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THE WHITE HOUSE
WASHINGTON

June 14, 1983

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MEMORANDUM FOR THE FILES

FROM: ROGER B. PORTER *RBP*
SUBJECT: IMF Quota Increase

This morning Ed Harper and I met with Fred Martin and Robert Heller of the Bank of America to discuss their views on the pending IMF Quota increase legislation. They indicated that the special reserves provision in particular and some other provisions that would entail tremendous paperwork requirements in the House legislation made the St. Germain bill simply unacceptable. They support, however, the quota increase.

They left with us the attached materials.

Attachment

X

Enclosures filed in
Oversize Attachments # 2352

SPECIAL RESERVES -- THEIR ADVERSE IMPACT ON OVERSEAS LENDING

H.R. 2957, as reported by the House Banking Committee, authorizes an increase in the U.S. quota in the International Monetary Fund. Unfortunately, the IMF provision contains a provision (Title II, Section 404) calling for the imposition of special reserves against lending to both public and private borrowers in some countries. These reserves would reduce the amount of credit available to finance international trade, and make such credit more expensive.

These special reserves are in effect a write down of a portion of all loans in a country because they are deducted from earnings, and do not count as capital and surplus or as part of the bank's loan loss provision. Therefore, for accounting purposes, this provision would mean that any loan which is restructured or where additional borrowing is necessary must be treated as a loss.

The purpose of a restructuring is to create a payment schedule that the borrower can meet. The use of a restructuring as a trigger requiring de facto write down is improper. Restructuring is not an uncommon occurrence in both domestic and international lending, and the vast majority of such loans are eventually made good.

Many regional banks have already withdrawn from international lending. A requirement that restructured loans be written down effectively would cause many more banks to shun restructurings that are now taking place. Renewing or increasing a loan which would immediately be treated as a bad loan for accounting purposes would place great pressure, even to the point of shareholders' suits, on the board of directors of even the largest participating banks. As the reserve provisions are drafted in H.R. 2957, much of Latin America, Africa and Eastern Europe could fall under reserve provisions, and credit from U.S. banks to the vast regions of the world could dry up.

The special reserves could not be included in a bank's capital or surplus, as is the case with loan loss reserves at the present time. Thus, imposition of these reserves would reduce bank capital at a time when, with the urging of their regulators, many banks are increasing their capital. Reducing capital, of course, means reduced ability to lend to all borrowers, domestic and international.

The bill requires that these reserves be imposed against all extensions of credit to public and private borrowers, in a country deemed to require special reserve treatment. This unfairly penalizes credit-worthy borrowers. A great difference often exists in ability to service debt even if the sovereign borrower is troubled. In fact, reserves would be required even if the loan were guaranteed by a U.S. agency such as the Export-Import Bank or OPIC.

Last year, U.S. exports to less-developed countries experiencing debt problems declined a startling thirty percent. Special reserves imposed against all extensions of credit would surely lead to a further decline in U.S. trade to less-developed countries, the most important growth market for U.S. goods and services. Even while a nation is having repayment difficulties, trade often continues and may expand as the country moves into recovery requiring new loans.

The dollar amounts involved are huge. If broadly imposed, the special reserve potentially could almost wipe out the earnings of a number of banks. This would, of course, cause them to retrench dramatically from their traditional role as suppliers of credit to U.S. international business.

For these reasons, the provision requiring special reserves should be deleted from the IMF quota legislation. Regulators already have sufficient powers to examine bank policies concerning bad debt reserves, and regulators are exercising these powers with increasing vigor. Reducing world trade through over-stringent banking restrictions will only exacerbate the world financial crisis which they are intended to alleviate. They would also surely make U.S. exports less competitive in the international marketplace because of the increased cost of funds to U.S. borrowers trading with less-developed countries.

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The IMF Quota Increase and
the International Debt Situation

Statement by
H. Robert Heller
Vice President for International Economics
Bank of America, NT & SA

before the
U.S. House of Representatives
Committee on Banking, Finance, and Urban Affairs
Subcommittee on International Trade, Investment and Monetary Policy
Washington, D.C.

May 3, 1983

Thank you very much, Mr. Chairman. It is a pleasure to have the opportunity to appear before this committee to testify on the need for an IMF quota increase and to comment on the current international debt situation.

Less than three months ago, on February 8, 1983, Mr. William H. Bolin, Vice Chairman of Bank of America N.T. & S.A., appeared before the full Committee and addressed himself to a set of related questions. He focused in particular on the banking aspects of the current international financial situation. In order to complement his testimony, rather than to repeat it, I would like to address the economic and financial issues confronting the world today and their impact on the need for another IMF quota increase.

As suggested in your letter inviting me to participate in the hearings, I will focus my remarks specifically on four areas:

- (1) The need for an IMF quota increase;
- (2) The origins of the international debt problems;
- (3) The efficacy of debt reschedulings; and
- (4) The impact of international lending by banks and the IMF on domestic credit market conditions.

1. The Need for an IMF Quota Increase

The need for a periodic reexamination of the adequacy of the financial resources of the IMF should surprise nobody. It is only logical that the IMF, as the world's central financial institution, should grow along with the

general expansion of the world economy and the attendant need for its financial services and resources.

As an economy expands, successful commercial enterprises grow along with it through the generation of profits from their activities or by obtaining new capital from external resources. Governments also partake in the growth of the economy at large because their tax revenues tend to increase along with an expansion of the tax base.

Unlike these institutions, the size of IMF quotas is fixed and does not expand along with the need for its financial resources and services. Instead, it takes an explicit action by the member countries of the IMF to provide for the needed growth in resources.

If one is to assess the need for an IMF quota increase, it is useful to come to a clear understanding as to the proper area of activity of the IMF. According to its charter, it is the basic purpose of the IMF to serve as a forum for international monetary cooperation, to provide temporary financial assistance to countries experiencing balance of payments difficulties and to offer counsel in the design of appropriate adjustment policies that will promote economic growth and foster world trade and exchange rate stability.

The IMF is not involved in the financing of regular and recurring international trade transactions or the provision of funds for investment projects. Commercial banks fulfill both these functions. Other private

institutions, including the suppliers themselves, as well as governmental and international financial institutions play important roles as providers of credit as well.

The IMF's financial resources are available only to member countries with balance of payments needs. In practice this means that the country seeking IMF assistance must be experiencing a current account deficit. It is therefore reasonable to compare the supply of resources available through the IMF with the need for such resources as evidenced by current account deficits.

If one compares the size of the IMF's resources to the current deficits imbalances experienced, one finds that the IMF's financial resources have not kept pace with the need for them. Table 1 shows there was a quantum jump in the ratio of IMF quotas expressed as a percentage of the global sum of current account deficits in the year 1974, immediately following the first oil shock. Prior to 1974 IMF quotas were almost twice as large as the deficits and after that year quotas averaged only about one-half the size of the current account deficits. The IMF's capacity to finance these oil-price induced deficits was therefore severely circumscribed. One should also consider that only slightly more than half of all quota subscription payments to the IMF are made in convertible currencies that are "useable" by the IMF. We may conclude that while there used to be a rough correspondence between the IMF's useable resources and global current account deficits, this relationship was drastically altered in 1974. Because official financing resources proved to be inadequate, private financial markets were called upon to recycle much of the OPEC surpluses of the post-1974 period.

TABLE 1

The Size of the IMF and Current Account Deficits 1962-82(in billions of U.S. \$)

Year	IMF Quotas	Sum of Current Account Deficits	IMF Quotas as Percentage of current Account Deficits
1962	15.2	8.1	188
1963	15.6	8.1	193
1964	15.8	8.9	178
1965	16.0	10.7	150
1966	20.6	9.3	225
1967	21.0	10.4	202
1968	21.2	11.0	193
1969	21.3	13.9	153
1970	28.4	15.3	186
1971	31.3	17.6	178
1972	31.7	15.7	202
1973	35.2	19.8	178
1974	35.8	71.1	50
1975	34.2	66.3	52
1976	34.0	63.8	53
1977	35.5	73.3	48
1978	50.8	81.5	62
1979	51.4	88.4	58
1980	76.0	130.8	58
1981	70.7	195.0	36
1982	67.4	142.4	47

Source: IMF, International Financial Statistics

It is important to preserve the stature of the IMF in the international monetary system and not to let the financial resources of the institution dwindle into insignificance. This is true for several reasons: first of all, in accordance with its charter the IMF functions as a provider of financial resources to its member countries in balance of payments deficit. The IMF's resources should grow in step with the need for them if the institution is to discharge its obligations properly. Second, the IMF serves as a catalyst for further private financing, thereby leveraging its resources greatly. Third, the economic and financial adjustment programs mutually agreed upon between the IMF and the member country help to ease international payments imbalances among all countries. By helping to reduce global payments imbalances, the IMF works to ease the strains impinging upon the international monetary system as a whole for the benefit of all participants.

But we should not deceive ourselves and believe that balance of payments imbalances will ever be eliminated. Table 2 shows that over time current account deficits have increased along with the value of international trade. Over the two decades from 1962 to 1982, current account deficits have averaged approximately 5 to 10 percent of the value of world trade. The relatively largest imbalances were associated with the two oil shocks of 1974 and 1980. But even in calmer periods, such as prevailed during the 1960's, current account deficits rarely dropped below 5 percent of world trade.

