implement and survive the initial shock of economic adjustments, the process required to produce self-sustained economic growth in Egypt will require at least several years of austerity. As a result, economic conditions provide a fertile breeding ground for the growth of radical Islamic fundamentalism and further political unrest. [redacted]

Bleak Outlook for Foreign Currency Earnings

Egyptian hard currency earnings have plummeted during the first half of 1986, show few signs of improvement over the remainder of the year, and will only gradually recover thereafter. Much of the decline can be attributed to falling oil revenues that netted only $315 million during the first six months of the year, a 66-percent decline over the same period last year. For Egypt, the effect of sagging world oil prices has been compounded by its inflexible pricing policy in a weakening oil market. This has, in turn, left Egyptian crude consistently higher priced than competitors and virtually halted liftings for export customers in May and June. Even if oil prices average $15 per barrel during the second half of the year, revenues are unlikely to exceed $1 billion during 1986 compared with oil earnings of $2.4 billion in 1985. [redacted]

Egypt's other primary source of foreign currency earnings, remittances from expatriate workers, is also falling. At least one-fourth of Egypt's 2.2 million expatriate work force is returning home this year, [redacted] largely as a result of the economic downturn in the Persian Gulf. 25X1
Layoffs appear to be primarily affecting unskilled agricultural and construction workers, but higher skilled professionals are also reportedly taking pay and benefit cuts. The impact on remittances has been only marginal to date, because many workers reportedly are returning with accrued savings. Nevertheless, a probable steep drop in second-half 1986 earnings is likely to result in only $2 billion in official remittances for the year, compared with nearly $3 billion in 1985. Moreover, a rebound in the Gulf economies—and their demand for foreign workers—would be largely dependent on a significant increase in world oil prices, a dim prospect over the next few years. [redacted] 25X1

Although Suez Canal revenues are likely to increase by $100 million during 1986 largely as a result of higher tolls, this will provide little offset for the shortfall in oil and remittance earnings. Tourist earnings, on the other hand, will probably remain flat during the remainder of 1986 and recover only slowly thereafter from the adverse publicity of terrorist incidents in the Middle East and the February Cairo police riots. [redacted] 25X1 25X1

The Current Financial Plight

The Mubarak government is now confronting an acute liquidity crisis. Payment arrearages on debt obligations totaled over $1 billion last year and most certainly have grown over the past six months. Alarmed by Egypt's growing arrearages and deteriorating earning prospects, commercial banks and official export credit agencies have begun to drastically cut back on short-term lending and credit guarantees to Egypt. [redacted] 25X1

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Egypt: Projected Balance of Payments

Billion US $

	1986	1987	1988	1989	1990
Current account	−2.7	−1.4	−1.0	−1.3	−1.3
Trade balance	−6.4	−5.2	−4.5	−4.8	−5.0
Exports	2.6	3.3	3.5	3.7	4.0
Oil	1.0	1.6	1.7	1.8	1.9
Nonoil	1.6	1.7	1.8	1.9	2.1
Imports	9.0	8.5	8.0	8.5	9.0
Service balance	2.7	2.7	2.3	2.2	2.3
Receipts	5.2	5.3	5.6	5.8	6.0
Remittances	2.0	2.3	2.5	2.6	2.7
Suez Canal earnings	1.0	1.0	1.0	1.0	1.0
Tourism	0.3	0.4	0.5	0.6	0.7
Other	1.9	1.6	1.6	1.6	1.6
Payments	2.5	2.6	3.3	3.6	3.7
Official transfers	1.0	1.1	1.2	1.3	1.4
Capital account	−2.6	−2.2	−2.2	−1.8	−1.9
Financial gap	**−5.3**	**−3.6**	**−3.2**	**−3.1**	**−3.2**

numbers of workers returning from overseas and roughly 400,000 entering the job market annually.

The combination of foreign currency shortages and contracting credit lines has already begun to squeeze the domestic economy. US Embassy and press reporting suggest growing consumer goods shortages and substantial price increases, implying the regime has already been forced to impose fairly substantial import cutbacks. If the government attempts to hold food imports near current levels, a likely scenario given the sensitivity of food supplies, the burden of cutbacks in official imports will fall on Egypt's import-dependent industries. This would have a significant near-term impact on growth and employment, and at a particularly inopportune time, with large

A growing sense of urgency characterizes the Mubarak regime's actions as the full magnitude of the economic crisis becomes clearer. Recent visits by Defense Minister Abu Ghazalla and an economic delegation to the United States and by Mubarak to West European capitals have projected an image of a regime desperately attempting to stave off a rigorous IMF standby program by pleading its case for bilateral debt relief and additional financial assistance. On the domestic front, the government-controlled media continues to emphasize the need for major reform of the subsidy system—but not at the expense of the poor.

Implications for the United States

The Mubarak government will pressure US policymakers to provide financial relief as its economic plight worsens. Three Egyptian priorities are:

- ***FMS Debt Relief.*** *Cairo believes the United States has already committed itself to resolving the Foreign Military Sales (FMS) issue in the near term. A $91 million interest payment is due on 2 September to avoid triggering a cutoff of US aid under provisions of the Brooke amendment. At a minimum, the Egyptians hope to refinance FMS loans, currently more than $500 million in arrears, at lower interest rates. Ideally, they would also like repayments frozen until 1988.*

- ***Increased Cash Component for ESF.*** *Cairo wants the cash component of Economic Support Funding (ESF) increased from the current $110 million level to $500 million for US fiscal year 1987.*

- ***Intervention With the IMF.*** *Most important, the Mubarak regime is seeking assistance in easing the terms of any IMF standby program. Cairo is perhaps most concerned with preventing rapid movement toward a unified exchange rate and any further large cuts in the domestic budget, since either measure will quickly force substantial modification of politically sensitive subsidies and price controls.*

Egypt: Foreign Military Sales Debt Repayments [a]

Million US $

Fiscal Year	Total	Principal	Interest
1986	532		532
1987	537		537
1988	537		537
1989	574	37	537
1990	605	73	532
1991	608	87	521
1992	626	117	509
1993	651	156	495
1994	674	200	474
1995	672	222	450
1996	646	222	424

[a] Not including arrearages of $530 million.

