NO CLASIFICADO
PRDG 03/26/79
DCM VHDIKEOS
USAID = CGLEASON
ECON= MEBLAKE
ECON 3 DCM POL, AID SA HILGP, ICA CONS CHRON

EMBAJADA NORTE AMERICANA - PANAMA
SECRETARIA DE ESTADO - WASHINGTON, DC
INFORMACION US SOUTH COM.
PANCANAL

E-O- 112065: N/A
TAGS: EGEN, EFIN, RN
TEMA: DEUDA DE LA REPUBLICA DE PANAMA: 1978-1983

1- RESUMEN: EL COSTO DE SERVICIO DE LA DEUDA DE PANAMA SE ELEVO BRUSCAMENTE EL AÑO PASADO, ABSORBIENDO COMO LA MITAD DEL PRESUPUESTO GUBERNAMENTAL. ADEMAS, NUEVAS OPERACIONES DE PRESTAMOS AUMENTARON SUBSTANCIALMENTE; MUCHAS DE ELLAS PROVENIENTES DE FUENTES COMERCIALES EXTRANJERAS, LAS CUALES ELEVARON EL NIVEL DE ENDEUDAMIENTO A 2.4 MIL MILLONES DE DOLARES, APROXIMADAMENTE EL MONTO DEL PRODUCTO INTERNO BRUTO DE PANAMA. PROYECCIONES BASADAS EN LA ESTRUCTURA DE LA DEUDA ACTUAL MAS FUTURAS NECESIDADES CREDITICIAS, INDICAN AUN MAYOR DETERIORO EN EL FUTURO CON LOS COSTOS DE DEUDA PROYECTADOS A SOBREPASAR MAS DE LA MITAD DL PRESUPUESTO GUBERNAMENTAL PARA 1983. NO HAY REDUCCION (DE PRESTAMOS) A LA VISTA. FIN DEL RESUMEN.

2. - EL SERVICIO DE LA DEUDA DEL GOBIERNO DE PANAMA AUMENTO NUEVAMENTE EL AÑO PASADO A 400 MILLONES DE DOLARES COMO RESULTADO DE ELEVADAS OPERACIONES PRESTATARIAS EFECTUADOS EN AÑOS RECIENTES MAS LAS TASAS INTERNACIONALES DE INTERES MUCHO MAS ALTAS. EL SERVICIO DE LA DEUDA ASCENDIO A MAS DE LA MITAD DEL PRESUPUESTO CONSOLIDADO DEL SECTORPPUBLICO Y A 60% DE LOS 670 MILLONES DE DOLARES QUE PANAMA OBTUVO EL AÑO PASADO A TRAVES DE LA EXPORTACION DE BIENES Y SERVICIOS (LA MONEDA DE USO CORRIENTE EN PANAMA ES EL DOLAR NORTE AMERICANO, DE MODO QUE LA DISTINCION ENTRE LA DEUDA EXTERNA Y LA DEUDA INTERNA ES SIN IMPORTANCIA). EN RELACION A LA PARTE DE LA DEUDA QUE MANTIENE DIRECTAMENTE EL GOBIERNO CENTRAL, LOS PAGOS AUMENTARON A 190 MILLONES DE DOLARES, O SEA A MAS DEL DOBLE EN DOS AÑOS PARA ALCANZAR EL 49% DE LOS INGRESOS DEL ERARIO DEL GOBIERNO CENTRAL. ESTAS PROPORCIONES ESTAN ENTRE LAS MAS ALTAS DEL MUNDO ENTERO E INDICAN UNA PRESION EXTREMA EN LA ESTRUCTURA FINANCIERA DE PANAMA.

3.- TAMBIEN SE EFECTUO UN AUMENTO MASIVO (300 MILLONES DE DOLARES) EN LOS PRESTAMOS EFECTUADOS POR EL GOBIERNO DE PANAMA, LOS CUALES ASCENDIERON A 807 MILLONES DE DOLARES, EXCLUSIVE DE UN REFINANCIAMIENTO POR 300 MILLONES DE DOLARES QUE ESTIRARON LOS DIFICILES COMPROMISOS DE AMORTIZACION DE LOS PROXIMOS TRES AÑOS. LA MAYORIA DE ESTOS PRESTAMOS (EL 78%) FUERON CREDITOS SIN PROYECTOS DESDE EL EXTERIOR EN TERMINOS COMERCIALES, MIENTRAS QUE LOS PRESTAMOS CON PROYECTOS A TRAVES DE INSTITUCIONES FINANCIERAS INTERNACIONALES (IFI), SOLO ASCENDIERON A 57 MILLONES DE DOLARES. EL TOTAL EXCEDIO ENORMEMENTE LA APARENTE NECESIDAD DE NUEVOS DINEROS DEL GOBIERNO PANAMEÑO, LA CUAL CONSISTIA DEL PROGRAMA DE INVERSIONES DE 400 MILLONES DE DOLARES Y DE 235 MILLONES PARA AMORTIZAR LA DEUDA (MENOS SUPERAVITS EN CUALQUIERA DE LAS AGENCIAS AUTONOMAS Y REPAGOS EN PRESTAMOS HABITACIONALES 45 Y AGRICOLAS - POR LO MENOS 50 MILLONES EN TOTAL). DE ACUERDO A UNA FUENTE DEL GOBIERNO PANAMEÑO, LOS FONDOS ADICIONALES FUERON OBTENIDOS PARA APROVECHAR LOS TERMINOS FAVORABLES EN QUE FUERON OFRECIDOS, AUN CUANDO NO SERIAN UTILIZADOS SINO HASTA EL AÑO SIGUIENTE. SINEMBARGO, ALGUNOS DE ESTOS FONDOS FUERON EMPLEADOS PARA CAPITALIZAR PAGO DE INTERESES (25 MILLONES IDENTIFICADOS) O POSIBLEMENTE PARA OTROS PROPOSITOS; CON EL RESTO, PROBABLEMENTE RETENIDO HASTA QUE FUESE NECESARIO - TAL VEZ INVERTIDOS EN ACTIVOS QUE GENERAN INTERESES A CORTO PLAZO EN EL EXTRANJERO.