While one may expect that the large current account deficits as a proportion of world trade will continue to be reduced as the prevailing economic

TABLE 2
World Trade and Current Account Imbalances, 1962-82
 (in billions of U.S. \$)

Year	Sum of Current Account Deficits	Sum of World Imports	Current Account Deficits as Percentage Of World Imports
1962	8.1	133.9	6.0
1963	8.1	145.8	5.6
1964	8.9	162.1	5.5
1965	10.7	176.1	6.1
1966	9.3	193.7	4.8
1967	10.4	203.3	5.1
1968	11.0	226.1	4.9
1969	13.9	257.8	5.4
1970	15.3	296.7	5.2
1971	17.6	331.7	5.3
1972	15.7	389.2	4.0
1973	19.8	536.4	3.7
1974	71.1	784.9	9.1
1975	66.3	813.6	8.1
1976	63.8	922.6	6.9
1977	73.7	1060.1	7.0
1978	81.5	1237.8	5.7
1979	88.4	1559.5	5.7
1980	130.8	1920.1	6.8
1981	195.0	1907.4	10.2
1982	142.4	1797.2	7.9

Source: IMF, International Financial Statistics

imbalances are corrected, it would be unrealistic to expect that current account deficits will fall much below 5 percent of world trade. Consequently, the long-term need for financing will continue to grow in future years as world trade and the associated deficits expand. The IMF quota increase is needed to enable the IMF to help countries cope with these balance of payments problems.

2. The Origins of the International Debt Problems

Before focusing in detail on the origins of the current international debt servicing difficulties, it may be useful to review some of the salient relationships between international lending and international trade. Only if we understand the driving forces behind international lending will we be able to diagnose the problems correctly and arrive at constructive prescriptions for their solution.

The extent of the involvement of commercial banks in international finance has been questioned recently, but little objective evidence has been assembled to answer the question whether international bank lending has grown too rapidly or not.

International trade and finance are so closely related that cause and effect relationships are virtually impossible to separate. Banks support international trade by not only providing short term trade credit, but also by opening up new international markets. Project finance helps countries to

enhance their industrial base and serves as the incipient of future trade growth. Without the availability of adequate export credit facilities, U.S. exporters would be severely hampered in their ability to penetrate foreign markets and to compete against suppliers from other countries.

Over the last two decades, the international assets of commercial banks around the world have grown in direct proportion with the growth of world exports. There is an exceedingly high correlation coefficient of .98 between these two variables over the years 1963-82. Similarly, U.S. banks, foreign assets have grown along with the expansion of U.S. exports as shown by a correlation coefficient of .91 over the same period. This was a natural outgrowth of the role of U.S. banks as an important partner to U.S. export industries and as a participant in the global economic integration process that characterized the post-World War II period.

Studies conducted at Bank of America* show that there is a close relationship between the total external debt of any individual country and a few key variables such as its GDP, its trade volume, and its reserve holdings. These relationships hold true for all commercial bank lending to that country and for lending by U.S. banks alone. This evidence makes it clear that international trade and finance are inexorably intertwined and that one cannot exist without the other.

* H. R. Heller and E. Frenkel, "Determinants of LDC Indebtedness", Columbia Journal of World Business, Vol. XVII, No. 1, Spring 1982.

The United States is now more export oriented than at any point in its history. In 1980, about one fifth of all the goods produced in the U.S. were exported, up from only one tenth a decade earlier. In agriculture, an area of great comparative advantage to the United States, a full 40 percent of our total production is exported. Five million jobs in the U.S. may be attributed to the production of exports by manufacturing, agricultural, and service industries. Many of these jobs are dependent upon the economic and financial health of the developing countries as 40 percent of all U.S. exports now go to developing countries. After Canada and Japan, Mexico was our largest export market in 1981. In that year we exported more to Mexico than to Germany and France combined.

It has been shown time and again that a country that successfully adopts an IMF stabilization program soon became a viable trading partner again. This is due to the fact that all IMF programs emphasize an elimination or reduction in trade barriers. By restoring a viable balance of payments and promoting economic recovery, the IMF programs also help to establish growing markets for the products of other countries. To cite but one example: Turkey agreed with the IMF on a series of stabilization measures in 1978-80 when it suffered severe international payments problems. Since 1979 the dollar value of imports by Turkey has doubled and the country ran a balance of payments surplus in 1982. Turkey is again meeting its international payments obligations.

If the availability of international financing is significantly curtailed, the volume of world trade would undoubtedly suffer. Those countries that continue to make financing available will capture international markets, while the export volume of countries that do not provide financing will suffer correspondingly. The high sensitivity of exports to financing terms has recently been the topic of much debate in connection with official trade financing provided by the Export Import Bank of the United States and similar foreign institutions. To hobble U.S. banks in their ability to compete with foreign banks in the provision of trade financing will undoubtedly have serious repercussions for the U.S. export sector.

At this juncture it may also be appropriate to comment on the relationship between capital asset ratios of banks and the riskiness of their loan portfolio. It is certainly true that other things equal, higher capital asset ratios of banks will protect depositors better than lower capital asset ratios. Unfortunately, other things are never equal, and if a bank maintains a higher capital asset ratio, it will also have to achieve higher earnings on each dollar in outstanding loan volume if shareholders are to obtain the same rate of return as in a less highly capitalized bank. Consequently, the bank's management will have to strike a careful balance between risk and return considerations. It follows that the bank may have to curtail its lending to prime borrowers because these loans may not yield the necessary rate of return on assets to attract and retain equity capital. This is the basic quandry that higher capital asset ratios present for the banker. It is well known that the average capital asset ratios of French, German, and

Canadian banks are below those of large American banks. These foreign banks are therefore in a position to obtain higher rates of return for their shareholders or to focus their business on lower yielding, but less risky business. Any capital-asset regulation should consider these competitive implications.

The existence of a close relationship between trade and finance still begs the question whether banks acted prudently in making credit available to the developing countries. Most discussions of the indebtedness of developing countries focus on the total indebtedness of these countries. For instance, the total debt of the non-oil developing countries is generally estimated to have exceeded \$600 billion at the end of 1982 and to have amounted to approximately \$550 billion at the end of 1981. Of that total, \$300 billion was owed to the commercial banks located in the 14 countries reporting through the BIS data collection system. According to published reports, about 20 percent of that amount has so far been rescheduled.

To focus on such aggregate figures is in many ways misleading, as commercial banks also had significant deposits from the developing countries. These deposits amounted to \$255 billion at the end of 1981. Consequently, net lending by commercial banks to all developing countries combined amounted to only \$47 billion at the end of 1981.

If one disaggregates OPEC and non OPEC countries, it becomes clear that the OPEC region was a net supplier of funds to the international banking system in the amount of \$85 billion by year end 1981. The non-oil developing countries

which had \$230 billion in loans to banks outstanding on that date also had \$98 billion in deposits in the international banking system. In sum, all commercial banks in the BIS reporting area together had a net exposure of \$132 billion towards the developing countries (non-oil) as a group. The historical development of these figures is detailed in Table 3.

Considering these figures it is clear that the traditional focus on gross figures greatly overstates the net exposure and the associated risk borne by commercial banks towards the developing countries.

It is appropriate to consider the key factors that led to the current debt servicing difficulties. The economic literature on the debt service burden that can be sustained by a country over time focuses on the relationship between the real growth rate of the country and the real interest rate that has to be paid on the external debt. Only if the real growth rate is greater than the real interest rate will the external debt be sustainable over an extended time period in that there will be sufficient cash-flow to permit proper debt service.* This condition also pertains to any domestic borrower: only if the net gains in increased earnings exceed the interest cost of the financing will it be possible to service the debt out of the incremental earnings that result from the acquisition of the capital.

* D. Avramovic, Economic Growth and External Debt, The Johns Hopkins Press, 1964, p. 171; International Monetary Fund, External Indebtedness of Developing Countries, Mathematical Appendix, 1981; H. R. Heller, "International Lending and the Debt of the Developing Countries", Portfolio, forthcoming.

TABLE 3

Bank Lending and Deposit Taking versus Developing Countries

(in billions of U.S. \$)

End of Year	Non-oil Developing Countries			OPEC Countries			All Developing Countries		
	Loans from Banks	Deposits in Banks	Net Loans	Loans from Banks	Deposits in Banks	Net Loans	Loans from Banks	Deposits in Banks	Net Loans
1975	63.0	37.0	26.0	14.3	51.8	-37.5	77.3	88.8	11.5
1976	80.9	49.8	31.1	24.1	64.2	-40.1	105.0	114.0	-1.0
1977	92.2	62.7	29.5	35.4	77.6	-42.2	127.6	140.3	-12.7
1978	120.8	76.6	44.2	56.4	82.5	-26.1	177.2	159.1	18.1
1979	157.1	89.6	67.5	64.1	120.3	-56.2	221.2	209.9	11.3
1980	195.0	92.7	102.3	70.0	159.7	-89.7	265.0	252.4	12.6
1981	230.1	98.3	131.8	72.0	156.8	-84.8	302.1	255.1	47.0

Source: BIS, Annual Report, various issues

Inflation-adjusted or real interest rates fluctuated widely during the last decades. During the 1960's real interest rates as measured by the difference between the three-month Eurodollar (LIBOR) rate and the U.S. Producer Price Index averaged around 3 percent. Table 4 shows that during the mid-1970's real rates dropped sharply and turned negative at times. Negative real interest rates make it advantageous to rely heavily on debt finance as long as the use of the funds yields any positive return at all. The mid-1970's were a period of satisfactory growth for the developing countries as real growth rates averaged around 5 percent. To borrow at low or negative real interest rates to finance their economic growth was a very advantageous strategy for the developing countries during that period.