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Moving Toward an IMF Program

Recent statements by Mubarak and other high-level Egyptian officials suggest that Cairo has accepted the inevitability of an IMF-endorsed program but still hopes to extract a "soft" reform package from the Fund. Mubarak has made a number of recent appeals to Western governments to intervene on Egypt's behalf with the IMF to ensure "lenient" terms under any standby program.

Negotiations between Egypt and the IMF over what constitutes an effective and workable economic reform program could easily falter. Fund officials, while cognizant of domestic political realities in Egypt, will find it difficult, if not impossible, to grant Cairo more lenient terms than those provided recently to Mexico. Moreover, while the terms of the Mexican agreement are softer than some previous IMF standby programs, they still require painful internal economic adjustments. Although some Egyptian officials have hinted recently that differences have narrowed, Egypt and the Fund probably remain far apart in three key areas: 25X1

- ***Budget Deficit.*** The budget-cutting measures proposed by Cairo would lower the deficit by only 600 million Egyptian pounds (LE). IMF calculations, however, project a budget deficit LE 2 billion higher than Egyptian projections.

- ***Credit Expansion.*** Growth in public- and private-sector credit is excessively high and must be controlled, the IMF maintains, by raising interest rates. Egyptian officials contend that the effective interest rate is already high and further hikes would meet with fundamentalist Muslim opposition. 25X1

- ***Exchange Rate Reform.*** Egypt's recent currency reform—aimed at simplifying its system of multiple exchange rates—eliminated the official incentive exchange (LE 0.83 per dollar) rate and made a commitment to move the commercial bank rate to the free market rate (currently about LE 1.9 per dollar) in two to three years. This is insufficient, according to the IMF. While the IMF has not yet spelled out an acceptable currency reform, we suspect eventual elimination of the official exchange (LE 0.7 per dollar) rate is high on their list along with a much more rapid merging of the commercial bank and free market rates—perhaps within one year.

Egyptian officials are wary of any changes that will entail immediate restructuring of the pervasive system of subsidies and price controls. Low cost basic food supplies and price controls on a variety of other goods and services from gasoline to telephone service benefit, in one way or another, an estimated 90 percent of the population. The system has become so entrenched in the public mind as a fundamental right that widespread reductions may be perceived not only as a real loss of income but also as an abrogation of the government's solemn pledge to protect the living standards of average Egyptians. Perhaps more important, if such hardships are viewed by the populace as having been imposed on Egypt by the IMF and meekly accepted by the Mubarak government, we believe the threat of large-scale domestic unrest would be serious.

While the regime appears to have accepted the need for an IMF program, its basic strategy still involves making minimal economic adjustments to achieve its goal. In our view, only when it is made absolutely clear that no other options exist and all sources of credit are exhausted will the regime acquiese to tougher IMF-supported guidelines. Delaying until economic conditions compel immediate action would almost certainly fuel the popular perception that reforms were externally forced upon Egypt. Moreover, the probable haste and confusion in their implementation would undoubtedly produce exactly the political tinderbox the regime has been attempting to avoid.

Prospects for IMF Program Compliance

As difficult as hammering out an effective reform program will be, getting the Egyptians to adhere to the terms of an agreement may prove even more arduous. We suspect that, should civil unrest break out after implementation of a standby program, the regime's first response may be to rescind newly announced measures and delay enacting additional reforms. There are ample precedents for such a move by the Egyptian Government, stretching back to the bread riots of 1977. Should this occur, the flow of IMF and other multilateral funds contingent on the standby program would be suspended. Debt rescheduling under the Paris Club would be similarly affected. Achieving a second-round agreement between Cairo and the IMF may then prove even more difficult than the first, while Egypt's economic deterioration would continue unchecked.

If the Mubarak regime adheres to the terms of an IMF agreement, despite initial domestic unrest, the government faces an extended period of political turbulence. Despite the higher and more sustained growth that an IMF program would ultimately generate, there would almost certainly be a long period of wrenching adjustment—perhaps as much as two to three years—with rising unemployment, declining living standards, and negative growth. Until the benefits of new economic policies become evident, disgruntlement over deteriorating economic conditions will almost certainly fuel a resurgence of radical Islamic fundamentalism and heightened popular discontent.

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Sub-Saharan Africa: The Status of Economic Reform 25X1

A growing number of Sub-Saharan African countries are turning to economic reform programs to rescue their battered economies. In our judgment, Sub-Saharan countries are adopting economic reform because they recognize that past economic policies have failed, but also because they are being prodded by foreign bilateral donors and multilateral financial institutions. Even so, we believe the reform measures are being pursued with varying degrees of resolve by individual countries. If sustained, these programs will probably strengthen the African economies over the longer term and create a more favorable environment for economic activity. In the meantime, the reform programs have potentially serious political and social implications because already poor countries are being called on for additional economic sacrifices.

More Aggressive Countries

Countries that have more aggressively approached their economic reform programs include Cameroon, Ghana, Ivory Coast, Kenya, Senegal, Zaire, and Zambia. With the exception of Cameroon, these countries have been conducting their reform under IMF standby agreements. We believe that most of the countries were more receptive to free market ideas than the rest of Africa, even before implementing economic reform programs. Among various reform measures implemented by these countries:

- In ***Cameroon***, recent and planned reform measures include reduced interest rates to stimulate business growth, decreased government involvement in state-owned enterprises over the next five years, and wider agricultural development, with emphasis on continued food self-sufficiency and greater attention to budget planning.