4,- LA DEUDA PUBLICA AUMENTO POR CASI 600 MILLONES DE DOLARES A 2.4 MIL MILLONES DE DOLARES AL FINAL DE 1978 (VER CUADRO #1). A GRANDES RASGOS, AL TAMAÑO DEL PRODUCTO INTERNO BRUTO DE PANAMA. CON CREDITOS A CORTO PLAZO Y EN SU MAYORIA (65%) CREDITOS COMERCIALES EXTRANJEROS MUY COSTOSOS CON SOLO 15% DE LOS MISMOS ADEUDADOS A INSTITUCIONES FINANCIERAS INTERNACIONALES (LARGO PLAZO) Y EL SALDO A PRESTAMISTAS LOCALES. EL AÑO PASADO TAMBIEN SE SUSCITO UNA CONTINUIDAD DE CAMBIAR DE LOS ESTADOS UNIDOS DE NORTE AMERICA A OTRAS FUENTES DE CREDITOS: EL LEJANO ORIENTE, PARTICULARMENTE JAPON (PRESTAMOS, BONOS), EUROPA (MAS AMPLIA PARTICIPACION EN PRESTAMOS SINDICADOS ANUALES, EL ORIENTE MEDIO Y VENEZUELA. POR EJEMPLO, SE DIO UNA PARTICIPACION MAYORITARIA A OTROS PAISES ENTRE LOS CUALES NO SE INCLUIA A LOS ESTADOS UNIDOS DE NORTE AMERICA, EN EL REFINANCIAMIENTO DE LOS 300 MILLONES DE DOLARES, CON LOS CUALES SE PAGARON VARIOS PRESTAMOS EMINENTEMENTE NORTE AMERICANOS.

5. - ESTOS INESPERADOS Y ELEVADOS PRESTAMOS SERAN MUY COSTOSOS MAS TARDE, YA QUE MUCHOS DE LOS MISMOS HAN SIDO CONCEDIDOS A CORTO PLAZO Y SIN LOS PERIODOS DE GRACIA OTORGADOS A LOS MAS COMENTADOS PRESTAMOS SINDICADOS ANUALES. ESTO LES PRIVARA DE TENER EL DESAHOGO QUE HUBIERA SIGNIFICADO DURANTE LOS PROXIMOS TRES

:OS, EL HABER OBTENIDO EL REFINANCIAMIENTO DE LOS 300 MILLONES
: DOLARES. ADEMAS, HAY AUMENTO DE SERVICIOS DE MAS O MENOS
40 MILLONES DE DOLARES EN PRESTAMOS EFECTUADOS DURANTE LOS AÑOS
1976 Y 1977, LOS CUALES NO HABIAN SIDO REPORTADOS. PARA 1979,
ESTIMA QUE AMORTIZACIONES A CAPITAL Y EL PAGO DE INTERES AU-
:ENTE POR 72 MILLONES DE DOLRRES A 470 MILLONES, 55% DEL PRE-
JPUESTO CONSOLIDADO DEL GOBIERNO DE PANAMA. LOS COSTOS, SOLA-
:NTE EN LA PORCION DEL GOBIERNO CENTRAL , ASCENDERAN A MAS O
:NOS 229 MILLONES DE DOLARES, 51% DE SUS INGRESOS ORDINARIOS.
L GOBIERNO LE SERA NECESARIO SOLICITAR EN PRESTAMOS COMO MINIMO
A SUMA DE 567 MILLONES DE DOLARES ESTE AÑO PARA CUBRIR SUS PRO-
AMAS DE INVERSIONES ASI COMO TAMBIEN LAS AMORTIZACIONES DE SUS
UDAS (ASUMIENDO A GRANDES RASGOS QUE INTERNAMENTE SE PUEDA GE-
:RAR UNOS 100 MILLONES DE DOLARES), SUBSTANCIALMENTE MAS BAJO
UE LOS EGRESOS DE CREDITO DE 1978.

