

THE WORLD BANK GROUP ARCHIVES

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Folder Title: President Barber Conable - General Correspondence

Folder ID: 30012518

Series: General correspondence

Dates: 08/22/1986 - 10/20/1988

Subfonds: Records of President Barber B. Conable

Fonds: Records of the Office of the President

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THE WORLD BANK

Washington, D.C.

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The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

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R - GENERAL CORRESPONDENCE



 **Archives**
R1991-082 Other #: 2 **30012518** 209801B
President Barber Conable - General Correspondence

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u R u

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 88/10/20 DUE DATE : 00/00/00
LOG NUMBER : 881020010 FROM : Fred Levy
SUBJECT : BRIEFING: Meeting with President of the Berne Union, Mr. Roberto
Ruberti, on Oct. 21, 1988 at 11:30 a.m.
OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- ✓ _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :

cc: Mrs. Haug, JV (follow file)

OFFICE MEMORANDUM

DATE: October 20, 1988

TO: Mr. Barber B. Conable

FROM: Fred D. Levy, EAS *FDL*

EXTENSION: 78058

SUBJECT: Your Meeting with President of the Berne Union

You have agreed to meet with Mr. Roberto Ruberti, President of the Berne Union, on October 21 at 11:30 am. Mr. Ruberti is the chief executive of SACE, the Italian export credit agency; he will be accompanied by Mr. David Fischer, chief executive of EFIC, the Australian export credit agency.¹ Mr. Ruberti has requested the meeting to present to you in person a letter from the Berne Union proposing an enhanced relationship between the Bank and the official export credit agencies (ECAs), designed to increase the availability of external credit to private sector borrowers in the heavily indebted, middle-income countries.

With many details still to be defined, and recognized problems to be worked out, the broad proposal (attached) is for the provision of parallel Bank and ECA credit lines that would be blended and relent to private sector enterprises through a local development finance company (or other appropriate financial intermediary). The ECAs are sensitive to the perception that they have not done enough to support borrowing countries in the wake of the debt crisis, and they will want to impress upon you, I think, that they are serious in their efforts to be constructive. At the same time, most of the ECAs are in considerable financial difficulty and are seeking to relate their loans with the Bank's in a way that enhances their security. This could be the most difficult stumbling block to an eventual arrangement; it is also doubtful that their guardian authorities (Treasury Departments) would support such a Bank role. Their security would be enhanced, however, by the development of closer relations with local financial institutions able to advise on the risks associated with local projects and borrowers.

Recommendation

No response to the proposal is expected at this time. You should:

- Express your appreciation for the cooperation we have enjoyed from the Berne Union over the past several years;
- Welcome this important initiative on their part; and

¹/ SACE = Sezione Speciale per l'Assicurazione del Credito all'Esportazione; EFIC = Export Finance and Insurance Corporation.

- Confirm our determination to work closely with them to develop a mutually satisfactory scheme in support of the adjustment efforts of our borrowing countries, and particularly the recovery of private sector investment.

Background

The Bank has had a longstanding informal relationship with the Berne Union, in which we have exchanged country views, information on credit flows, country investment priorities, cofinancing modalities, etc. Bank staff are regularly invited to attend the Union's semi-annual meetings, and the Bank has hosted two special meetings in the past three years to discuss ways in which we can cooperate better to improve resource flows to the developing countries, particularly to the highly indebted, middle-income countries. In addition, a Berne Union delegation has been coming to Washington each Fall for a number of years to discuss country situations with Bank and Fund staffs and, separately, with the IDB. That is the occasion for Dr. Ruberti's current visit.

At a meeting last May, sponsored by the Bank, we began to explore some ideas for facilitating a greater flow of export credits to private sector borrowers, often inhibited by the ECAs' lack of knowledge of local companies and markets, as well as inadequate legal protection for foreign creditors. One suggestion was for the ECAs to establish working relationships with local financial intermediaries, and particularly those stronger institutions which have received support from the Bank or IFC. This idea was pursued further at the June meeting of the Berne Union, which led to the present proposal, initially put forward by Mr. Fischer and now endorsed by the Union as a whole.