- In ***Ghana***, major reforms include restructuring the civil service, reorganizing state-owned enterprises, and promoting private-sector production and employment, employing policy tools such as periodic devaluations, removal of nearly all price controls, and increases in key producer prices. Ghana has recently agreed with the IMF on a new three-year economic adjustment program.

- Following two years of severe budget restrictions, ***Ivory Coast*** this year aims to limit the public sector and current account deficits to 0.5 percent and 1.3 percent of GDP, respectively, with further improvement in 1987 and 1988.

- ***Kenya*** has liberalized the external payments system and has instituted strong budget and credit restraints. Nairobi's FY 1986/87 budget calls for larger expenditures on agriculture, incentives to rural industry, and the reduction of the government deficit to below 4 percent of GDP. 25X1

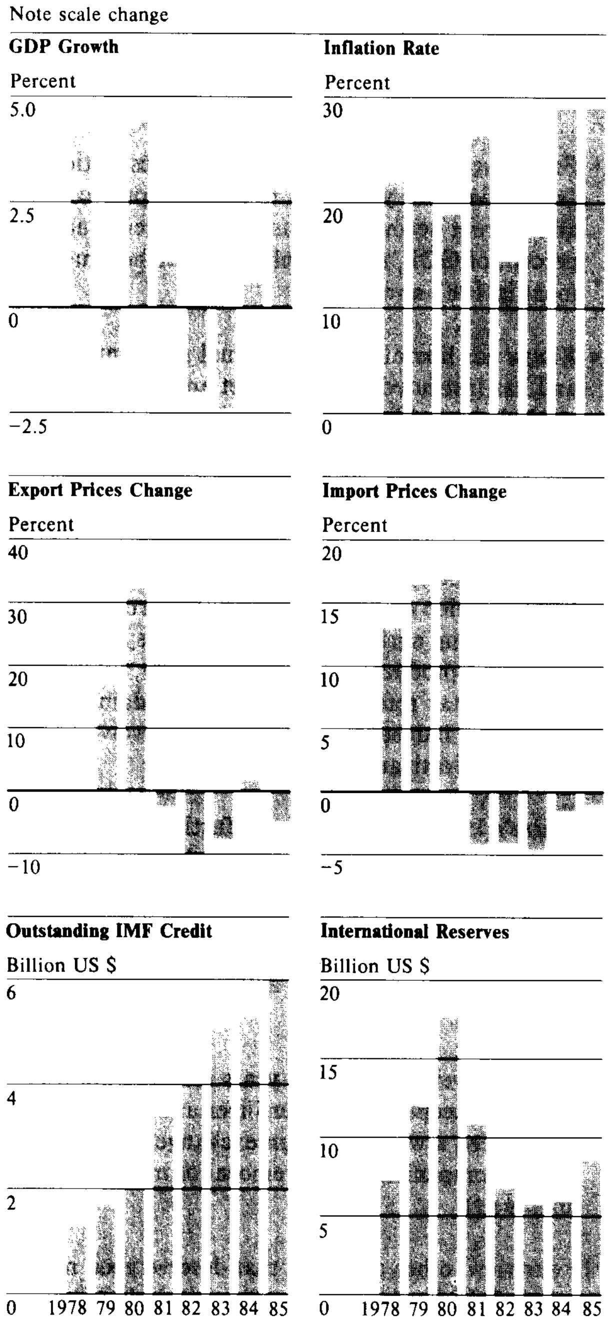
- ***Senegal***'s present emphasis is on the expansion and diversification of agriculture. The government is restructuring agriculture's cooperative system and has raised producer prices substantially, undertaking major tax reform and planning fundamental changes in industrial policy that will involve increased privatization.

- ***Zaire***'s 1986 program aims at further reductions in the current account and overall balance-of-payments deficits and at further curbs on inflation through continued implementation of a flexible exchange rate, increased budgetary revenues through higher tax yields, and a restrictive monetary policy.

- ***Zambia*** over the past two years removed all price controls except those on fertilizer and corn, and introduced a weekly foreign exchange auction system accompanied by the removal of import licensing. 25X1

In our view, other countries that deserve good marks in their IMF-backed reform efforts include Madagascar, Mali, Mauritius, Niger, and Togo. Among the

Sub-Saharan Africa: Selected Economic Indicators, 1978-85



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group, however, Kenya and Zambia appear to be backsliding. According to US Embassy reporting, Kenyan government revenues this year will fall well short of budgeted expenditures largely as a result of an unexpected drop in coffee prices. Moreover, the government has promised unbudgeted pay increases to the military. These budget overruns will almost certainly be financed by growth in the money supply, fueling inflation. Zambia, this year, has exceeded domestic credit targets, government finances have worsened, and donor support has been lagging. In our view, because of its dependence on foreign economic support for survival, Zambia has little choice but to continue the reform effort. 25X1

Less Aggressive Countries

Other Sub-Saharan countries are approaching economic reform with less vigor or in less timely fashion than their economic circumstances appear to warrant. Also, in our judgment, leaders in a few of these countries lack the political will and support to counter the domestic unrest that may accompany an effective reform program:

- ***Liberia***'s economic adjustment efforts have been weak since mid-1984 when, in the uncertain political climate preceding the 1985 presidential election, the government neglected its IMF-assisted reform program. Monrovia's public finances are in disarray and the government is frequently unable to meet its payrolls. In an effort to improve the budget situation, Monrovia this year suspended new government construction and froze payments to government suppliers. These measures have backfired by reducing business-sector confidence, according to US Embassy reporting.