- MIRANDO HACIA EL FUTURO, ES DE ESPERARSE QUE EL COSTO ANUAL
: LA CARGA DE LA DEUDA PUBLICA DE PANAMA AUMENTE SUBSTANCIAL-
:NTE DURANTE LOS PROXIMOS AÑOS (CUADRO #2). EL AUMENTO SERA BAS-
NTE FIJO DURANTE LOS PRIMEROS AÑOS Y LUEGO AUMENTARA RAPIDAMENTE
927 MILLONES DE DOLARES PARA 1983 CUANDO SE TERMINA EL PERIODO
E GRACIA DEL REFINANCIAMIENTO DE LOS 300 MILLONES DE DOLARES. A
TE NIVEL, LOS SERVICIOS DE DEUDA ALCANZARAN UN INCREIBLE 71% DEL
ESUPUESTO CONSOLIDADO. LA PROYECCION SE BASA MAYORMENTE EN LA
UDA ACTUALMENTE INCURRIDA MAS NUEVOS PRESTAMOS DEL GOBIERNO EN
I PRESUPUESTO DE INVERSIONES (EXCLUYENDO EL PROYECTO DE COBRE DE
:RRO COLORADO, CASO DE SER APROBADO A FINES DE ESTE AÑO). ESTO SE
TIME AUMENTE EN 10% ANUAL EN VISTA DE LOS PLANES DE INVERSION
OST-TRATADO PROGRAMADOS POR EL GOBIERNO DE PANAMA PERO ESTO SIG-
FICARA MUY POCO EN EL CRECIMIENTO DE INVERSIONES EN TERMINOS REALES.
L TOTAL DE NECESIDADES AUMENTARA DE 567 MILLONES DE DOLARES ESTE
:O A 1,082 MILLONES DE DOLARES PARA 1983. PARA EL GOBIERNO CEN-
RAL SOLAMENTE, LOS PAGOS DE PRINCIPAL E INTERESES AUMENTARAN DE
:9 MILLONES DE DOLARES EN 1979 A 437 MILLONES DE DOLARES EN 1983,
SEA AUMENTARA DE UN 51% A UN 61% DEL TOTAL DEL INGRESO DEL GO-
IERNO CENTRAL (CUADRO #3). ESTO SE BASA EN UN CRECIMIENTO ANUAL
EL 10% DE LOS INGRESOS EXISTENTES (CONSIDERANDO UNA ECONOMIA
IRME Y CRECIENTE SIN AUMENTOS DE IMPUESTOS), MAS UN AUMENTO EN
:S PAGOS DEL INGRESO DEL CANAL DE 70 MILLONES DE DOLARES EN 1983
: 55 MILLONES DE DOLARES EN 1980 (QUE SERA EL PRIMER AÑO COMPLETO
AJO LOS NUEVOS TRATADOS).

. PROYECCIONES MAS O MENOS MAS BAJAS RESULTAN ASUMIENDO NECESI-
ADES MENORES Y TERMINOS DE CREDITO MAS BONDADOSOS. POR EJEMPLO,
I EL GOBIERNO MANTIENE SU PLAN DE INVERSION A NIVELES DEL DOLAR

CORRIENTE Y DE FUTUROS EMPRESTITOS CON UN PROMEDIO DE 10 AÑOS DE PAGOS EN VEZ DE LOS CINCO AÑOS DE PAGO ASUMIDOS ANTERIORMENTE, ENTONCES EL SERVICIO DE LA DEUDA PUBLICA LLEGARIA A 717 MILLONES DE DOLARES EN 1983, O SEA 200 MILLONES DE DOLARES MENOS QUE LO QUE REFLEJA LA ANTERIOR PROYECCION. ESTO DISMINUIRIA LOS COSTOS DE DEUDA DE 1983 EN SU FUNCION DE PROPORCION DEL TOTAL DEL PRESUPUESTO DE 71% A 64%. TAMBIEN PARA 1983 LOS EMPRESTITOS SE REDUCIRIAN EN MAS DE 350 MILLONES DE DOLARES. SOLAMENTE PARA EL GOBIERNO CENTRAL, EL SERVICIO DE LA DEUDA PUBLICA EN 1983 SE REDUCIRIA DE 61% A 48% DE LOS INGRESOS ORDINARIOS BAJO LAS MODIFICACIONES ASUMIDAS.

8.- AUN ASI, ESTOS NIVELES SON EXTREMADAMENTE ONEROSOS Y REFLEJAN UNA SITUACION FINANCIERA OMINOSA PARA EL GOBIERNO DE PANAMA. MAS ESPECIFICAMENTE, LA SITUACION PODRIA DETERIORARSE AL PUNTO DE MOROSIDAD GENERAL EN EL PAGO, SI NO ACASO DE INCUMPLIMIENTO, A MENOS QUE

1. EL CRECIMIENTO ECONOMICO DE 3% ANUAL A TRAVES DEL PERIODO 1979-1983

2. QUE VIRTUALMENTE NO EXISTAN PROBLEMAS EN LA IMPLEMENTACION DEL TRATADO

3. QUE SE MANTENGA UN CRECIMIENTO CONSTANTE DE LOS INGRESOS DEL CANAL.

ADEMAS, DE INICIARSE EL PROYECTO DE CERRO COLORADO, ESTE POR SU EXTRAORDINARIA MAGNITUD PUEDE DESESTABILIZAR AUN MAS EL FUTURO Y AUMENTAR LA VULNERABILIDAD FINANCIERA DEL GOBIERNO, AUN CUANDO UN EXITO EVENTUAL DEL PROYECTO PARECIERA PROMETEDOR. FINALMENTE Y PROBABLEMENTE DE MAYOR IMPORTANCIA AUN ES EL HECHO DE QUE NO EXISTEN AL PRESENTE INDICIOS DE QUE LA DEUDA PUBLICA DECLINARA POCO DESPUES DE 1983. DE HECHO Y TENIENDO EN CUENTA QUE EL PERIODO DE GRACIA DE TRES AÑOS CONCEDIDOS EN EL REFINANCIAMIENTO DE LOS 300 MILLONES DE DOLARES OBTENIDOS EN 1978, YA HABRAN EXPIRADO. EL PANORAMA DESPUES DE 1983 PUEDE SER MAS SEVERO.