The relationship between interest rates and inflation changed sharply in the early 1980's after the monetary authorities in most industrialized countries adopted stringent anti-inflationary policies. While these policies were highly successful in lowering the inflation rate, they also resulted in temporary upward pressures on interest rates. (see Table 4) Consequently, real interest rates increased sharply according to most conventional measures, rising to more than 9 percent in 1981. Since then, nominal and real interest rates have declined.

Because real interest rates greatly exceeded economic growth rates for many borrowing countries during 1981-82 the financial equation upon which the debt financing was based was temporarily upset.

TABLE 4

International Interest Rates and Growth of the LDC's

End of	Eurodollar Rate in London	Increase in the U.S. Producer Price Index	Real Interest Rate	GDP Growth Rate of Non-oil LDC's
1972	5.5	3.8	1.7	6.1
1973	9.2	11.8	-2.6	6.1
1974	11.0	18.3	-7.3	5.5
1975	7.0	6.6	0.4	3.9
1976	5.6	3.7	1.9	5.9
1977	6.0	6.9	-0.9	5.1
1978	8.7	9.2	-0.5	5.5
1979	12.0	12.8	-0.8	4.7
1980	11.4	11.8	-0.4	4.4
1981	16.5	7.1	9.4	2.5
1982	9.5	3.5	6.0	3.9

Source: IMF, International Financial Statistics and Economic Report of the President, 1983

In addition, severe cash-flow pressures arose for many export oriented developing countries as the volume of world trade volume stagnated in 1981 and the import volume of the industrialized countries dropped in both 1980 and 1981. Market prices of primary commodities (excluding petroleum) exported by the non-oil developing countries dropped by 15 percent in 1981 and a further 6 percent in 1982.

It is possible to distinguish two distinct groups of countries that incurred debt service difficulties: the first group comprises the very low income countries, mainly located in Africa, that suffered principally from the sharp drop in their export prices and volume. Higher free market interest rates did not burden these countries unduly as most of their external debt is to official institutions at concessionary interest rates for long maturities. The second group consists of the heretofore rapidly growing countries of Latin America that suffered a sharp deterioration in their terms of trade but that were able to sustain export growth rather well. These countries had until then enjoyed good access to private financial markets and consequently suffered greatly from the unexpected rise in real interest rates. A third group of countries, largely middle income developing countries in Asia, was generally able to avoid debt service difficulties.

I would conclude that the primary cause of the debt service difficulties encountered by the various countries is to be found in the abnormally high real interest rates, the collapse in commodity prices and the stagnating world trade volume. In that the experience of foreign borrowers was no different from that of many American farmers and business enterprises

As the disinflation process is completed and the world economy is again restored to health, new stability will also return to the financial sector. But it should be remembered that developments in the financial system tend to trail those in the economy at large and that it may take several years to reestablish sound balance sheets for corporations and countries alike. Also, the world recovery under way will be modest in comparison to other recovery periods, and consequently it will take some time until the full debt service capacity of the most seriously affected borrowers is restored.

3. The Efficacy of Debt Reschedulings

The key to a successful debt rescheduling is the negotiation of a realistic payments schedule that will permit the borrower to regain his financial health and to service his external obligations. Because nations differ in their economic structure and financial requirements, it is necessary to tailor each rescheduling agreement to the unique circumstances of the country under consideration. Consequently, the current practice of case by case reschedulings evolved. This practice applies both to the official debt reschedulings through the so called "Paris Club" and the commercial bank debt reschedulings.

The current practice allows both parties or groups of parties to renegotiate freely the terms of an agreement that they had previously entered into but that may have become unrealistic in the light of changing circumstances. In that sense a rescheduling agreement is generally arrived at to the

satisfaction and mutual benefit of both parties concerned. That is, the relationship between borrowers and lenders is strengthened by the new agreement which represents a viable alternative to the initial loan agreement that had become unworkable.

It would clearly be unrealistic to arrange all debt reschedulings according to a common formula that would not take into account the specific circumstances of the country as far as sources of cash flow is concerned as well as the tenor, interest rate, and the numerous other side conditions of the initial loan agreement. To reschedule all debt arbitrarily into, say, ten year maturities would not be realistic as it would neither result in viable repayments schedules nor treat countries in very different circumstances equitably.

In short, it is difficult to see how an imposed debt renegotiation process could be considered superior to the current flexible case-by-case treatment. If the entire process would be potentially biased towards the interests of one party involved, it is clear that the other party would be more reluctant to participate on the same basis as previously. In that case, both parties would be ill-served by having such a machinery in place. Only mutually satisfactory agreements, freely arrived at, are conducive to the development of long-term satisfactory relationships.

TABLE 5

International Balance Sheet of the United States: End 1981

(in billions of U.S. \$)

	<u>Claims</u>	<u>Liabilities</u>
Government sectors (incl. official reserves)	98.6	153.3
Direct investment	227.3	89.8
Securities (excl. U.S. Treasury)	62.9	93.8
Non-bank sector	35.0	28.9
U.S. banks	293.5	191.0
<hr/>		
TOTAL	717.4	557.1
Net investment position of U.S.		160.3

Detail for Banking Sector

	<u>Claims</u>	<u>Liabilities</u>
U.S.-owned banks (payable in \$)	147.4	93.7
Own foreign offices	58.6	44.1
Other banks	49.6	15.8
Others	39.2	33.8
Foreign-owned banks (payable in \$)	102.7	68.8
Customer accounts (payable in \$)	37.3	24.8
Payable in foreign currency	6.1	3.7
<hr/>		
TOTAL	293.5	191.0
<u>Memorandum items</u>		
Foreign position of major branches of U.S. banks	308.6	232.2
Total U.S. credit market debt outstanding	5,200.0	

Source: Department of Commerce, Survey of Current Business, August 1982.
For memo item: Federal Reserve Press Release E.11 (121)

4. The Impact of International Lending on Domestic Credit Market Conditions

It is often argued that more lending by U.S. commercial banks abroad or more IMF lending made possible through increased U.S. quota subscriptions will drain credit from the U.S. economy and divert it to foreign economies. Before considering in detail how increased foreign bank lending or further U.S. subscriptions to the IMF will affect the credit markets, it is useful to review briefly the international credit situation as it presented itself at the end of 1981.

The international investment position of the U.S. is summarized in Table 5. While the U.S. government is a net borrower in international financial markets, we find that U.S. direct foreign investment abroad exceeds foreign investment in the United States. Similarly, the domestic U.S. banking system has more claims on foreigners than foreigners have on deposit in the United States. But the total amounts of net lending by the domestic offices of U.S. banks to foreigners is exceedingly small: at the end of 1981 it amounted to only \$5 billion in net direct lending to foreign entities, other than banks. There was net lending amounting to \$34 billion by domestic U.S. banks to foreign banks and the foreign branches of U.S. banks owed another \$13 billion net to their U.S. parent banks. In total, the net funds advanced by U.S. domestic banks to all foreign units amounted to less than 2 percent of the U.S. credit market debt outstanding at the end of 1981.

So far we have considered the total amounts outstanding in credit markets at the end of 1981. To complete the picture it may be useful to consider the new funds raised in U.S. credit markets since then as well.

The flow-of-funds data published by the Federal Reserve show that during the year 1982 the total new net borrowing in U.S. credit markets amounted to \$499 billion. Of that total, \$27 billion or 5 percent represents net foreign borrowing. Net new bank loans raised by foreigners from U.S. banks amounted to \$3.7 billion or less than one percent of the total funds raised in U.S. credit markets.

Regardless of which aggregate one focuses on, it is clear that total foreign funds raised in U.S. capital markets amount to such a small fraction of total activity that no significant impact on credit conditions should result. The vast majority of all U.S. bank lending abroad is also funded abroad. As a matter of fact, the ten largest U.S. banks are net users of foreign funds, as they have more outstanding liabilities to foreigners than they hold in foreign assets. U.S. banks provide an important service as a financial intermediary that generates jobs and income for many Americans. It is also appropriate to repeat that much of that activity is carried out in support of the U.S. export trade, so that the total benefits to the U.S. economy in terms of earnings and employment are much greater than indicated by the banking sector alone.

With respect to the proposed \$5.8 billion U.S. IMF quota increase and the \$2.7 billion increase in the U.S. participation in the General Arrangements to Borrow (GAB) it is clear that these amounts are much too small to have a material impact on U.S. credit market conditions.

The IMF funding has also several unique features associated with it that render these budget items different from normal government expenditures

First of all, no money is actually paid to the IMF when the quota increase becomes effective. Instead, a non-interest bearing, non-negotiable Treasury note is submitted to the IMF. This note is payable upon demand. Clearly, there is no impact on U.S. budgetary expenditures or credit markets when the Treasury issues the promissory note to the IMF.

Second, if the IMF draws on the note, it will credit the U.S. accounts with the IMF at the same moment. That is, the net asset position of the U.S. Treasury is unchanged. The U.S. government budget deficit is not affected as the U.S. Treasury gains an asset (the IMF reserve position) at the same time that it incurs a liability to the financial markets. From that moment on the Treasury will have to pay interest on its outstanding obligations and it will earn interest on its IMF balances. When the IMF drawing is repaid or when the U.S. draws on its IMF position, the process is reversed.

Many foreign countries, including West Germany and the United Kingdom, do not require any parliamentary approval for an IMF quota increase because it is recognized that no true budgetary expenditures are involved. Instead, the government merely exchanges one asset for another asset without any overall budgetary impact.