- Although its decline in oil revenues began in 1981, ***Nigeria*** only started to address its economic problems seriously this year. The 1986 budget called for a floating of the naira, a doubling of fuel prices, and reduced defense expenditures. With the economy in crisis following the collapse of oil prices this year, Head of State Babangida announced a two-year

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Sub-Saharan Africa: IMF-Sponsored Economic Programs in Effect as of 30 June 1986

	Starting Date	Ending Date	Amount (*Million US $*)
Standby arrangements			
Central African Republic	23 September 1985	22 March 1987	15
Guinea	3 February 1986	2 March 1987	37
Ivory Coast	23 June 1986	22 June 1988	117
Mali	8 November 1985	31 March 1987	25
Mauritania	26 April 1986	25 April 1987	14
Mauritius	1 March 1985	31 August 1986	47
Niger	5 December 1985	4 December 1986	15
Senegal	16 January 1985	15 July 1986	75
Somalia	22 February 1986	30 September 1986	19
Togo	9 June 1986	8 April 1988	27
Zaire	28 May 1986	27 March 1988	251
Zambia	21 February 1986	28 February 1988	260
Extended arrangement			
Malawi	19 September 1983	18 September 1986	85

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structural adjustment program in June. The program includes a two-tier foreign exchange market that will effectively devalue the naira. However, the two-tier market will not start until October. Babangida has also promised increased privatization of government corporations, a restructured tariff regime, and trade and payments liberalization, but no specifics have been publicized.

- ***Sudan***'s poor record in implementing policy reform has caused Western donors of economic aid to question the ability of the present government to manage the economy. Economic measures adopted this year include increases in sugar and petroleum prices and currency devaluations, but these measures have not been sufficient to satisfy foreign creditors.

- After over 15 years of socialist policies that have precipitated economic bankruptcy, ***Tanzania*** is being forced to consider major economic reform at the urging of foreign donors. So far, no major changes have been announced, according to US Embassy reporting. Since 1978, Tanzania has reduced its formerly extensive system of price controls, raised producer prices, reduced deficit financing, and curbed government employment. Nevertheless, these measures have not been vigorous enough to have a significant positive impact, according to the Embassy.

- Still regrouping in the aftermath of civil war, ***Uganda*** has yet to come to grips with its economic crisis and the policy failures of the Obote and Okello regimes. Earlier this year President Museveni engaged a multinational team to provide him with economic stabilization options by July 1986, but has not yet announced his decisions. In the meantime, the country suffers from a critical shortage of foreign exchange, lack of needed imports for the manufacturing sector, a bloated civil service, and high inflation.

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The Political Impact

African economic reform measures carry political risks for the countries implementing them, in large measure because the reform programs frequently aim at redressing biases in favor of the urban population, a key source of political support and potential unrest. The political fallout from reform efforts has varied substantially:

- In ***Ivory Coast***, teachers organized a strike against reduced housing subsidies in 1983, and elements of the General Union of Workers attempted to block certain price increases in 1984. The government has continued to implement reform and some trade unions have now endorsed the government's policies, according to US Embassy reporting.

- On the basis of US Embassy reporting, ***Zambia***'s reform efforts have run into opposition from the labor movement. In July 1984 the Congress of Trade Unions threatened to boycott a national conference on the economy unless an announced 20-percent price increase for corn was canceled. According to press reporting, key critics of the government remain bitterly opposed to reductions in central planning and subsidies.

- Despite the near collapse of the economy, ***Nigerian*** reform efforts face opposition from government bureaucrats and elements of the military who stand to lose privileges, according to US Embassy reporting. In our view, the government will be hard pressed to implement the planned economic program.

- In our judgment, ***Tanzania*** is stymied by a firmly entrenched bureaucracy committed to socialist ideology and by the behind-the-scenes maneuvering of ex-President Nyerere who has long resisted an IMF-sponsored program. 25X1

Outlook

Despite the political risks involved, we believe most African states will continue to implement some measure of economic reform over the medium term. They have little choice in the matter in view of their high dependence on foreign economic assistance and recognition that some action must be taken. Because of impatience with Africa's failed economic policies, we do not foresee change any time soon in donor insistence on reform. Although the reforms carry some political risks, we do not see the reform movement as destabilizing for the region as a whole. 25X1

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Briefs

Energy

Chinese Oil Discovery in Taiwan Strait

[redacted]

Beijing announced last week that it has found two basins in the Taiwan Strait that probably contain oil and gas. One is between the mainland city Xiamen and Taiwan's P'eng-hu Islands and is up to 120 kilometers long and 50 kilometers wide. Beijing will increase the risk of a confrontation with Taipei in the strait if it decides to exploit these tracts. Taiwan's naval ships pass through this region to supply garrisions on Chin-men Island opposite Xiamen, and Taiwan considers the P'eng-hus to be part of its frontline defense. Taipei is also developing an offshore oilfield in the Taiwan Strait near the city Hsin-chu. [redacted]

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Jordanian Oil Exploration Agreement Signed

[redacted]

According to press reports, Jordan signed a production-sharing oil exploration agreement with the US Hunt Oil Company last week. The new agreement follows an earlier oil exploration agreement signed in late March with the US firm Amoco. Under terms of the agreement, Hunt will search for oil in the Al Jafr area northeast of Al 'Aqabah. The agreement extends for seven and a half years, with the company obligated to conduct extensive field studies in the exploration area. Hunt will drill at least four exploratory wells. [redacted]

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International Finance

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Status of Mexico's Bank Negotiations

[redacted]

Mexico's recent agreement with the IMF has set the stage for talks with commercial banks. [redacted]

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Because most bankers believe Mexico's needs are overstated, the negotiations are likely to be prolonged and difficult. In addition, we expect some European and smaller regional banks to balk at increasing their exposure. In the end, however, most are likely to fall in line; those opting out will not carry enough weight to jeopardize the loan package. We believe the new financial package would provide a short-term respite, but the longer term will remain troubling until Mexico City makes the structural changes needed to put the economy on sound footing. [redacted]

