

DECLASSIFIED
-E.O. 12958, Sec. 3.4

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PA/HO, Department of State
E.O. 12958, as amended
June 9, 2005

FN 14 AFG
XR AID (IBRD) 9

By 57173W Date 5/11/78

FORM DS 322 (OCR)

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REPRODUCED AT THE NATIONAL ARCHIVES

E/IFD/ACCIZAUSKAS
9/10/71 EXT: 21548
E/IFD/SWEINTRAUB

NEA/PAF - MR. FLATEN
TREASURY - MR. SYVRUD {SUBS}
IMF - MR. DALE {INFO}

E/IFD/ODF - MR. KENNEDY {SUBS}
IBRD - MR. WEED {SUBS}

ROUTINE KABUL

ROUTINE MOSCOW, BONN, LONDON, TOKYO

REF: KABUL'S 542#17 - FN 14 AFG

SUBJECT: DEBT RELIEF

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IN ADDITION TO GUIDANCE PROVIDED IN STATE 153803, YOU SHOULD INFORM RGA AS FOLLOWS:

1. WE UNDERSTAND AND SYMPATHIZE WITH RGA DEBT PROBLEMS. HOWEVER, WE SUPPORT YOUR ADVICE TO RGA THAT WE CANNOT AGREE TO ANY UNILATERAL MORATORIUM ON DEBT OBLIGATIONS. MORATORIUM UNACCEPTABLE FOR BOTH STATUTORY AND POLICY REASONS.

2. USSR ACCOUNTS FOR ALMOST THREE-QUARTERS OF AFGHAN'S FOREIGN DEBT AND OVER 50 PERCENT OF TOTAL DEBT SERVICING OBLIGATIONS IN 1971 AND 1972. GERMANY, WHOSE DEBT SMALLER THAN OURS, SCHEDULED TO RECEIVE ABOUT ONE-THIRD MORE IN DEBT SERVICE PAYMENTS THAN US DURING THESE YEARS. {UK AND JAPAN ARE MINOR CREDITORS}. THESE STATISTICS INDICATE THAT AFGHAN DEBT PROBLEM IS MULTILATERAL AND MUST BE SO APPROACHED.

THUS, RGA SHOULD FIRST PRESENT ITS CASE FOR DEBT RELIEF TO IBRD, INSTITUTION WHICH PRIMARILY CONCERNED WITH LDC DEBT PROBLEMS. IF CONVINCED OF NEED FOR DEBT RELIEF, IBRD WOULD THEN PRESUMABLY APPROACH CREDITORS ON MULTILATERAL BASIS. HOWEVER, APPLICATION, OR EVEN THREAT, OF UNILATERAL MORATORIUM COULD ADVERSELY PREJUDICE CON-

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By SNR 969015
5/11/8 Date 5/11/8

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SIDERATION OF AFGHAN REQUEST BY IBRD AND CREDITORS.

ESCHENBERG OF IBRD ENROUTE TO KABUL FOR CONSULTATIONS WITH RGA PROVIDING TIMELY OPPORTUNITY FOR RGA TO BROACH DEBT PROBLEM WHICH WE UNDERSTAND NOT YET DONE.

3. AT SAME TIME, RGA MAY WISH TO DISCUSS WITH IMF STABILIZATION PROGRAM AND POSSIBLE STAND-BY CREDITS AS IS CUSTOMARY WITH LDC'S EXPERIENCING DEBT PROBLEMS. STABILIZATION PROGRAM UNDER CURRENT CIRCUMSTANCES MIGHT TAKE INTO ACCOUNT DOMESTIC AFGHAN FISCAL SITUATION AND MEASURES TO STRENGTHEN BALANCE OF PAYMENTS INCLUDING CONTROLS ON EXTERNAL DEBT. 44

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