Third, the net impact on U.S. credit markets depends on the way in which the country that borrows the funds from the IMF utilizes these funds. If the country uses the proceeds to acquire financial assets denominated in U.S. dollars or reduces its liabilities to U.S. institutions, there will be no net

effect on U.S. credit markets whatsoever. The same applies to any borrowed funds spent in a third nation that either increases its dollar denominated assets or reduces its dollar liabilities. If, however, the foreign country spends the IMF borrowings directly (or indirectly) on U.S. goods and services, there will be a net effect on U.S. credit markets. In that case the Treasury borrowing will not be counterbalanced by an inflow into U.S. credit markets. Instead, the Treasury will be indirectly financing the U.S. exports. Credit markets will experience a net demand for funds and U.S. exports will increase.

In summary, the impact of foreign lending by U.S. banks on domestic credit markets is exceedingly small as virtually all funds lent abroad by U.S. banks are also raised abroad. The IMF quota increase will have no immediate effect on the U.S. budget deficit as the Treasury only posts a promissory note. As the funds are drawn, their key impact will be to increase dollar spending by foreign countries, thereby supporting our own economic recovery.

The final point that may be made is that most banks are not looking for the repayment of the loans to the developing countries in the sense that the outstanding balances should be reduced to zero. Instead, the banks expect proper debt service of the outstanding loans in what they see as a continuation of their essential role as financial intermediaries and providers of credit in support of international economic activities.

5. Conclusion

It may be useful to summarize the key points of my testimony.

First, there is a clear need to grant the requested IMF quota increase to enable that institution to continue to fulfill its central role in the international monetary system and to provide countries with the financial resources necessary to implement their adjustment programs. There is a direct benefit to the U.S. economy due to an improved global economic environment.

Second, the current international debt service problems have their origin in the high real interest rates experienced during the early eighties which greatly increased the debt service burden of many developing countries and in the reduction of export earnings due to lower commodity prices and trade volume that were a consequence of the world-wide recession. The international financial system did not precipitate the current economic problems, instead, it is suffering some of the consequences of the general economic malaise.

Third, debt reschedulings are best handled on a bilateral basis between the original parties to the contract. Any forced or imposed rescheduling would be detrimental to the future of international credit flows.

Fourth, the impact of the international lending activities on U.S. domestic credit markets is minimal as virtually all funds lent abroad are also raised abroad. The IMF quota increase itself should not be treated as a U.S. government expenditure, but as a swap of assets that does not affect the net wealth of the United States.

Private financial institutions look to the U.S. government for leadership in resolving the international economic and financial difficulties that the entire world is experiencing. The U.S. contribution to the IMF quota increase will be seen as a signal by the rest of the world that the U.S. government is firmly committed to play this leadership role. I would therefore like to urge you to give favorable consideration to the IMF quota increase.

CALIFORNIA EMPLOYMENT, THE IMF QUOTA INCREASE AND
INTERNATIONAL BANK REGULATION

Three interrelated questions are examined in this report: the impact of foreign trade on California employment, the effect of the proposed IMF quota increase, and the consequences of some of the suggested legislation pertaining to international banking.

The interrelationship between the three questions is clear: foreign trade not only increases the total number of jobs available to Californians, but also permits them to specialize in the production of goods and services that offer high wages that will support an increasing standard of living. The proposed IMF quota increase will provide financing and adjustment assistance to foreign nations so that they will be able to overcome their current economic and financial problems more quickly and efficiently than would otherwise be possible. Banks play a vital role in the expansion of U.S. foreign trade. If U.S. banks were to be constrained in their capacity to finance and support U.S. agricultural and industrial exports, job opportunities would be lost and growth rates reduced. The impact of these measures would be felt particularly strongly in export-oriented states such as California.

1. The Impact of Foreign Trade on the California Economy.

Bank of America's international trade data base in conjunction with information recently released by the U.S. Department of Commerce make it possible to estimate the impact of foreign trade on the California economy. In 1982, California exported \$28.6 billion in commodities, or 13.8 percent of all U.S. exports. Trade patterns differ among the various regions of California. Japan is the most important destination for exports from the Los Angeles customs district with exports of \$3.7 billion or 23.3 percent out of a total of \$16.0 billion. Australia, Korea, Taiwan, and Singapore are the next most important trading partners for the Los Angeles customs district (see Table 1 on Page 2a). San Francisco's trading pattern is similar, with \$2.9 billion in exports accounting for 26.0 percent of the total going to Japan, followed by Singapore, Korea, the Phillipines, Malaysia, and Hong Kong as trading partners (see Table 2 on Page 2b). For the San Diego customs district, Mexico is by far the most important export destination, accounting for \$1.1 billion in exports out of a total of \$1.3 billion in exports or 82 percent of all export trade conducted by San Diego (See Table 3 on Page 2c).

The outstanding feature of California's trade is that it is highly focused on Asia and Mexico. While Japan was California's top export destination with \$6.8 billion in shipments in 1982, the next five most important export destinations were developing countries. The list is led by Korea with \$2.6 billion, Singapore with \$1.9 billion, Taiwan with \$1.4 billion, Mexico with

TABLE 1

***** Bank of America's May 12, 1983
 * TRADOP * International Trade Opportunities System
 ***** Economics-Policy Research Department 3015

Japan	3,734,874,534
Australia	1,633,407,422
Korea, South	1,541,222,178
Taiwan	906,894,082
Singapore	767,887,614
United Kingdom	707,568,811
France	584,819,474
Hong Kong	579,614,306
Germany	541,227,341
Malaysia	507,472,537
Netherlands	462,482,950
Canada	375,084,606
New Zealand Depend	273,832,725
Switzerland	224,230,093
Philippines	212,916,632
Saudi Arabia	209,026,399
Mexico	195,653,912
Indonesia	193,057,504
Jordan	165,597,324
Thailand	158,039,383
Sweden	148,829,481
Belgium-Luxembourg	127,843,879
China	127,404,243
Italy	119,837,642
Sri Lanka	119,303,354
Spain	117,183,910
Brazil	114,568,951
Norway	67,301,002
India	66,737,167
Austria	59,659,690
Trinidad & Tobago	52,073,830
Venezuela	46,852,028
Israel	46,282,545
Denmark	46,057,093
Argentina	44,097,273
All Other	732,404,475
TOTAL	16,011,346,390

TABLE 2

***** Bank of America's May 12, 1983
 * TRADOP * International Trade Opportunities System
 ***** Economics-Policy Research Department 3015

Total U.S. Exports
 San Francisco, Ca.
 Dollars
 1982

Japan	2,928,134,659
Singapore	1,181,123,344
Korea, South	1,085,715,836
Philippines	727,757,839
Malaysia	652,417,035
Hong Kong	555,250,661
Australia	521,933,562
Taiwan	450,898,098
United Kingdom	446,198,873
Germany	315,070,758
Thailand	295,862,815
Indonesia	264,695,319
China	254,845,488
Canada	196,279,815
France	142,500,468
Netherlands	120,594,048
Saudi Arabia	70,203,575
India	63,068,102
Switzerland	61,945,355
Italy	61,494,179
Ireland	52,996,034
USSR	51,044,912
Belgium-Luxembourg	46,321,267
Panama	45,379,808
New Zealand Depend	44,574,026
US Pacific Islands	42,254,029
Sweden	36,264,234
Mexico	35,817,886
Venezuela	35,451,550
Peru	32,186,963
South Africa	31,780,506
Spain	30,238,790
French Polynesia	28,170,181
Chile	26,251,371
Jordan	24,146,484
All Other	314,049,948
TOTAL	11,272,917,818

TABLE 3

***** Bank of America's May 12, 1983
 * TRADOP * International Trade Opportunities System
 ***** Economics-Policy Research Department 3015

Total U.S. Exports
 San Diego, Ca.
 Dollars
 1982

Mexico	1,091,361,523
Japan	150,193,995
Italy	33,448,773
Germany	15,761,763
China	10,820,978
Korea, South	8,134,899
Algeria	6,801,651
Tunisia	4,436,815
France	4,258,375
Saudi Arabia	2,950,971
Taiwan	2,465,316
Ecuador	2,083,814
Nigeria	1,019,125
Canada	986,429
Colombia	924,000
United Kingdom	861,825
Australia	142,342
Belgium-Luxembourg	126,380
Cayman Islands	93,000
South Africa	72,713
Tuvalu	56,249
Mauritius	31,400
West Indies, French	20,680
Suriname	5,819
Spain	5,600
Denmark	5,565
Belize	704
All Other	0
TOTAL	1,337,070,704

\$1.3 billion, and Malaysia with \$1.2 billion. Important industrial nations, such as the United Kingdom and Germany accounted for a surprisingly low \$1.1 billion and \$0.9 billion respectively. These facts strongly underscore the significance of the developing countries for California's export trade.

The commodity composition of these exports is detailed in Tables 4 through 6 for the three customs district regions of Los Angeles, San Francisco and San Diego. The tables show that two classes of commodities dominate California's export pattern: on the one hand there are agricultural goods, in particular cotton, rice, and meat. Cotton is California's number one export commodity to both Japan and Korea. On the other hand there are high-tech items, such as electronic microcircuits, data processing equipment, aircraft and aircraft parts as well as chemical products. The detailed commodity composition of California's trade on a country by country basis is given in the Appendix.