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Cuban Debt Rescheduling Difficulties

[redacted]

Cuba has had only limited success in rescheduling official and commercial hard currency debt, and apparently is facing a severe hard currency shortage. In July, Havana was forced to agree to tough performance targets—including a current account surplus and a cut in real imports—before rescheduling current maturities and official debt coming due from the 1983 rescheduling. Paris Club creditors committed no new lending and refused to refinance rescheduled debts from 1984

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and 1985. Negotiations with commercial creditors have been even less successful. [redacted] commercial creditors have called Havana's requests for new lending excessive and have insisted that interest payments be kept current during rescheduling talks. Recent arrearages reflect the rapid erosion of Havana's hard currency reserves, which we believe total far less than the $150 million Havana claims. President Castro may believe that payments delays will cause commercial creditors to cave in to Cuba's rescheduling terms, but the payments suspensions are more likely to alienate creditors and essentially halt critical Western imports this year. Japanese traders threatened to halt shipments and to publicize Cuba's untrustworthiness after Havana suspended payments on short-term commercial credits last month, according to the US Interests Section. [redacted] 25X1

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Tunisian Economic Pressures Force Policy Change

[redacted]

Tunis has agreed to IMF targets for a $180 million standby—Tunisia's first major Fund program—to head off a potentially destabilizing financial crisis. With economic conditions worsening almost daily, Tunis will begin putting austerity measures in place this month—including a 15-percent devaluation—before formal approval of the accord this fall. The Bourguiba government is looking for a $60 million bridge loan from Washington to cover payments needs until IMF funds are available in October. Tunis also is calling on other Western donors for help; Italy, France, and Canada have already provided some assistance, according to US Embassy sources. Stagnating foreign exchange earnings—particularly from oil—have forced the government to drain its foreign reserve coffers to meet this year's financial obligations. Foreign aid is needed to help keep the economy running at least until IMF monies are disbursed, particularly as austerity measures are implemented. Eroding living standards and sharply rising unemployment are increasing social pressures on the shaky Bourguiba government. [redacted]

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Indonesian Central Bank Comments on Rescheduling

[redacted]

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[redacted] bank officials said that Indonesia's 1986 current account would be "substantially in deficit," and that they expect to reexamine Indonesia's debt situation after the April 1987 parliamentary election. In our view, Jakarta might seek to reschedule its foreign debt by mid-1987 if world oil prices do not firm. We estimate that net external financing requirements for 1986 could go as high as $5 billion, which would push Indonesia's total external debt above $40 billion. Moreover, [redacted] Indonesia has substantially increased its short-term financing—despite dramatic cutbacks in imports in recent months—suggesting that Jakarta feels the need to conserve foreign exchange reserves. [redacted]

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Brussels Reaches Debt Restructuring Plan

[redacted]

Brussels has reached an agreement with Belgian banks and financial institutions that will limit interest payments on outstanding loans and help the government meet its deficit reduction targets. Brussels owes the banks about $32.5 billion, most of which was borrowed at interest rates of 12 to 14 percent. The agreement, which is conditional on the government's achieving other parts of its $4.5 billion

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deficit reduction plan next year, will limit direct interest on long-term debt to 8 percent. To compensate the banks for the lower interest payments, Brussels will give them eight-year Treasury bonds issued at 7 percent but pegged to market rates. Despite the expected savings of $814 million next year, the plan has been criticized by the opposition, who argue that it only postpones interest payments. [redacted] 25X1

International Trade

EC Forging a Consensus on GATT Agenda

[redacted]

[redacted] 25X1

[redacted] French 25X1 objections over the treatment of agricultural subsidies prevented agreement at Geneva during the final GATT preparatory meeting last month. If the French do not relent at the EC's Trade Committee meeting scheduled for 5 September, Bonn will try to isolate them by forcing an EC vote to endorse the agenda. A ministerial-level meeting of GATT members begins 15 September in Uruguay. EC members agree on most GATT issues, including the need to proceed cautiously on agriculture in order to avoid further attacks on EC agricultural export subsidies. Paris is still resolved to protect EC agriculture, but French officials recently assured US diplomats that the failure in July was a misunderstanding and that they have no intention of delaying the trade round. An EC vote on the agenda would in any case be an extraordinary measure, and, under the weighted-voting rules, Bonn could be defeated easily. [redacted] 25X1

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GATT Meetings on Services Trade

[redacted]

Brazilian, Indian, and the EC Commission GATT representatives have informally reached an understanding on the inclusion of services as a topic in the GATT ministerial meeting next month in Punta del Este, Uruguay. Their proposal calls for two successive meetings—one to begin negotiations on goods, the other to take up the services issue separately. Until now, Brazil and India have consistently opposed the inclusion of services in the new round, arguing that GATT does not have competence to handle trade in this area. However, while Brazil and India apparently are privately willing to discuss the issue, the two-meeting approach does not guarantee that services will be negotiated. The EC Commission representative did not consult with EC member-states before these discussions, and he may lack the support of key countries such as France, West Germany, and the United Kingdom. While informal discussions will continue, a formal decision on services probably will be left for the ministers at the Punta del Este meeting. [redacted] 25X1

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Global and Regional Developments

Japanese Likely To Restrict South African Coal Imports

[redacted]

Tokyo is now considering sanctions against South Africa that would include a ban on coal imports. South Africa would lose an export market worth about $400 million a year. Coal is a significant export for South Africa, and Japan has been its biggest coal customer, accounting for about 20 percent of its exports. South Africa will have difficulty shifting the coal to other major markets in Europe. The

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Europeans almost certainly will not accept higher volumes of coal in light of EC movements to limit trade with South Africa. Tokyo is unlikely to enact the coal restrictions unless the United States and the United Kingdom impose additional sanctions. [redacted] 25X1