We have welcomed this initiative, and have had some thus far very general discussions with Messrs. Ruberti and Fischer and others about the problems that would have to be worked out.² These concern, among other things, the question of credit enhancement; procurement issues (the ECA credits would be tied); and the distribution of commercial risk between ECA, local intermediary, and government on the ECA portions of loans (the Bank portion would be protected by a government guarantee).

The Berne Union has formed a working group to collaborate with the Bank in the further development of the proposal. The group will be chaired by Mr. Fischer and will also include representatives of the ECAs of: Austria, Belgium, Canada, India, Japan, Mexico, Norway, and the UK. It is for the Bank now to designate a counterpart team to work with them.

cc. Messrs. Qureshi (o/r), Thalwitz, Inakage, Dubey, Bock, Tambe, Morais.

^{2/} Discussions within the Bank have principally involved representatives from VPCOF, LEG, FIS, and EAS. We have also consulted PPR and regional staffs.

CO-OPERATION BETWEEN INTERNATIONAL FINANCIAL INSTITUTIONS AND EXPORT
CREDIT AGENCIES

Note summarising personal comments made by Dr. D.F. Fisher at the Annual
Meeting of the Berne Union, Algarve, Portugal, Friday 3 June, 1988.

A meeting held at the World Bank on 10-11 May and the country briefings and discussions at this meeting have placed emphasis on the desirability of increasing the flows of commercial credit to Highly Indebted Middle Income Countries (HIMICS). Many of the practical implications of increasing or indeed initiating such lending have also been aired in some detail.

From the economic aspect the briefings by the World Bank and the International Monetary Fund have emphasised the pressing need for increased ECA lending flows, especially to the private productive sectors, in the HIMI countries. Members would probably agree that increased productive investment, especially in export activities, may be just what is needed to lift the debt servicing capacity of the HIMI countries, complementing as it would the continuing efforts of the countries concerned to rebuild their economies and the efforts of the IFIs in the area of general balance of payment support, structural adjustment lending, sectoral support lending and traditional infrastructure lending. The gap in the support available does indeed appear to be the private productive sector which can be a critical engine in improved balance of payment performance and debt servicing capacity.

Our discussions have illustrated that there is a considerable gap between the establishment of a need for lending and the practical conditions necessary to permit increased lending. From the viewpoint of Berne Union members some key concerns have emerged. The first relates to the existence of large amounts of rescheduled or unserviced debts from developing countries. Exchange transfer risk has been the main risk and remains the major problem for the future.

In attempting to make new loans other problems emerge. There is the primary difficulty of obtaining reliable information on prospective buyers, given the variable stage of accounting, banking practice and foreign exchange availability. Legal systems in some countries are difficult to utilise, particularly for foreign lenders and the difficulty of securing and executing judgements are well known. In cases of claims and recoveries there are often major difficulties in obtaining information and, in many cases, financial satisfaction.

All of these traditional difficulties for the off-shore lender have been exacerbated and dominated in the present situation by the weak capacity of countries to meet foreign exchange commitments. Even when the situation in a particular country is seen to be improving there is a pressing need for lenders to be assured that the proposed loan is within the country's priorities and is likely to receive priority in the future allocation of foreign exchange for debt servicing and repayment.

The combination of these difficulties and constraints has resulted in many ECAs remaining "off-cover" or "cautious case-by-case within limits" for medium and long term lending in HIMI countries. The unwillingness of recipient governments to guarantee foreign exchange private sector borrowings and the understandable reluctance of lending countries to contemplate increased future rescheduling or losses has led to an understandable but regrettable stalemate.

The role of the International Financial Institutions in identifying the specific problems of HIMI countries is self-evident. Their co-operation in providing information on the situation of borrowing countries is also quite invaluable to Berne Union members and the IFIs have offered to do even more in commenting on the priority of specific sectors. It is their analysis of countries' problems which has highlighted the need and likely positive effects of increased ECA lending to the HIMI countries.