The job market impact of these exports is considerable. Key to this conclusion is that one should not only consider the directly created jobs in the export industry itself, but also the indirect job creation in upstream supplier industries that results from the exports. For instance, cotton exports generate not only jobs in the cotton growing industry, but also create employment due to the production of plows, harvestors, trucks, silos, and even the construction of housing for the farm workers as well as their own food requirements. On average, these indirect impacts on the job market are just as large as the direct impact on job creation in the export industry itself. Table 7 details the indirect job impacts for a few selected

TABLE 4

***** Bank of America's MAY 14, 1983
 * TRADOP * International Trade Opportunities System
 ***** Economics-Policy Research Department 3015

U.S. Exports
 Los Angeles, Ca
 Dollars
 1982

SITC *****	Description *****	VALUE *****
79290	AIRCRAFT PARTS N E S	1,136,470,949
26310	COTTON, RAW /OTHER THAN LINTERS/	939,275,176
75990	DATA PROCESS MACH ACCESS & PTS NES	639,259,951
79240	AIRCRAFT, OVER 15000 KG	623,887,613
33440	FUEL OILS N E S	565,153,030
72390	CONSTRUCTION/MINING MACHY PARTS NES	533,105,428
59899	CHEMICAL PRODUCTS & PREP. NES	514,395,917
87480	ELECTRICAL MEASURING/CONTR INST NES	512,943,325
33542	PETROLEUM COKE	249,973,620
75250	PERIPHERAL UNITS	221,025,737
77689	ELECTRONIC COMPONENT PARTS N E S	205,382,160
33430	GAS OILS	198,896,594
21110	BOVINE & EQUINE HIDES RAW, EXC CALF	187,998,451
54162	ORGANO-THERAP GLANDS & EXTRACT NES	178,164,124
75230	DIGITAL CENTRAL PROCESS UNITS COMPL	176,500,217
1112	MEAT, BOVINE, FRESH, FROZ, BONELESS	164,258,679
75240	DIGITAL CENTRAL STORAGE UNITS	157,591,645
71480	GAS TURBINES, NES	154,987,734
77640	ELECTRONIC MICROCIRCUITS	151,559,213
32220	COAL N E S, EXC. AGGLOMERATED	149,723,617
77880	OTHER ELECTRIC MACHERY NES	148,642,191
93100	SPECIAL TRANSACTIONS NOT CLASSIFIED	139,407,920
77210	ELEC CONTROL & SAFETY APP & PTS NES	134,750,245
27899	MINERAL SUBSTANCES, N E S	134,290,319
72848	INDIVIDUAL FUNCTION MACHINES NES	133,220,184
75220	DIGITAL DATA PROCESS MACH, COMPLETE	126,749,521
78490	PARTS & ACCESSORIES NES, MOTOR VEH	125,256,371
77410	ELECTRO-MEDICAL APPARATUS NES	115,893,794
5711	ORANGES, FRESH OR DRIED	111,753,957
76493	TELECOMMUNICATION EQUIPMENT PTS NES	111,544,497
71390	INT/OJMB PISTON ENGINE PARTS N E S	109,913,807
52329	SALTS, PEROXYSALT OF INORG ACID NES	99,899,743
71491	PARTS NES, FOR REACTION/TURBO-PROP	90,115,054
22220	SOYA BEANS	89,682,448
74920	TAPS, COCKS, VALVES ETC.	88,849,494
999999	ALL OTHER	6,590,823,665
TOTAL		16,011,346,390

TABLE 5

***** Bank of America's MAY 14, 1983
 * TRADOP * International Trade Opportunities System
 ***** Economics-Policy Research Department 3015

U.S. Exports
 San Francisco, Ca.
 Dollars
 1982

SITC *****	Description *****	VALUE *****
59899	CHEMICAL PRODUCTS & PREP. NES	1,182,462,733
26310	COTTON, RAW /OTHER THAN LINTERS/	496,876,331
72390	CONSTRUCTION/MINING MACHY PARTS NES	469,601,529
75990	DATA PROCESS MACH ACCESS & PTS NES	386,384,915
87480	ELECTRICAL MEASURING/CONTR INST NES	338,513,042
77640	ELECTRONIC MICROCIRCUITS	281,457,964
77689	ELECTRONIC COMPONENT PARTS N E S	251,774,238
33440	FUEL OILS N E S	186,180,287
72848	INDIVIDUAL FUNCTION MACHINES NES	184,366,060
79290	AIRCRAFT PARTS N E S	181,535,731
75240	DIGITAL CENTRAL STORAGE UNITS	162,777,311
78490	PARTS & ACCESSORIES NES, MOTOR VEH	161,382,827
76410	TELEPHONIC/GRAPHIC LINE APPARATUS	156,105,591
4110	DURUM WHEAT, UNMILLED	150,818,946
25172	CHEM. WOOD PULP, SODA, SULPHATE, BL	117,365,598
52410	RADIOACTIVE ELEMENTS & ISOTOPES ETC	116,625,528
75250	PERIPHERAL UNITS	115,024,085
77880	OTHER ELECTRIC MACHERY NES	112,288,123
5774	ALMONDS, FRESH OR DRIED	102,795,348
21110	BOVINE & EQUINE HIDES RAW, EXC CALF	96,976,928
12220	CIGARETTES	92,594,959
1130	MEAT OF SWINE, FRESH OR FROZEN	92,313,159
71390	INT/COMB PISTON ENGINE PARTS N E S	90,464,213
88220	PHOTOGRAPHIC FILM, PLATES, PAPER	86,897,180
75220	DIGITAL DATA PROCESS MACH, COMPLETE	84,056,965
61140	LEATHER, BOVINE & EQUINE N E S	81,443,025
5752	GRAPES, DRIED /RAISINS/	78,009,490
75230	DIGITAL CENTRAL PROCESS UNITS COMPL	76,676,188
58310	POLYETHYLENE	74,890,986
89831	PREPARED MEDIA FOR SOUND RECORDING	70,037,640
77210	ELEC CONTROL & SAFETY APP & PTS NES	67,709,000
4212	RICE, HUSKED BUT NOT FURTHER PREP	65,226,340
75280	OFF-LINE DATA PROCESSING EQUIP NES	64,911,920
5799	DRIED FRUIT N E S	61,209,310
33542	PETROLEUM COKE	59,806,432
999999	ALL OTHER	4,875,357,896
TOTAL		11,272,917,818

TABLE 6

***** Bank of America's MAY 14, 1983
 * TRADOP * International Trade Opportunities System
 ***** Economics-Policy Research Department 3015

U.S. Exports
 San Diego, Ca.
 Dollars
 1982

SITC ****	Description *****	VALUE *****
28711	COPPER ORES AND CONCENTRATES	144,619,289
4110	DURUM WHEAT, UNMILLED	47,727,848
78490	PARTS & ACCESSORIES NES, MOTOR VEH	47,214,718
59899	CHEMICAL PRODUCTS & PREP. NES	40,346,995
34130	GASEOUS HYDROCARBONS NES, LIQUEFIED	31,430,404
77210	ELEC CONTROL & SAFETY APP & PTS NES	29,717,747
75990	DATA PROCESS MACH ACCESS & PTS NES	25,508,978
77230	RESISTORS, O/T HEATING, AND PTS NES	21,969,112
68422	PLATES, SHEETS ETC. WROUGHT AL.	21,641,246
71390	INT/COMB PISTON ENGINE PARTS N E S	17,559,273
33421	KEROSENE & KEROSENE TYPE JET FUEL	16,103,993
56239	MINERAL OR CHEM FERT POTASSIC N E S	14,252,866
24822	LUMBER, PLANED, TONGUED ETC CONIFER	13,710,337
77689	ELECTRONIC COMPONENT PARTS N E S	13,598,183
4592	SORGHUM, UNMILLED	13,516,471
64210	BOXES, BAGS, BOX FILES ETC OF PAPER	13,298,701
76410	TELEPHONIC/GRAPHIC LINE APPARATUS	13,269,914
67470	TINNED PLATES & SHEETS OF STEEL NES	12,150,819
89423	TOYS, NES	11,744,273
26310	COTTON, RAW /OTHER THAN LINTERS/	10,820,978
33451	LUB. & HEAVY MIN. OILS & PREP. NES	10,600,238
76499	SOUND RECORDER/PRODUCER PARTS NES	10,228,620
62890	OTHER ARTICLES OF RUBBER NES	9,503,489
55300	PERFUMERY, COSMETICS, ETC.	9,458,197
22240	SUNFLOWER SEEDS	9,397,665
87480	ELECTRICAL MEASURING/CONTR INST NES	9,396,177
89472	REQUISITES FOR OUTDOOR SPORTS	9,389,960
74150	AIR-CONDITIONING MACHINES	9,345,496
28209	WASTE & SCRAP OF IRON OR STEEL NES	9,185,805
84394	OUTERWEAR, W/G EXC KNIT M/M FIB NES	8,964,584
78100	PASSENGER MOTOR VEHICLES	8,328,650
64289	ARTICLES NES, PAPER, CELL. WADDING	8,323,538
71600	ROTATING ELECTRIC PLANT & PARTS NES	8,232,947
75911	PTS & ACCESS NES FOR TYPEWRITERS	8,014,132
84219	COATS M/B EXC KNIT N E S	7,981,016
999999	ALL OTHER	640,518,045
TOTAL		1,337,070,704

TABLE 7

Direct and Indirect Employment Effects
as Percentage of Total Employment Impact

-Selected Industries, 1980 -

	<u>Direct</u>	<u>Indirect</u>
Meat	12.1%	87.9%
Plastic Products	33.3%	66.7%
Steel	16.3%	83.7%
Aluminum	28.4%	71.6%
Service Sector	33.3%	66.7%

Source: U.S. Dept. of Commerce

industries where the indirect job impact is particularly large. Overall, every one billion dollars in exports results in the creation of $\overline{\$25,200}$ new jobs.

Overall, it may be estimated that California's exports of \$28.6 billion result in the creation of about 720,000 jobs for American workers. Of that total, about 284,000 jobs are related to exports by the San Francisco customs district, 402,000 for the Los Angeles customs district, and 34,000 for the San Diego customs district.