EC Views on US-Japanese Semiconductor Pact

[redacted]

EC leaders are considering a GATT action on the 30 July US-Japanese semiconductor agreement. EC officials believe the deal violates the GATT because semiconductor prices will be set bilaterally by the United States and Japan, and US firms will be given preferential access to Japan's chip market. Although 25X1 Western Europe imports about 85 percent of its semiconductor needs, European leaders are taking steps to make their producers more competitive—such as encouraging cooperation between semiconductor producers—and fear the semiconductor deal will undercut European efforts. Even if the EC does not initiate a GATT action, the agreement is likely to make the EC more reluctant to discuss high-technology trade during the coming GATT round. EC Commissioners Najes and De Clerq described the agreement as an "inauspicious prelude" to GATT discussions of high technology. The EC, however, may cite the agreement as a precedent in its continuing trade dispute with Japan by insisting that Tokyo set import targets for EC products. [redacted] 25X1

Italian Judges Freeze Libyan Assets

[redacted]

Two Italian firms, seeking payment from Libya for a $4.8 million debt, have obtained a court order freezing Libyan assets in five Italian banks, and 20 more creditor firms reportedly have begun similar proceedings. In all, Libya owes 25X1 Italian companies $800 million. The freeze is in effect until hearings are held next May, but judges may grant the request of the five banks for an earlier release of the funds. Tripoli also has asked the courts to lift the freeze and has threatened to bar Italian firms from $1 billion in projects under the 1986-88 development plan. To ease bilateral tensions, Rome would like to prevent other firms from seeking similar freezes, but the government cannot interfere with court proceedings. Rome however, is likely to press Libya for token payments in the hope of averting further court action. Libya probably does not have sufficient assets in Italian banks to cover the total debt, and Italian market analysts have speculated that the unpaid firms may try to attach Libya's 15-percent share of Fiat. [redacted] 25X1

African Insect Plagues

[redacted]

According to reporting from US Embassies and the UN Food and Agriculture Organization, the insect problem in Africa continues to worsen. The most critical areas are along the Sudanese-Ethiopian and Malian-Mauritanian borders and 25X1 throughout Chad and Senegal. Southern Africa's insect problems also will increase during the region's rainy season in October and November. Insects are likely to be a problem for at least five more years, even if control measures improve next year. Food shortages will probably reappear late this year or early next year, particularly in the Sahel and the Horn, but aid conduits developed in the recent famine should help limit starvation. The duration and extent of the insect plagues probably will make the total cost of control measures and food relief even greater than that of the famine. [redacted] 25X1

National Developments

Developed Countries

Tokyo Moves To Weaken Yen

Tokyo's further easing last week of regulations governing the holding of foreign securities by Japanese insurance companies, trust banks, and small financial institutions is designed to stimulate capital outflows and weaken the yen—which 25X1
hit a record 153 per dollar early last week. The new regulations raise the share of insurance company and trust bank pension account assets that can be held in the form of foreign securities from 25 to 30 percent—the second increase in the last five months. Moreover, the Finance Ministry is eliminating a "voluntary" regulation that restricted the increase in insurance company holdings of foreign securities to 40 percent of the monthly increase in total assets. On a smaller scale, the Finance Ministry also lifted a ban on foreign asset holdings by credit corporations and expanded the number of farm credit cooperatives allowed to invest in foreign securities from 17 to 47. Tokyo estimates these moves could expand holdings of foreign securities by $25 billion—nearly one-half of these institutions' current holdings of overseas securities. The effect on the yen will depend on how fast the financial institutions take advantage of the new limits. 25X1

Japanese Rice Prices Stable

In exchange for farmers agreeing to a new method for setting prices that may lead to a reduction in price supports next year, Prime Minister Nakasone this week froze the price the government will pay producers for rice at the 1984 level—al- 25X1
most three times the US price. Nakasone's compromise decision ends this year's battle between the Liberal Democratic Party, which generally advocates generous price supports that benefit key farming constituencies, and proponents of a price cut—the Finance and Agriculture Ministries. The Ministries wanted to lower the producer price of rice by 3.8 percent to reduce the 420 billion yen (nearly $3 billion) deficit in the Food Control Account—which uses funds from the Agriculture Ministry budget to fill the gap between the price consumers pay and the amount producers receive. Budget cutting efforts in the past have led to cuts in other price support programs, such as for dairy products, but political considerations and the public's desire for rice self-sufficiency have blocked subsidy cuts in this area. 25X1

Britain's Experimental Aircraft Program

The first flight last week of Britain's next-generation fighter aircraft testbed (called the EAP) under the Experimental Aircraft Program, is a major milestone in Britain's long-term investment in advanced aviation technologies. The program 25X1
alone has already cost some $270 million, of which the Defense Ministry contributed just over $100 million; British Aerospace, Italy's Aeritalia, and other minor contributors made up the balance. An additional $75 million or so is needed for EAP flight testing, according to defense attache reporting. British Aerospace officials hope this large investment will position them to take the lead on the European Fighter Aircraft (EFA). According to our analysis, British developments in advanced airframe composites, jet engines, and airborne attack radars are on

the leading edge of European aviation technology. The composite wing of the EAP, in particular, incorporates state-of-the-art technology to reduce weight and improve maneuverability. The first public flight of the EAP will probably take place at the Farnborough Air Show late this summer. 25X1