9. CUALQUIER NUMERO DE COMBINACIONES DE CIRCUNSTANCIAS PUEDEN SER POSTULADAS COMO RAZONABLES Y POSIBLES DE, O SI NO, REMEDIOS A ESTE DETERIORO DE LA SITUACION DE LA DEUDA. SINEMBARGO, PARECE REQUERIR COMO MINIMO, Y EN BREVE PLAZO, MAS REFINANCIAMIENTO EN MAYOR ESCALA, RECORTES DRASTICOS EN LAS INVERSIONES DEL SECTOR PUBLICO, MAYORES IMPUESTOS Y/O REDUCCION DE SUBSIDIOS

Y CONTINUADA AUSTERIDAD EN LOS DESEMBOLSOS ORDINARIOS DE LOS MINISTERIOS, LO QUE SIGNIFICA QUE LA INVERSION PRIVADA DEBE EXPANDIRSE VIGOROSAMENTE EN VISTA A ESTABLES O REDUCIDOS GASTOS PUBLICOS PARA QUE PANAMA PUEDA OBTENER UN DESARROLLO ECONOMICO MODERADO, FINANCIADO MAYORMENTE EN FORMA INTERNA Y NO POR AHORROS EXTERNOS. EN LA AUSENCIA DE ESTOS DESARROLLOS EN UNA MEDIDA SUBSTANCIAL, HAY UN VERDADERO PELIGRO DL QUE LOS ACREEDORES COMIENCEN A VER QUE LOS INGRESOS Y BASE ECONOMICA DEL GOBIERNO DE PANAMA SON MENORES Y MENOR SU CAPACIDAD PARA SOPORTAR EL PESO CRECIENTE DE SU DEUDA Y DE QUE RAPIDAMENTE REDUZCAN EL FLUJO MASIVO Y CONTINUO DE CREDITOS EXTRANJEROS QUE PANAMA NECESITA. LA ESTRUCTURA FINANCIERA DEL GOBIERNO DE PANAMA NO PUEDE TOLERAR UN CORTE SIGNIFICATIVO EN SU VOLUMEN DE CREDITO.

10. - A LA FECHA, SINEMBARGO, LAS INSTITUCIONES DE CREDITO OBVIAMENTE NO SE HAN INHIBIDO POR EL NIVEL DE LA DEUDA DE PANAMA Y DE LAS MUCHAS INCERTIDUMBRES QUE AUN RODÉAN EL PANORAMA GENERAL. LOS DIVERSOS FACTORES DETRAS DE LAS ACTITUDES DE LOS ACREEDORES CORRIENTES HACIA PANAMA Y LO QUE EL FUTURO PUEDA DEPARAR EN ESTE SENTIDO, SERAN EL TEMA DE OTRO INFORME.

GOVERMENT OF PANAMA

TABLE 1

DEBT OUTSTANDING - DECEMBER 31, 1978
($ MILLIONS)

	CENT-GOVT-	AUTON-AGENC- (1)	TOTAL	(%)
EXTERNAL				
AID	45	71	116	(4.9)
EXIM	12	23	35	(1.5)
IBRD		117	117	(4.9)
IDB	54	43	97	(4.1)
BONDS	107		107	(4.5)
PRIVATE (2)	807	534	1341	(56.6)
TOTAL	1025	788	1813	(76.5)
DOMESTIC (3)				
BONDS	354	7	361	(15.2)
PRIVATE (4)	[illegible]	71	91	(3.8)
OTHER (5)	-	105	106	(4.5)
TOTAL	[illegible]	183	558	(23.5)
TOTAL	1400	971	2371	(100.0)

GUARANTEED BY CENTRAL GOVERMENT.
INCLUDES SOME OFFICIAL BI-LATERAL LOANS.
EXTERNAL, DOMESTIC DISTINCTION IS MEANINGLESS SINCE PANAMA'S USE OF U.S. DOLLAR AS ITS CURRENCY REQUIRES THAT BOTH DOMESTIC AND FOREIGN DEBT BE SERVICED WITH DOLLARS -- EARNED, BORROWED, OR SAVED.
INCLUDES CREDIT FROM DOM.- BRANCHES OF FOREIGN BANKS.
INCLUDES SOME IFI CREDITS WHICH THE CENTRAL GOVERMENT RE-LOANED TO AUTONOMOUS AGENCIES, AND SHOULD BE CONSIDERED AS EXTERNAL BORROWING.

RCE: CONTROLLER GENERAL

GOVERMENT OF PANAMA

TABLE 2

PUBLIC SECTOR DEBT SERVICE - 1978-1983 (1)
($ MILLIONS)

	1978 (ACT)	1979	1980	1981	198?	1983
ROJECTION A (2)						
SBURSEMENT	807	567	691	780	944	1082
ORTIZATION	235	267	351	396	512	597
TEREST	163	203	238	264	277	330
OTAL	398	470	589	660	789	927
TSTDG (12/31)	2371	2671	3011	3395	3827	4312
OJECTION B (3)						
SBURSEMENT	807	567	633	636	703	724
ORTIZATION	235	267	333	336	403	424
TEREST	163	203	236	256	258	293
TOTAL	398	470	569	59?	661	717
TSTDG (12/31)	2371	2671	2971	3271	3571	3871

) AMORTIZATION AND INTEREST PROJECTIONS WERE DERIVED BY CALCULATING PAYMENTS DUE ON EXISTING DEBTS BASED ON TERMS AS SHOWN IN GOP RECORDS. TO THIS WAS ADDED THE SERVICING OF ADDITIONAL DEBT FOR MEETING GOP GROSS CAPITAL NEEDS (NEW INVESTMENT PLUS AMORTIZATION LESS PUBLIC SAVINGS). A MAJOR INCREASE WAS ASSUMED IN THE RATE OF INT'L FIN. INST. LOAN DISBURSEMENTS.