2. The Need for IMF Resources in Support of Export Expansion

According to Article I of its Charter,

"The purposes of the IMF are:

- (i) To promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems.
- (ii) To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objective of economic policy.

The IMF discharges these functions through regular consultations with its member countries and by making its own financial resources available to member countries in support of IMF approved adjustment programs. In practice this means that the country seeking IMF assistance must be experiencing a current account deficit. That is, it is importing more goods and services than it is exporting.

If one compares the size of the IMF's resources to the current deficits imbalances experienced, one finds that the IMF's financial resources have not

kept pace with the need for them. Table 8 shows there was a sharp decline in IMF quotas expressed as a percentage of the global sum of current account deficits in the year 1974, immediately following the first oil shock. Prior to 1974, IMF quotas were almost twice as large as the deficits and after that year quotas averaged only about one-half the size of the current account deficits. The IMF's capacity to finance these oil-price induced deficits was therefore severely circumscribed.

It is important to preserve the stature of the IMF in the international monetary system and not to let the financial resources of the institution dwindle into insignificance. This is true for several reasons: first of all, in accordance with its charter the IMF functions as a provider of financial resources to its member countries in balance of payments deficit. The IMF's resources should grow in step with the need for them if the institution is to discharge its obligations properly. Second, the IMF serves as a catalyst for further private financing, thereby leveraging its resources greatly. Third, the economic and financial adjustment programs mutually agreed upon between the IMF and the member country help to ease international payments imbalances among all countries. By helping to reduce global payments imbalances, the IMF works to ease the strains impinging upon the international monetary system as a whole for the benefit of all participants. Fourth, and perhaps most importantly in the present context, all IMF adjustment programs stress the need to reduce trade barriers and to permit market forces to determine the trading patterns.

TABLE 8

The Size of the IMF and Current Account Deficits 1962-82(in billions of U.S. \$)

Year	IMF Quotas	Sum of Current Account Deficits	IMF Quotas as Percentage of current Account Deficits
1962	15.2	8.1	188
1963	15.6	8.1	193
1964	15.8	8.9	178
1965	16.0	10.7	150
1966	20.6	9.3	225
1967	21.0	10.4	202
1968	21.2	11.0	193
1969	21.3	13.9	153
1970	28.4	15.3	186
1971	31.3	17.6	178
1972	31.7	15.7	202
1973	35.2	19.8	178
1974	35.8	71.1	50
1975	34.2	66.3	52
1976	34.0	63.8	53
1977	35.5	73.3	48
1978	50.8	81.5	62
1979	51.4	88.4	58
1980	76.0	130.8	58
1981	70.7	195.0	36
1982	67.4	142.4	47

Source: IMF, International Financial Statistics

It has been shown time and again that a country that successfully adopts an IMF stabilization program soon becomes a viable trading partner again. This is due to the fact that all IMF programs emphasize an elimination or reduction in trade barriers. By restoring a viable balance of payments and promoting economic recovery, the IMF programs also help to establish growing markets for the products of other countries. To cite but one example: Turkey agreed with the IMF on a series of stabilization measures in 1978-80 when it suffered severe international payments problems. Since 1979 the dollar value of imports by Turkey has doubled and the country ran a balance of payments surplus in 1982. Turkey is again meeting its international payments obligations.

3. International Banking Regulation.

Several amendments to the IMF quota legislation have been introduced in the U.S. Congress that would seriously jeopardize the capacity of U.S. banks to finance American exports. In particular, mandatory special set-aside reserves for loans to developing countries experiencing temporary payment difficulties and mandatory increases in capital-asset ratios might not only seriously impair the ability of American banks to finance U.S. exports, but also force banks to curtail overall lending. This might seriously endanger the current economic recovery.

The proposed legislation will force banks to establish special reserves for loans outstanding to countries encountering debt service difficulties if there

is a likelihood that the debt cannot be expected to be repaid according to original loan terms and conditions without additional borrowing or major loan restructuring. These special reserves are not to be considered as part of the bank's capital cushion. These conditions, if applied to foreign loans, are unusually severe as many borrowers - both domestic and foreign - are not in a position to "repay" their outstanding loans without recourse to "additional borrowing." Many healthy growing firms are not able to repay their outstanding loans without additional borrowing. The same applies to many American government instrumentalities as well.

Furthermore, banks will be discouraged from lending to foreign entities at the very moment when such additional lending is essential to the success of an economic adjustment program. It is for that very reason that the IMF, along with many national regulatory authorities, urged banks in the recent negotiations with several countries to keep on lending and to increase their exposure to countries in current difficulties.

If such additional bank financing were not to be forthcoming the adjustment measures that would have to be implemented by the various countries would be much more severe and would certainly result in a sharp cutback of U.S. exports. Instead, the new lending will enable the countries to resume economic growth and to continue to import.

In addition, there will be a specific impact on U.S. exports if the ability of American banks to provide financing is curtailed. If the availability of financing by U.S. banks is significantly curtailed, the volume of U.S. trade will undoubtedly suffer. Those countries that continue to make financing

available will capture international markets, while the export volume of countries that do not provide financing will suffer correspondingly. The high sensitivity of exports to financing terms has recently been the topic of much debate in connection with official trade financing provided by the Export Import Bank of the United States and similar foreign institutions. To hobble U.S. banks in their ability to compete with foreign banks in the provision of trade financing will undoubtedly have serious repercussions for the U.S. export sector. Do we really want to make U.S. industry dependent upon foreign banks for their export financing?

The legislation also mandates the regulatory agencies to set specific capital-asset ratios for large U.S. banks. If, as is widely assumed, this implies capital-to-asset ratios of 5 percent or perhaps slightly higher, large U.S. banks must either obtain significant infusions of capital or curtail their lending. For instance, regulations to increase the capital-asset ratio of U.S. banks would affect all banks with total assets of over \$300 million. In 1981, there were 583 banks in the United States with total assets over \$300 million. Aggregate assets for the group was \$1.45 trillion; capital for the group was \$71.5 billion, and the capital-asset ratio was 4.92%. For each increase in the capital asset ratio by .25 percent an additional \$3.6 billion in capital will be required. To raise this additional capital and maintain returns to shareholders will require new sources of profit for the banks.

Alternatively if capital were to stay at the same level, the same .25 percent

increase in the capital-asset ratio would require banks to cut their asset portfolio by approximately \$65 billion. This translates to a reduction in the amount of bank financing available to individual, business and government projects of 4% for each 1/4 of 1% increase in the ratio.

Looked upon either way, the proposed capital-asset ratio legislation will require either a curtailment of the lending activities of U.S. banks or an increase in the cost of doing business due to the necessity of having to obtain and pay dividends on the additional capital.

At this juncture it may also be appropriate to comment on the relationship between capital-asset ratios of banks and the riskiness of their loan portfolio. It is certainly true that other things equal, higher capital-asset ratios will result in "safer" banks. Unfortunately, other things are never equal, and if a bank maintains a higher capital-asset ratio, it will also have to achieve higher earnings on each dollar in outstanding loan volume if shareholders are to obtain the same rate of return as in a less highly capitalized bank. Consequently, the bank's management will have to strike a careful balance between risk and return considerations. It follows that the bank may have to curtail its lending to prime borrowers because these loans may not yield the necessary rate of return on assets to attract and retain equity capital. Instead, loans yielding higher spreads - but that are also more risky - may have to be added to the bank's portfolio to maintain profitability. This is the basic quandry that higher capital asset ratios present for the banker.

It is well known that the average capital asset ratios of French, German, and Canadian banks are below those of large American banks. These foreign banks are therefore in a position to obtain higher rates of return for their shareholders or to focus their business on lower yielding, but less risky business.

Any capital-asset regulation should consider these competitive implications and strive to obtain international competitive equality. To do otherwise would imply the abandonment of the international banking system to foreigners and to hamper the ability of U.S. exporters to compete on an equal footing with foreign suppliers. The detrimental consequences to American workers and the U.S. economy are readily apparent.

Appendix

***** Bank of America's MAY 25, 1983
* TRADOP * International Trade Opportunities System
***** Economics-Policy Research Department 3015

U.S. Exports
Los Angeles, Ca
Dollars
1982

Japan

26310	COTTON, RAW /OTHER THAN LINTERS/	303,795,835
79290	AIRCRAFT PARTS N E S	252,768,661
33440	FUEL OILS N E S	168,308,942
1112	MEAT, BOVINE, FRESH, FROZ, BONELESS	154,408,113
54162	ORGANO-THERAP GLANDS & EXTRACT NES	136,633,751
32220	COAL N E S, EXC. AGGLOMERATED	121,648,310
72390	CONSTRUCTION/MINING MACHY PARTS NES	111,640,014
21110	BOVINE & EQUINE HIDES RAW, EXC CALF	108,924,275
33430	GAS OILS	90,629,012
33542	PETROLEUM COKE	83,928,650
1160	EDIBLE OFFAL FRESH/FROZ, BOVINE ETC	74,312,720
79240	AIRCRAFT, OVER 15000 KG	73,974,879
5721	LEMONS AND LIMES, FRESH OR DRIED	67,121,176
22220	SOYA BEANS	65,916,516
75990	DATA PROCESS MACH ACCESS & PTS NES	64,724,373
999999	ALL OTHER	1,856,139,307
TOTAL		3,734,874,534

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U.S. Exports
 Los Angeles, Ca
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Australia