Malta's Development Plan Focuses on Job Creation

Last month the Maltese Government introduced a three-year development plan that overoptimistically aims to reduce unemployment from the current 8.7 percent to 4 percent by yearend 1988. The goal is to create 10,800 new jobs—half through public works projects to improve the islands' water and electricity distribution networks, upgrade roads and housing, and build a yacht marina and airport terminal, and half through the private sector. Valletta will assist industry by streamlining export and import procedures, providing startup and expansion capital at low interest rates, and increasing manpower training. The Labor government delayed the release of the plan by six months so the party could use it to launch its campaign for a national election, due by May 1987. The plan may backfire, however, because the ambitious projects will be costly and are not likely to create enough jobs to meet the government's expectations. Financing the plan will also put Malta's budget into deficit and increase the islands' foreign debt. In addition, the trade deficit will probably deteriorate because Malta would need additional imports for the public works projects. 25X1

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South Africa Weighs Sanction Countermeasures

South Africa is considering countermeasures against possible sanctions on its mineral exports. According to Embassy reporting, Pretoria may use foreign-flag ships, offshore trading companies, false bills of lading, and overseas stockpiles. South Africa also may enact countersanctions such as quotas on mineral sales to offending countries. In addition, mineral exports to Yugoslavia, Israel, China, Portugal, and Taiwan are possible, with resale to sanctioning countries expected from these targeted markets. Furthermore, South African business officials have threatened to sell minerals such as platinum to the Soviets who are currently net exporters, according to Embassy reporting. 25X1

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Less Developed Countries

Morocco Weighing Austerity

Morocco has launched a "trial balloon" to gauge public reaction to reforms Rabat must implement to ensure approval of a new IMF program, continued access to World Bank funds, and a successful rescheduling of commercial debts. In an unusual front page interview in the government daily in July, Finance Minister Berrada spoke strongly in favor of controversial austerity measures—including reduced consumer food subsidies and investment tax breaks—to right the ailing economy. Berrada also advocated other adjustments long-endorsed by the international community such as increased competition, government deregulation, and privatization. Until now, the government has not publicly acknowledged that drastic adjustments are necessary, fearing a repeat of the bloody January 1984 riots. Nevertheless, growing financial difficulties stemming largely from sluggish 25X1 earnings—Morocco's foreign reserves now cover less than two weeks' worth of imports—leave the government with little choice. The extent of Rabat's reform efforts, or at least the timetable, may well be determined by domestic reaction to Berrada's speech. [redacted] 25X1

Libyan Reliance on Foreign Nuclear Expertise

[redacted]

Libya is seeking foreign expertise to aid its developing nuclear program, which suffers from a lack of qualified indigenous personnel. Although Libya currently is engaged in nonsensitive nuclear cooperation with several Third World and Eastern Bloc governments and firms, this assistance has proved piecemeal and unsatisfactory to the Libyans. [redacted] Center as of this summer. Earlier this summer, Al-Fateh had reportedly offered positions, possibly nuclear related, to nine Indian academics. Links to individual foreign nuclear scientists can provide Libya an entree to other national nuclear circles, private and governmental. [redacted]

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South Korea's First Trade Surplus Likely

[redacted]

Favorable external factors have helped Seoul post an $845 million trade surplus in the first half of 1986, putting South Korea within range of an estimated $1.6 billion surplus for the year, according to the US Embassy. During first half 1985, the trade deficit was $527 million. Largely because South Korea's crude oil bill was slashed by one-third, or $830 million, imports grew only 10 percent, less than half the increase in exports. The won—which has fallen by 21 percent against the yen since January—has made Korean products more competitive in the European and Japanese markets where exports grew 40 percent and 10 percent, respectively. In the US market, exports through June increased 28 percent to $6.4 billion, while imports dipped to $3.2 billion. The surplus—various forecasts put the 1986 current account surplus in the $1-1.6 billion range—has led economic policymakers in Seoul to increase their forecasts of real GNP growth from 8 to 10 percent. Nonetheless, according to the press and US Embassy reporting, South Korean technocrats recognize that international trends could reverse, and they are using this year's windfall to stem the growth of a $47 billion foreign debt. They also recognize that increasingly lopsided trade with the United States could aggravate the battered bilateral trading relationship. Seoul is probably already worried that new US pressure to redress the trade imbalance in the wake of South Korea's recent concessions on insurance and intellectual property rights and Washington's call for a revaluation of the won vis-a-vis the dollar could rekindle anti-US and antigovernment actions by radical and moderate opponents of the Chun presidency. [redacted] 25X1

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New Foreign Bank Rules in South Korea

[redacted]

Seoul continues its policy of gradually according equal treatment for foreign and domestic banks, according to the US Embassy. New rules announced in July, however, confront foreign bankers with a dilemma. In making the choice between accepting the more equal treatment available under the new regulations or continuing operations under the old rules, bankers must balance the value of the

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additional lines of business open to them under the new plan against the costs imposed by restrictions on banking activities that their homegrown counterparts have always faced. The major new benefit long sought by foreign bankers is access to the rediscount window of the Bank of Korea—a major source of loanable funds for domestic banks. In return, foreign banks must set aside 35 percent of loanable funds for small- and medium-sized firms. In addition, the new rules reduce the profits from rediscount privileges for both foreign and domestic banks. Moreover, the revised regulations reduce much of the profit on foreign exchange holdings that are guaranteed by the Central Bank. The US Embassy reports that foreign bankers will take their time in evaluating the new plan—something Seoul may well have counted on to protect the technically insolvent domestic commercial banks. [redacted] 25X1

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South Korea Begins Looking at SDI Participation

[redacted]

Almost a year and a half after Washington formally asked its allies to join in SDI, Seoul has just begun serious discussions, and a favorable decision is far from assured. [redacted] 25X1 In 25X1 contrast to the interest of other US allies in acquiring high technology via SDI for commercial gain, the South Korean SDI debate focuses more on long-term strategic and near-term political risks SDI might spawn in the peninsula and the surrounding region. 25X1 Seoul is also concerned that participation in SDI could present one more hurdle to the Soviets taking part in the 1988 Olympics. While South Korea could conceivably contribute peripherally to SDI in several areas—computers, metals, and fiber research—its industry has yet to take a stand on SDI, and lacks the influence to sway government decisionmakers. [redacted] 25X1

