



10 DOWNING STREET

Prime Minister

The Governor of the Bank of England is joining you tomorrow a Friday with the Chancellor after an hour. The main item for that part of the meeting will be international debt. The significance of the Bolivian default can be examined.

AT

30/5

30 May 1984

MR TURNBULL

BOLIVIA DEBT

Bolivia announced today that it was temporarily suspending interest payments on its commercial debt. The Bolivian Government's finances have been deteriorating over the past 3 years, and the final straw seems to have been the rejection by Bolivian trade unionists of a 130 per cent pay offer. The figures below, obtained from the Bank of England, put the Bolivian debt problem into perspective.

Bolivia's total external debt at the end of 1983 is estimated at about \$3.4 billion. Up to \$1.5 billion of this is private sector debt caught by today's announcement. The following is the detailed breakdown of Bolivia's total debt:

	\$m
Multilateral Agencies	815
Bilateral from Governments	1,180
Suppliers	207.
Miscellaneous Bonds	40.
Commercial Banks	986
Other Private Sector	200
	<u>3,428</u>

The BIS published figure for commercial bank debt is \$607 million, rather lower than the Bank of England's own internal estimate of almost \$1 billion. And, on the BIS analysis, only about \$83 million of the debt is owed to UK-owned banks. There is no significant representation by any one UK bank in this figure.

The Bank of England appeared to be taking today's decision in a relatively cool way. They expect the commercial banks to do the same, and not to take legal action against Bolivia, hoping that they will soon resume interest payments.

Dhwillets

DAVID WILLETTS

PRIME MINISTER

Mexican Economy

You asked whether Mexico was now in surplus. The Treasury tell me that figures supplied by the Mexicans themselves a few days ago show that in 1983 Mexico had a current account surplus of \$5.6 billion. But a deficit of about \$1 billion is projected for 1984.

A.J.C.

30 May 1984