) ASSUMES 10 PERCENT ANNUAL GROWTH IN THE PUBLIC INVESTMENT BUDGET; ALSO 5 YEAR AVERAGE PAYOUT ON COMMERCIAL BORROWING FOLLOWING 0-3 YEAR GRACE PERIODS, SIMILAR TO THE RECENT PATTERN.

) ASSUMES NO GROWTH IN THE INVESTMENT BUDGET AND AN AVERAGE 10 YEAR PAYOUT ON COMMERCIAL BORROWING FOLLOWING 0-3 YEAR GRACE PERIODS.

URCES: 1978 CONTROLLER GENERAL; PROJECTION-US MISSION

GOVERMENT OF PANAMA

TABLE 3

BROJECTED DEBT SERVICE VS BUDGET/REVENUES, 1978-1983 (1)
($ MILLIONS)

	1978 (ACT)	1979	1980	1981	1982	1983
OTAL BUDGET (2)						
JECTION A:						
XPEND	788	848	979	1076	1183	1300
EBT SERV	398	470	589	660	789	927
% EXPEND	51	55	60	67	67	71
JECTION B:						
XPEND	788	848	939	992	1050	1115
EBT SERV	398	470	569	592	661	717
EXPEND	51	55	61	60	63	64
T GOV ONLY						
JECTION A:						
EVENUES (3)	386	452	539	592	650	714
DEBT SERV (4)	190	229	283	316	371	437
% REV.	49	51	52	53	57	61
JECTION B:						
EVENUES	386	452	539	592	650	714
EBT SERV	190	229	275	288	316	346
% REV	49	51	51	49	49	48

SEE FOOTNOTES TABLE 2.
CURRENT AND INVESTMENT OUTLAYS OF THE CENTRAL GOVERNMENT PLUS INVESTMENT OUTLAYS OF THE AUTON. AGENCIES.
ASSUMES 10 PERCENT ANNUAL INCREASE IN ORDINARY REVENUES. PLUS INCREASE IN CANAL PAYMENTS FROM 555 MILLION IN 1980 to $70 MILLION in 1983.
ASSUMES AMORTIZATION REMAINS 40 PERCENT OF THE TOTAL AND INTEREST 60 PERCENT OF THE TOTAL.

RCE: 1978, COMPTROLLER GENERAL, PROJECTIONS US. MISSION.
MOSS##

UNCLASSIFIED
PROG 03/26/79
DCM:VHDIKEOS
USAID:CGLEASON
ECON:MEBLAKE
ECON 3 DCM POL, AID SA MILGP, ICA CONS CHRON.

AMEMBASSY PANAMA
SECSTATE WASHDC
INFO USSOUTHCOM
PANCANAL

E.O. 12065: N/A
TAGS: EGEN, EFIN, PN
SUBJECT: PANAMA'S PUBLIC DEBT: 1978-1983

1. SUMMARY: CARRYING COSTS OF PANAMA'S DEBT SHOT UP AGAIN LAST YEAR, ABSORBING ABOUT HALF OF THE GOVERNMENT BUDGET. ALSO, NEW BORROWING ROSE SUBSTANTIALLY, MUCH OF IT FROM FOREIGN COMMERCIAL SOURCES, WHICH BOOSTED THE DEBT LEVEL TO $2.4 BILLION, ROUGHLY THE SIZE OF PANAMA'S GDP. PROJECTIONS BASED ON THE PRESENT DEBT STRUCTURE PLUS ANTICIPATED NEW CREDIT NEEDS INDICATE FURTHER DETERIORATION AHEAD, WITH DEBT COSTS PROJECTED TO TAKE UP WELL OVER HALF OF THE GOVERNMENT BUDGET BY 1983. THERE IS NO PEAKING OUT IN SIGHT. END SUMMARY.

2. GOVERNMENT OF PANAMA (GOP) DEBT SERVICING INCREASED AGAIN LAST YEAR TO $400 MILLION AS A RESULT OF HEAVY BORROWING IN RECENT YEARS, PLUS MUCH HIGHER INTERNATIONAL INTEREST RATES. IT AMOUNTED TO OVER ONE HALF OF THE CONSOLIDATED PUBLIC SECTOR BUDGET AND 60 PERCENT OF THE $670 MILLION PANAMA EARNED LAST YEAR FROM THE EXPORT OF GOODS AND SERVICES (PANAMA'S CURRENCY IS THE U.S. DOLLAR SO THE DISTINCTION BETWEEN FOREIGN AND DOMESTIC DEBT IS MEANINGLESS). ON THE PORTION OF DEBT HELD DIRECTLY BY THE CENTRAL GOVERNMENT, PAYMENTS ROSE TO $190 MILLION, MORE THAN DOUBLING IN TWO YEARS TO REACH 49 PERCENT OF CENTRAL GOVERNMENT REVENUES. THESE RATIOS ARE AMONG THE HIGHEST IN THE WORLD AND INDICATE EXTREME PRESSURE ON PANAMA'S FINANCIAL STRUCTURE.