72390	CONSTRUCTION/MINING MACHY PARTS NES	82,781,262
75990	DATA PROCESS MACH ACCESS & PTS NES	73,086,378
87480	ELECTRICAL MEASURING/CONTR INST NES	71,060,506
79290	AIRCRAFT PARTS N E S	58,187,815
72240	WHEELED TRACTORS	51,820,509
75220	DIGITAL DATA PROCESS MACH, COMPLETE	47,010,670
78490	PARTS & ACCESSORIES NES, MOTOR VEH	41,830,597
75250	PERIPHERAL UNITS	39,391,332
72340	CONSTRUCTION & MINING MACHINERY NES	32,981,023
75230	DIGITAL CENTRAL PROCESS UNITS COMPL	31,012,781
89211	PRINTED BOOKS, PAMPHLETS ETC.	26,481,257
75240	DIGITAL CENTRAL STORAGE UNITS	25,965,344
71390	INT/COMB PISTON ENGINE PARTS N E S	24,743,364
74428	LIFTING/HANDLING MACH ETC N E S	19,945,235
87420	DRAWING, MARKING AND MATH CALC. EQUIP	16,275,487
999999	ALL OTHER	990,833,862
TOTAL		1,633,407,422

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U.S. Exports
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Korea, South

26310	COTTON, RAW /OTHER THAN LINTERS/	274,109,596
33440	FUEL OILS N E S	143,214,249
79290	AIRCRAFT PARTS N E S	141,025,726
59899	CHEMICAL PRODUCTS & PREP. NES	133,049,110
77689	ELECTRONIC COMPONENT PARTS N E S	49,371,598
21110	BOVINE & EQUINE HIDES RAW, EXC CALF	43,731,929
72390	CONSTRUCTION/MINING MACHY PARTS NES	36,815,154
4400	MAIZE (CORN) UNMILLED	32,295,433
33430	GAS OILS	32,098,110
25110	WASTE PAPER & PAPERBOARD INCL SCRAP	30,127,095
76410	TELEPHONIC/GRAPHIC LINE APPARATUS	29,833,430
87480	ELECTRICAL MEASURING/CONTR INST NES	29,268,148
75990	DATA PROCESS MACH ACCESS & PTS NES	28,485,999
32220	COAL N E S, EXC. AGGLOMERATED	23,608,625
72848	INDIVIDUAL FUNCTION MACHINES NES	20,069,648
999999	ALL OTHER	494,118,328
TOTAL		1,541,222,178

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U.S. Exports
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Taiwan

79290	AIRCRAFT PARTS N E S	149,435,361
26310	COTTON, RAW /OTHER THAN LINTERS/	86,390,711
71870	NUCLEAR REACTORS, & PARTS N E S	61,973,843
4400	MAIZE (CORN) UNMILLED	35,683,073
21110	BOVINE & EQUINE HIDES RAW, EXC CALF	31,782,785
87480	ELECTRICAL MEASURING/CONTR INST NES	31,600,873
25110	WASTE PAPER & PAPERBOARD INCL SCRAP	24,576,574
33440	FUEL OILS N E S	23,795,695
59899	CHEMICAL PRODUCTS & PREP. NES	21,770,618
75990	DATA PROCESS MACH ACCESS & PTS NES	19,786,372
28209	WASTE & SCRAP OF IRON OR STEEL NES	16,039,014
22220	SOYA BEANS	14,396,887
71491	PARTS NES, FOR REACTION/TURBO-PROP	10,384,487
74920	TAPS, COCKS, VALVES ETC.	9,947,372
76499	SOUND RECORDER/PRODUCER PARTS NES	8,570,727
999999	ALL OTHER	360,759,690
TOTAL		906,894,082

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U.S. Exports
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Singapore

72390	CONSTRUCTION/MINING MACHY PARTS NES	110,522,421
33440	FUEL OILS N E S	79,881,196
79290	AIRCRAFT PARTS N E S	44,093,486
77689	ELECTRONIC COMPONENT PARTS N E S	33,981,501
75990	DATA PROCESS MACH ACCESS & PTS NES	31,268,703
59899	CHEMICAL PRODUCTS & PREP. NES	26,341,200
1140	POULTRY, DEAD, FRESH OR FROZEN	25,624,159
33430	GAS OILS	20,284,299
87480	ELECTRICAL MEASURING/CONTR INST NES	18,176,343
72848	INDIVIDUAL FUNCTION MACHINES NES	11,117,488
79220	AIRCRAFT, LESS THAN 2000 KG	9,930,950
74428	LIFTING/HANDLING MACH ETC N E S	9,773,172
12220	CIGARETTES	9,662,550
71499	OTHER GAS TURBINE PARTS N E S	9,501,286
78490	PARTS & ACCESSORIES NES, MOTOR VEH	9,453,259
999999	ALL OTHER	318,275,601
TOTAL		767,887,614

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U.S. Exports
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Japan

26310	COTTON, RAW /OTHER THAN LINTERS/	167,951,106
52410	RADIOACTIVE ELEMENTS & ISOTOPES ETC	114,956,668
75990	DATA PROCESS MACH ACCESS & PTS NES	111,994,027
87480	ELECTRICAL MEASURING/CONTR INST NES	98,013,337
72390	CONSTRUCTION/MINING MACHY PARTS NES	97,662,595
1130	MEAT OF SWINE, FRESH OR FROZEN	91,100,431
88220	PHOTOGRAPHIC FILM, PLATES, PAPER	76,709,592
72848	INDIVIDUAL FUNCTION MACHINES NES	73,387,706
77640	ELECTRONIC MICROCIRCUITS	66,457,977
79290	AIRCRAFT PARTS N E S	50,647,527
1112	MEAT, BOVINE, FRESH, FROZ, BONELESS	45,878,951
25172	CHEM. WOOD PULP, SODA, SULPHATE, BL	45,763,476
21110	BOVINE & EQUINE HIDES RAW, EXC CALF	43,545,018
79280	AIRCRAFT NES (GLIDERS BALLONS ETC)	37,655,554
77880	OTHER ELECTRIC MACHERY NES	35,770,391
999999	ALL OTHER	1,770,640,303
TOTAL		2,928,134,659

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Singapore

59899	CHEMICAL PRODUCTS & PREP. NES	216,252,750
72390	CONSTRUCTION/MINING MACHY PARTS NES	199,574,481
33440	FUEL OILS N E S	66,452,225
79290	AIRCRAFT PARTS N E S	64,479,085
77689	ELECTRONIC COMPONENT PARTS N E S	60,853,027
75990	DATA PROCESS MACH ACCESS & PTS NES	44,664,444
78490	PARTS & ACCESSORIES NES, MOTOR VEH	37,098,719
71390	INT/COMB PISTON ENGINE PARTS N E S	31,186,729
72848	INDIVIDUAL FUNCTION MACHINES NES	25,489,055
87480	ELECTRICAL MEASURING/CONTR INST NES	15,659,962
77640	ELECTRONIC MICROCIRCUITS	13,642,503
69541	INTERCHANGEABLE TOOLS, HAND OR MACH	10,664,496
58310	POLYETHYLENE	8,495,346
71380	INT/COMB PISTON ENGINES N E S	8,037,212
87420	DRAWING, MARKING AND MATH CALC. EQUIP	7,757,209
999999	ALL OTHER	370,816,101
TOTAL		1,181,123,344

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Korea, South

26310	COTTON, RAW /OTHER THAN LINTERS/	140,331,278
76410	TELEPHONIC/GRAPHIC LINE APPARATUS	122,299,900
4212	RICE, HUSKED BUT NOT FURTHER PREP	65,104,844
33440	FUEL OILS N E S	61,351,513
59899	CHEMICAL PRODUCTS & PREP. NES	50,233,993
21110	BOVINE & EQUINE HIDES RAW, EXC CALF	41,895,097
87480	ELECTRICAL MEASURING/CONTR INST NES	26,236,843
61140	LEATHER, BOVINE & EQUINE N E S	26,153,641
72390	CONSTRUCTION/MINING MACHY PARTS NES	20,336,328
28209	WASTE & SCRAP OF IRON OR STEEL NES	19,553,994
74920	TAPS, COCKS, VALVES ETC.	16,209,834
77210	ELEC CONTROL & SAFETY APP & PTS NES	15,715,319
25110	WASTE PAPER & PAPERBOARD INCL SCRAP	15,171,080
28821	COPPER WASTE AND SCRAP	13,182,363
71380	INT/COMB PISTON ENGINES N E S	12,667,954
999999	ALL OTHER	439,271,855
TOTAL		1,085,715,836

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Philippines

59899	CHEMICAL PRODUCTS & PREP. NES	316,023,621
77689	ELECTRONIC COMPONENT PARTS N E S	50,281,420
72848	INDIVIDUAL FUNCTION MACHINES NES	19,724,040
77640	ELECTRONIC MICROCIRCUITS	11,459,675
78490	PARTS & ACCESSORIES NES, MOTOR VEH	10,765,355
72390	CONSTRUCTION/MINING MACHY PARTS NES	9,153,855
79290	AIRCRAFT PARTS N E S	8,719,918
77210	ELEC CONTROL & SAFETY APP & PTS NES	7,367,984
76410	TELEPHONIC/GRAPHIC LINE APPARATUS	6,271,840
87480	ELECTRICAL MEASURING/CONTR INST NES	5,911,461
77310	INSULATED WIRE, BARS, CABLE	5,713,503
58310	POLYETHYLENE	5,586,331
26310	COTTON, RAW /OTHER THAN LINTERS/	5,435,607
64131	KRAFT LINER, IN ROLLS OR SHEETS	5,340,003
72839	EARTH/STONE/ORE PROCESS MACH PTS	4,876,322
999999	ALL OTHER	255,126,904
TOTAL		727,757,839