Communist

Soviet Pipe Orders on Hold

[redacted]

[redacted] last month the USSR shelved a 25X1 500,0000-metric-ton order from the Italian firm Italsider for Arctic-grade large diameter pipe scheduled for delivery in second half 1986, citing hard currency 25X1 shortages. Negotiations for another 400,000 tons of pipe stalled after Soviet trade representatives insisted that a Japanese consortium reduce its price by 20 percent to compensate for the recent appreciation of the yen. We believe these actions are merely Soviet negotiating tactics. A cutback in pipe imports would slow West Siberian gas development, retarding growth of gas output and interferring with large-scale substitution of gas for oil. The Soviet gas industry has traditionally been dependent on Western line pipe, and these orders represent about four months' supply at current rates of construction. As the largest importer of large diameter pipe, the Soviets have in the past used similar tactics to negotiate price. The Italians may be willing to reduce their price or offer cutrate financing because loss of Soviet business will seriously hurt heavily subsidized Italsider. The Japanese, however, may balk because they reportedly are now offering the pipe at cost. [redacted] 25X1

Soviet Mine Flood Threatens Potash Exports

[redacted]

A potash mine at Berezniki, representing about 15 percent of domestic capacity, was completely flooded in April when the Soviets ran into a water-bearing rock formation. [redacted] the mine probably will not reopen before 25X1 1990. The USSR, the world's second-largest source of potash, exported about one- 25X1 third of its total production in 1984. A halt in potash exports to the West would cost the Soviets nearly $100 million (in 1986 prices) annually and would exacerbate Moscow's unfavorable hard currency position. On the other hand, diversion of potash exports to Eastern Europe for domestic use would force these countries to purchase potash from the West, worsening their hard currency positions. In addition, this could disrupt shipments of other commodities to the USSR under bilateral trade agreements with Eastern Europe. Shortfalls in domestic potash supplies, however, would lower Soviet crop yields and undermine the goals of the Food Program. [redacted] 25X1

Hungary Passes Bankruptcy Law

[redacted]

To promote competition, efficiency, and financial discipline among state industrial companies, Hungary recently adopted judicial procedures for liquidating chronic loss-making companies when such companies and their creditors cannot agree on actions to restore solvency. 25X1 Under the new bankruptcy law, which will take effect on 1 September, creditors of insolvent firms have the right to initiate liquidation proceedings. Various government officials have stressed that budgetary constraints and the need to restructure the country's industrial base preclude the continued subsidization of poor performers. According to Finance Minister Hetenyi, about 30 major companies may be affected. Budapest, however, will be reluctant to face the economic dislocations that wide-scale bankruptcies would cause, and probably will give many of these companies an opportunity to develop restructuring plans—under previous procedures the regime attempted to liquidate only two enterprises. Earlier this year the state forgave the debts of Hungary's three largest steel companies after they developed restructuring programs to produce more profitable higher grade steels. Even under the new law the state may bail out firms whose bankruptcy would cause major goods shortages or job losses, interfere with foreign trade obligations, or affect defense interests. [redacted] 25X1

China's Economic Reformers Removing Obstacles

[redacted]

Beijing's economic reformists have recently begun to get tough with local party and state officials guilty of resisting urban reforms designed to expand enterprise decisionmaking power. In the last month, Beijing has convened numerous meetings of provincial Communist Party disciplinary and propaganda bureau officials and 25X1 criticized them for not giving sufficient support to local reform efforts, according to Chinese media reports. Reformist leaders have often accused these local officials of hampering reforms by overly aggressive enforcement of China's vague system of economic laws and regulations, and by failing to give local reformist leaders favorable publicity. On 30 July, a high-ranking party official argued that implementing reforms "will certainly violate some old rules and regulations," but that local disciplinary officials should not be "sticks in the mud" regarding legitimate reforms. Also, the government recently canceled several hundred "outdated" laws that it claims hampered the reform drive. These moves are part of a larger effort by Beijing's reformist to give local allies more room to experiment by loosening some of the legal constraints of the old centralized economic system. 25X1

[redacted]

China Opens Experimental Bond Market

The city of Shenyang has opened China's first securities market that will deal exclusively in bonds issued by industrial enterprises. Chinese enterprise bonds are interest-bearing securities that in some cases may pay additional bonuses based on enterprise profits. Although the bond prices on the Shenyang market will be set primarily by the People's Bank of China, Chinese media reports indicate that 25X1
prices will reflect market demand and sellers' "proposed prices" to some degree, suggesting that the market could sanction speculation on interest rates and enterprise performance within narrow limits. Beijing does not permit state enterprises to issue equity stocks, and normally forbids trading in shares that some collective enterprises sell to employees. 25X1

China's Debate Over Ownership Systems

China's decision to open a small-scale bond market in the northeastern city of Shenyang last week is part of a larger, politically sensitive debate now under way over state ownership and control of enterprises. Since last spring, some leading reformist economists have called publicly for the establishment of capital markets 25X1
for state and collective enterprises—including stock markets in major Chinese cities—and greater autonomy for enterprise managers to adjust to market demands. Reformers are also debating measures to give state enterprises greater freedom to hire and fire workers, to create labor markets, and to permit inefficient state enterprises to declare bankruptcy. By discussing their proposals now, as preparatory meetings for the fall party plenum begin, reformers are trying to seize the high ground in the debates over the economy. Infighting over high-level personnel changes and uncertainty over the economic impact of the reforms will limit the reformers' maneuvering rooms. If these reforms are successful, however, party reformers hope to push for expanded enterprise autonomy, as well as wage and price reforms, possibly as early as next year. 25X1

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