3. THERE WAS ALSO A MASSIVE ($300 MILLION) INCREASE IN GOP BORROWING TO $807 MILLION, EXCLUSIVE OF A $300 MILLION REFINANCING WHICH STRETCHED OUT DIFFICULT AMORTIZATION REQUIREMENTS OF THE NEXT THREE YEARS. MOST OF THE BORROWING (78 PERCENT) WAS NON-PROJECT CREDIT FROM ABROAD

ON COMMERCIAL TERMS, WHILE PROJECT LENDING BY INTERNATIONAL FINANCIAL INSTITUTIONS (IFI) CAME TO ONLY $57 MILLION. THE TOTAL GREATLY EXCEEDED THE GOP'S APPARENT NEED FOR NEW MONEY WHICH CONSISTED OF ITS $400 MILLION INVESTMENT PROGRAM AND $235 MILLION DEBT AMORTIZATION (LESS ANY AUTONOMOUS AGENCY SURPLUSES AND REPAYMENTS OF GOVERNMENT HOUSING AND AGRICULTURAL LOANS - AT LEAST $50 MILLION IN TOTAL). ACCORDING TO ONE GOP SOURCE, THE ADDITIONAL FUNDS WERE PROCURED TO TAKE ADVANTAGE OF THEIR AVAILABILITY AT FAVORABLE TERMS, EVEN THOUGH THEY WOULD NOT BE USED UNTIL THE FOLLOWING YEAR. HOWEVER, SOME WERE USED TO CAPITALIZE INTEREST PAYMENTS ($25 MILLION IDENTIFIED), OR POSSIBLY FOR OTHER PURPOSES, WITH THE REST PROBABLY HELD BACK UNTIL NEEDED--PERHAPS INVESTED IN SHORT-TERM INTEREST BEARING ASSETS ABROAD.

4. PUBLIC DEBT ROSE BY ALMOST $600 MILLION TO $2.4 BIL AT THE END OF 1978 (TABLE 1)--ROUGHLY THE SIZE OF PANAMA'S GROSS DOMESTIC PRODUCT (GDP). IT IS STILL LARGELY SHORT TERM AND EXPENSIVE COMMERCIAL CREDIT FROM ABROAD (65 PERCENT), WITH ONLY 15% OWED TO THE IFI'S (LONG TERM) AND THE BALANCE TO DOMESTIC LENDERS. THERE WAS ALSO A CONTINUATION LAST YEAR OF THE RECENT SHIFT FROM U.S. TO OTHER CREDIT SOURCES: THE FAR EAST - PARTICULARLY JAPAN (LOANS, BONDS), EUROPE (GREATER PARTICIPATION IN ANNUAL SYNDICATED LOANS), AND THE MIDDLE EAST AND VENEZUELA. FOR EXAMPLE, THERE WAS MAJOR NON-U.S. PARTICIPATION IN THE $300 MILLION REFINANCING, WHICH PAID OFF SEVERAL EXISTING U.S. DOMINATED LOANS.

5. THIS UNEXPECTEDLY HEAVY BORROWING WILL BE VERY COSTLY LATER ON SINCE MUCH OF IT WAS SHORT TERM AND WITHOUT THE GRACE PERIODS WHICH THE MORE PUBLICIZED ANNUAL SYNDICATED LOANS GENERALLY CARRY. IT OFFSET THE RELIEF WHICH THE $300 MILLION REFINANCING HAD PROVIDED FOR THE NEXT THREE YEARS. ALSO, THERE IS THE ADDED SERVICING ON SOME $40 MILLION IN PREVIOUSLY UNREPORTED 1976 AND 1977 LOANS. FOR 1979, TOTAL PRINCIPAL AND INTEREST PAYMENTS ARE ESTIMATED TO INCREASE BY $72 MILLION TO $470 MILLION, 55 PERCENT OF THE GOP CONSOLIDATED BUDGET. COSTS ON ONLY THE CENTRAL GOVERNMENT PORTION WILL COME TO ABOUT $229 MILLION, 51 PERCENT OF ITS ORDINARY REVENUES. THE GOVERNMENT WILL NEED TO BORROW AT LEAST $567 MILLION THIS YEAR TO COVER ITS INVESTMENT PROGRAM AS WELL AS DEBT AMORTIZATION (ASSUMING THAT ROUGHLY $100 MILLION CAN BE GENERATED INTERNALLY), WELL BELOW 1978 CREDIT DISBURSEMENTS.

6. LOOKING AHEAD, THE ANNUAL COST OF CARRYING PANAMA'S PUBLIC DEBT CAN BE EXPECTED TO RISE SUBSTANTIALLY OVER THE NEXT FEW YEARS (TABLE 2). THE INCREASE WILL BE FAIRLY STEADY IN THE EARLIER YEARS, THEN RISES RAPIDLY TO $927, MILLION BY 1983 AS THE GRACE PERIOD ON THE $300 MILLION REFINANCING RUNS OUT. AT THIS LEVEL, DEBT SERVICING WOULD AMOUNT TO AN INCREDIBLE 71 PERCENT OF THE CONSOLIDATED BUDGET. THE PROJECTION IS BASED MOSTLY ON DEBT ALREADY INCURRED, PLUS NEW BORROWING FOR THE GOVERNMENT'S INVESTMENT BUDGET (EXCLUDING THE CERRO COLORADO COPPER PROJECT, SHOULD IT BE APPROVED LATER THIS YEAR). THIS IS ESTIMATED TO INCREASE 10 PERCENT ANNUALLY IN VIEW OF POST-TREATY INVESTMENT EXPANSION PLANNED BY THE GOP, BUT WHICH WOULD STILL MEAN LITTLE OVERALL INVESTMENT GROWTH IN REAL TERMS. TOTAL NEEDS WOULD INCREASE FROM $567 MILLION THIS YEAR TO $1082 MILLION BY 1983. FOR THE CENTRAL GOVERNMENT ONLY, PRINCIPAL AND INTEREST PAYMENTS WOULD INCREASE FROM $229 MILLION IN 1979 TO $437 MILLION IN 1983, OR FROM 51 TO 61 PERCENT OF CENTRAL GOVERNMENT REVENUES (TABLE 3). THIS IS BASED ON TEN PERCENT ANNUAL GROWTH IN EXISTING REVENUES (STEADILY EXPANDING ECONOMY BUT NO TAX INCREASE) PLUS AN INCREASE IN THE CANAL PAYMENT TO $70 MILLION IN 1983 FROM $55 MILLION IN 1980 (THE FIRST FULL YEAR UNDER THE NEW TREATIES).