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Malaysia

59899	CHEMICAL PRODUCTS & PREP. NES	354,582,929
77689	ELECTRONIC COMPONENT PARTS N E S	88,969,283
72848	INDIVIDUAL FUNCTION MACHINES NES	21,084,275
12220	CIGARETTES	12,229,678
52212	SELENIUM, TELLURIUM, ARSENIC, ETC.	10,861,978
72390	CONSTRUCTION/MINING MACHY PARTS NES	10,228,050
77640	ELECTRONIC MICROCIRCUITS	9,747,294
59130	WEED KILLERS FOR RETAIL SALE, ETC.	9,509,380
58260	EPOXIDE RESINS	9,322,253
77883	ELEC SOUND OR VISUAL SIGNAL APP NES	8,299,143
87480	ELECTRICAL MEASURING/CONTR INST NES	6,151,785
79290	AIRCRAFT PARTS N E S	6,042,827
7120	COFFEE EXTRACTS, CONCENTRATES, ETC.	5,046,167
74428	LIFTING/HANDLING MACH ETC N E S	4,860,631
71491	PARTS NES, FOR REACTION/TURBO-PROP	3,961,784
999999	ALL OTHER	91,519,578
TOTAL		652,417,035

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U.S. Exports
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Hong Kong

12220	CIGARETTES	64,000,724
77640	ELECTRONIC MICROCIRCUITS	28,405,046
59899	CHEMICAL PRODUCTS & PREP. NES	28,275,645
26310	COTTON, RAW /OTHER THAN LINTERS/	25,811,474
75990	DATA PROCESS MACH ACCESS & PTS NES	17,767,763
72390	CONSTRUCTION/MINING MACHY PARTS NES	13,644,050
77689	ELECTRONIC COMPONENT PARTS N E S	11,756,896
8199	PREPARATIONS FOR ANIMAL FEEDING NES	9,935,484
9809	FOOD PREPARATIONS N E S	8,591,477
87480	ELECTRICAL MEASURING/CONTR INST NES	7,938,084
74141	REFRIGERATION EQUIP EXC HOUSEHOLD	7,447,498
72848	INDIVIDUAL FUNCTION MACHINES NES	7,380,138
5459	VEGETABLES, FRESH OR CHILLED N E S	7,121,643
89424	EQUIPMENT FOR INDOOR GAMES	6,739,224
89831	PREPARED MEDIA FOR SOUND RECORDING	6,572,424
999999	ALL OTHER	303,863,091
TOTAL		555,250,661

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Mexico

78490	PARTS & ACCESSORIES NES, MOTOR VEH	46,493,643
59899	CHEMICAL PRODUCTS & PREP. NES	40,346,995
34130	GASEOUS HYDROCARBONS NES, LIQUEFIED	31,430,404
77210	ELEC CONTROL & SAFETY APP & PTS NES	29,717,747
75990	DATA PROCESS MACH ACCESS & PTS NES	25,501,052
77230	RESISTORS, O/T HEATING, AND PTS NES	21,969,112
68422	PLATES, SHEETS ETC. WROUGHT AL.	21,641,246
71390	INT/COMB PISTON ENGINE PARTS N E S	17,559,273
33421	KEROSENE & KEROSENE TYPE JET FUEL	16,103,993
24822	LUMBER, PLANED, TONGUED ETC CONIFER	13,705,721
77689	ELECTRONIC COMPONENT PARTS N E S	13,598,183
4592	SORGHUM, UNMILLED	13,516,471
64210	BOXES, BAGS, BOX FILES ETC OF PAPER	13,298,701
76410	TELEPHONIC/GRAPHIC LINE APPARATUS	13,269,914
67470	TINNED PLATES & SHEETS OF STEEL NES	12,150,819
999999	ALL OTHER	761,058,249
TOTAL		1,091,361,523

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Japan

28711	COPPER ORES AND CONCENTRATES	126,671,501
56239	MINERAL OR CHEM FERT POTASSIC N E S	14,200,784
56231	POTASSIUM CHLORIDE	7,866,048
6202	FLAVOURED SUGARS, SYRUPS & MOLASSES	1,399,923
76310	GRAMOPHONES AND ELECTRIC RECORD PLAYERS	17,560
69110	STRUCTURES & PARTS OF IRON OR STEEL	8,839
87480	ELECTRICAL MEASURING/CONTR INST NES	8,478
76110	TELEVISION RECEIVERS, COLOUR	8,404
24822	LUMBER, PLANED, TONGUED ETC CONIFER	4,616
8133	COTTON SEED OIL CAKE AND RESIDUES	3,960
77573	FOOD GRINDERS & MIXERS, ELEC, DOM	1,640
72812	BONE/WOOD/PLASTIC WORKING MACH-TOOL	1,500
66331	ARTICLES OF PLASTER	742
1120	MEAT OF SHEEP & GOATS, FRESH/FROZEN	0
1112	MEAT, BOVINE, FRESH, FROZ, BONELESS	0
999999	ALL OTHER	0
TOTAL		150,193,995

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Italy

4110	DURUM WHEAT, UNMILLED	32,660,379
3400	FRESH FISH, CHILLED OR FROZEN	788,394
130	SWINE, LIVE	0
149	POULTRY, LIVE, OVER 185 GRAMMES EA.	0
141	POULTRY, LIVE, 185 GRAM OR LESS EA.	0
111	BOVINES, PURE BRED, FOR BREEDING	0
1111	MEAT, BOVINE, FRESH, FROZ, W. BONE	0
1112	MEAT, BOVINE, FRESH, FROZ, BONELESS	0
1120	MEAT OF SHEEP & GOATS, FRESH/FROZEN	0
150	HORSES, ASSES, MULES AND HINNIES	0
1140	POULTRY, DEAD, FRESH OR FROZEN	0
1160	EDIBLE OFFAL FRESH/FROZ, BOVINE ETC	0
1189	MEAT & EDIBLE OFFALS NES FRESH/FROZ	0
1210	BACON, HAM & OTHER CURED PIG MEAT	0
1110	BOVINE MEAT	0
999999	ALL OTHER	0
TOTAL		33,448,773

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Germany

28711	COPPER ORES AND CONCENTRATES	15,163,128
78490	PARTS & ACCESSORIES NES, MOTOR VEH	598,635
130	SWINE, LIVE	0
149	POULTRY, LIVE, OVER 185 GRAMMES EA.	0
141	POULTRY, LIVE, 185 GRAM OR LESS EA.	0
150	HORSES, ASSES, MULES AND HINNIES	0
1111	MEAT, BOVINE, FRESH, FROZ, W. BONE	0
1112	MEAT, BOVINE, FRESH, FROZ, BONELESS	0
1120	MEAT OF SHEEP & GOATS, FRESH/FROZEN	0
1130	MEAT OF SWINE, FRESH OR FROZEN	0
1140	POULTRY, DEAD, FRESH OR FROZEN	0
1160	EDIBLE OFFAL FRESH/FROZ, BOVINE ETC	0
1189	MEAT & EDIBLE OFFALS NES FRESH/FROZ	0
1210	BACON, HAM & OTHER CURED PIG MEAT	0
1290	MEAT & EDIBLE OFFALS NES, CURED	0
999999	ALL OTHER	0
TOTAL		15,761,763

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China

=====		
26310	COTTON, RAW /OTHER THAN LINTERS/	10,820,978
130	SWINE, LIVE	0
141	POULTRY, LIVE, 185 GRAM OR LESS EA.	0
149	POULTRY, LIVE, OVER 185 GRAMMES EA.	0
111	BOVINES, PURE BRED, FOR BREEDING	0
1110	BOVINE MEAT	0
1111	MEAT, BOVINE, FRESH, FROZ, W. BONE	0
1112	MEAT, BOVINE, FRESH, FROZ, BONELESS	0
1120	MEAT OF SHEEP & GOATS, FRESH/FROZEN	0
1130	MEAT OF SWINE, FRESH OR FROZEN	0
1140	POULTRY, DEAD, FRESH OR FROZEN	0
1160	EDIBLE OFFAL FRESH/FROZ, BOVINE ETC	0
1189	MEAT & EDIBLE OFFALS NES FRESH/FROZ	0
1210	BACON, HAM & OTHER CURED PIG MEAT	0
1290	MEAT & EDIBLE OFFALS NES, CURED	0
999999	ALL OTHER	0
TOTAL		10,820,978

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Korea, South

28209	WASTE & SCRAP OF IRON OR STEEL NES	4,766,245
28711	COPPER ORES AND CONCENTRATES	1,932,430
20200	NO 2 HEAVY MELTING CARBON STEEL SCRAP	1,240,063
79220	AIRCRAFT, LESS THAN 2000 KG	160,000
89390	MISC ARTICLES OF MAT'L IN DIV 58	31,700
87480	ELECTRICAL MEASURING/CONTR INST NES	4,461
150	HORSES, ASSES, MULES AND HINNIES	0
1112	MEAT, BOVINE, FRESH, FROZ, BONELESS	0
1120	MEAT OF SHEEP & GOATS, FRESH/FROZEN	0
149	POULTRY, LIVE, OVER 185 GRAMMES EA.	0
1140	POULTRY, DEAD, FRESH OR FROZEN	0
111	BOVINES, PURE BRED, FOR BREEDING	0
1160	EDIBLE OFFAL FRESH/FROZ, BOVINE ETC	0
1210	BACON, HAM & OTHER CURED PIG MEAT	0
1290	MEAT & EDIBLE OFFALS NES, CURED	0
999999	ALL OTHER	0
TOTAL		8,134,899