7. SOMEWHAT LOWER PROJECTIONS RESULT BY ASSUMING REDUCED NEEDS AND EASIER CREDIT TERMS. FOR EXAMPLE, IF GOVERNMENT INVESTMENT HOLDS AT CURRENT DOLLAR LEVELS AND FUTURE COMMERCIAL BORROWING WERE TO CARRY AVERAGE 10 YEAR PAYOUTS RATHER THAN THE 5-YEAR PAYOUTS ASSUMED ABOVE, THE GOP'S TOTAL DEBT SERVICE WOULD COME TO $717 MILLION IN 1983, ABOUT $200 MILLION LESS THAN SHOWN IN THE ABOVE PROJECTIONS. THIS LOWERS 1983 DEBT COSTS AS A PROPORTION OF THE TOTAL BUDGET FROM 71 TO 64 PERCENT. ALSO, 1983 BORROWING WOULD BE REDUCED BY OVER $350 MILLION. FOR THE CENTRAL GOVERNMENT ONLY, DEBT SERVICING IN 1983 WOULD DROP FROM 61 TO 48 PERCENT OF ORDINARY REVENUES UNDER THE MODIFIED ASSUMPTIONS.

8. THESE ARE STILL EXTREMELY BURDENSOME LEVELS, HOWEVER, AND MAKE THE GOP'S FINANCIAL OUTLOOK QUITE OMINOUS. MORE SPECIFICALLY, THE SITUATION COULD DETERIORATE TO THE POINT OF WIDESPREAD REPAYMENT DELINQUENCY, IF NOT DEFAULT, WITHOUT: 1) ECONOMIC GROWTH OF OVER 3 PERCENT ANNUALLY THROUGHOUT THE 1979-83 PERIOD; 2) VIRTUALLY TROUBLE FREE TREATY IMPLEMENTATION; 3) STEADY GROWTH OF CANAL REVENUES.

ALSO, A GO-AHEAD FOR CERRO COLORADO COULD FURTHER DESTABILIZE THE OUTLOOK BY THE SHEER SIZE OF THE PROJECT AND THE GOVERNMENT'S INCREASED FINANCIAL VULNERABILITY, EVEN THOUGH PROSPECTS FOR ITS EVENTUAL SUCCESS MIGHT BE DEEMED PROMISING. FINALLY, AND POSSIBLY OF GREATEST IMPORTANCE, THERE ARE NO INDICATIONS AT PRESENT THAT THE DEBT SERVICE BURDEN WILL PEAK OUT ANYTIME SOON FOLLOWING 1983 - IN FACT, BECAUSE THE THREE YEAR GRACE PERIOD ON THE $300 MILLION 1978 REFINANCING WILL HAVE RUN OUT, THE PICTURE BEYOND 1983 MAY BE EVEN MORE GRIM.

9. ANY NUMBER OF COMBINATIONS OF CIRCUMSTANCES CAN BE POSTULATED AS REASONABLY POSSIBLE CONSEQUENCES OF, IF NOT REMEDIES TO, THIS DETERIORATING DEBT SITUATION. HOWEVER, IT WOULD SEEM TO REQUIRE AT A MINIMUM, AND SOON, MORE REFINANCING ON A MAJOR SCALE, DEEP CUTS IN PUBLIC SECTOR INVESTMENT, HIGHER TAXES AND/OR REDUCED SUBSIDIES, AND CONTINUED AUSTERITY IN THE ORDINARY OUTLAYS OF THE MINISTERIES. THIS MEANS THAT PRIVATE INVESTMENT MUST EXPAND VIGOROUSLY IN THE FACE OF STABLE OR DECLINING PUBLIC OUTLAYS IN ORDER FOR PANAMA TO ACHIEVE EVEN MODERATE OVERALL ECONOMIC GROWTH, FINANCED INCREASINGLY BY DOMESTIC RATHER THAN FOREIGN SAVINGS. IN THE ABSENCE OF THESE DEVELOPMENTS IN SUBSTANTIAL MEASURE, THERE IS REAL DANGER THAT CREDITORS WILL BEGIN TO SEE THE GOP REVENUE/ECONOMIC BASE AS LESS AND LESS ABLE TO SUPPORT ITS MOUNTING DEBT BURDEN, AND QUICKLY SHRINK THE MASSIVE CONTINUOUS FLOW OF FOREIGN CREDIT THAT PANAMA REQUIRES. THE GOP FINANCIAL STRUCTURE COULD NOT TOLERATE A SIGNIFICANT CUTBACK IN CREDIT VOLUME.

10. UP TO THIS POINT, HOWEVER, CREDITORS OBVIOUSLY HAVE NOT BEEN INHIBITED BY PANAMA'S DEBT LEVEL AND THE MANY UNCERTAINTIES THAT STILL SURROUND THE OVERALL OUTLOOK. THE VARIOUS FACTORS BEHIND CURRENT CREDITOR ATTITUDES TOWARD PANAMA, AND WHAT THE FUTURE MAY HOLD IN THIS REGARD, WILL BE THE SUBJECT OF A SEPARATE MESSAGE.

GOVERNMENT OF PANAMA

TABLE 1

DEBT OUTSTANDING - DECEMBER 31, 1978
(\$ MILLIONS)

	CENT. GOVT.	AUTON. AGENC.(1)	TOTAL	%DE	(%)	
A. EXTERNAL						
AID	45	71	116	6.39	(4.9)	
EXIM	12	23	35	0.05	(1.5)	
IBRD	-	117	117	6.45 18.2	(4.9)	15.4%
IDB	54	43	97	5.35	(4.1)	
BONDS	107	-	107	6%	(4.5)	
PRIVATE (2)	807	534	1341	74	(56.6)	
TOTAL	1025	788	1813	100.0	(76.5)	
B. DOMESTIC (3)						
BONDS	354	7	361		(15.2)	
PRIVATE (4)	20	71	91		(3.8)	
OTHER (5)	1	105	106		(4.5)	
TOTAL	375	183	558		(23.5)	
C. TOTAL	1400	971	2371		(100.0)	

(1) GUARANTEED BY CENTRAL GOVERNMENT.
(2) INCLUDES SOME OFFICIAL BI-LATERAL LOANS.
(3) EXTERNAL/DOMESTIC DISTINCTION IS MEANINGLESS SINCE PANAMA'S USE OF U.S. DOLLAR AS ITS CURRENCY REQUIRES THAT BOTH DOMESTIC AND FOREIGN DEBT BE SERVICED WITH DOLLARS -- EARNED, BORROWED, OR SAVED.
(4) INCLUDES CREDIT FROM DOM. BRANCHES OF FOREIGN BANKS.
(5) INCLUDES SOME IFI CREDITS WHICH THE CENTRAL GOVERNMENT RE-LOANED TO AUTONOMOUS AGENCIES, AND SHOULD BE CONSIDERED AS EXTERNAL BORROWING.

SOURCE: CONTROLLER GENERAL

GOVERNMENT OF PANAMA

TABLE 2

PUBLIC SECTOR DEBT SERVICE - 1978-1983 (1)
($ MILLIONS)

	1978 (ACT)	1979	1980	1981	1982	1983
PROJECTION A (2)						
DISBURSEMENT	807	567	691	780	944	1082
AMORTIZATION	235	267	351	396	512	597
INTEREST	163	203	238	264	277	330
TOTAL	398	470	589	660	789	927
OUTSTDG (12/31)	2371	2671	3011	3395	3827	4312
PROJECTION B (3)						
DISBURSEMENT	807	567	633	636	703	724
AMORTIZATION	235	267	333	336	403	424
INTEREST	163	203	236	256	258	293
TOTAL	398	470	569	592	661	717
OUTSTDG (12/31)	2371	2671	2971	3271	3571	3871

(1) AMORTIZATION AND INTEREST PROJECTIONS WERE DERIVED BY CALCULATING PAYMENTS DUE ON EXISTING DEBTS BASED ON TERMS AS SHOWN IN GOP RECORDS. TO THIS WAS ADDED THE SERVICING OF ADDITIONAL DEBT FOR MEETING GOP GROSS CAPITAL NEEDS (NEW INVESTMENT PLUS AMORTIZATION LESS PUBLIC SAVINGS). A MAJOR INCREASE WAS ASSUMED IN THE RATE OF INT'L FIN. INST. LOAN DISBURSEMENTS.
(2) ASSUMES 10 PERCENT ANNUAL GROWTH IN THE PUBLIC INVESTMENT BUDGET; ALSO 5 YEAR AVERAGE PAYOUT ON COMMERCIAL BORROWING FOLLOWING 0-3 YEAR GRACE PERIODS, SIMILAR TO THE RECENT PATTERN.
(3) ASSUMES NO GROWTH IN THE INVESTMENT BUDGET AND AN AVERAGE 10 YEAR PAYOUT ON COMMERCIAL BORROWING FOLLOWING 0-3 YEAR GRACE PERIODS.

SOURCES: 1978 CONTROLLER GENERAL; PROJECTION-US MISSION.

GOVERNMENT OF PANAMA

TABLE 3

PROJECTED DEBT SERVICE VS BUDGET/REVENUES, 1978-83 (1)
($ MILLIONS)

	1978 (ACT)	1979	1980	1981	1982	1983
TOTAL BUDGET (2)						
PROJECTION A:						
EXPEND	788	848	979	1076	1183	1300
DEBT SERV	398	470	589	660	789	927
% EXPEND	51	55	60	61	67	71
PROJECTION B:						
EXPEND	788	848	939	992	1050	1115
DEBT SERV	398	470	569	592	661	717
% EXPEND	51	55	61	60	63	64
CENT GOVT ONLY						
PROJECTION A:						
REVENUES (3)	386	452	539	592	650	714
DEBT SERV (4)	190	229	283	316	371	437
% REV	49	51	52	53	57	61
PROJECTION B:						
REVENUES	386	452	539	592	650	714
DEBT SERV	190	229	275	288	316	346
% REV	49	51	51	49	49	48

(1) SEE FOOTNOTES TABLE 2.
(2) CURRENT AND INVESTMENT OUTLAYS OF THE CENTRAL GOVERNMENT PLUS INVESTMENT OUTLAYS OF THE AUTON. AGENCIES.
(3) ASSUMES 10 PERCENT ANNUAL INCREASE IN ORDINARY REVENUES, PLUS INCREASE IN CANAL PAYMENTS FROM $55 MILLION IN 1980 TO $70 MILLION IN 1983.
(4) ASSUMES AMORTIZATION REMAINS 40 PERCENT OF THE TOTAL AND INTEREST 60 PERCENT OF THE TOTAL.

SOURCE: 1978, COMPTROLLER GENERAL; PROJECTIONS, US MISSION. MOSS##