In the course of the Washington meeting ECAs were urged to resume increased levels of lending and to consider lengthening the terms on which essential consumption goods such as spare parts for industry, raw materials and foodstuffs were offered. These suggestions, while well intended, showed a limited appreciation of the actual circumstances of ECAs and the constraints on their capacity. The proposal to lengthen terms for essential consumables appeared likely to create massive difficulties for lenders and recipient countries by drawing day-to-day essential trade into future reschedulings.

From the viewpoint of the ECAs the International Institutions appear in several roles; as principal advisor and helper of the HIMI countries and, in certain circumstances, a major barrier to the resumption or increase of lending.

As inter-governmental agencies the IFIs lend exclusively to member governments and in that role claim a special position as principal lenders with an exemption from rescheduling of their credits. The IFIs have thus increasingly come to dominate the queue for the available foreign exchange from heavily indebted countries. As the position of the IFI is privileged it is inevitable that other lenders, including suppliers of sovereign credits, are disadvantaged.

While the historic reasons for establishing the pre-eminence of IFI obligations are clear and compelling, the universality and extent of the recent debt crisis has led to some unintended and indeed bizarre consequences. Our review of the situation of one very heavily indebted country showed that for reasons concerned with economic reform, no new IBRD credits had been made available for two years with the result that there were substantial net foreign exchange flows from the heavily indebted country to the IBRD at the same time as the country was rescheduling massive sovereign and private debt.

The question is whether there is anything the IFIs themselves can do to share their pre-eminent hold on the available security in HIMI countries and thus open up the possibility of new investment in priority productive areas of HIMI economies. Our discussions have indicated that there are at least three countries on our current agenda who would welcome new machinery to facilitate a flow of resources to the private productive sector.

My own proposal, which would undoubtedly need close technical examination and study, is that we should explore, in co-operation with the IFIs, means by which some of the resources being loaned to HIMI governments could be diverted to the private sector in high priority areas and in so doing provide additional security for ECA loans. Such lending would have a multiplier effect on available resources for HIMI economies and greatly reduce the risks to ECA lenders.

The mechanism I have in mind concerns a much greater use of the Development Finance Institutions and major banks which currently exist in a number of HIMI countries. These organisations are of varied size and quality but many of them have received substantial technical assistance from the IFIs and have been used as a channel for lending to productive enterprises in both public and private sectors.

The suggestion is that in suitable cases, with the full support of their governments, selected national DFIs (or commercial banks) could be offered co-operative roles as channels for joint IFI/ECA lending. As I envisage it, such proposals would emanate from Bank - Country programming discussions and would result in loans to the DFIs for use on a joint financing basis with ECAs to the private productive sector. The loans would complement IFI lending in infrastructure, structural adjustment and sectoral support areas and would be confined to nominated priority sectors of the economy.

The making of individual sub-loans by a DFI would be based on its assessment - in co-operation with the concerned ECA - of the commercial viability of each proposal, the projects' compliance with national priority requirements and the availability of an ECA credit for a specified proportion of the cost, say 50% or 60%. The balance required for payment in excess of the ECA credit would be drawn as a sub-loan from the IFI loan to complete payment. The buyer would thus receive one loan from the DFI for the total amount. As payments were received the DFI would service the two loan sources proportionately.

Such an arrangement, which would naturally require careful design and documentation, would have a number of advantages. Above all it would provide increased legal and practical security to the ECA and would assist in channelling total available resources into the most productive areas of the economy.

As IFI credits the loans would need a government guarantee and thus would only be possible where recipient governments agreed to allocate a proportion of total IFI assistance to this purpose. However the availability of the guarantee would provide great advantages in (a) ensuring careful attention to the setting of private sector priorities and (b) providing an automatic cross-default sub-loan arrangement. The availability of IFI funds for part of project cost would limit the total exposure of the ECA in such transaction.

As loans to private sector buyers under DFI loans do not normally require international competitive bidding - the choice of supplier being properly left principally to the private investor - procurement, disbursement and utilisation of equipment would take only a fraction of time needed for normal IFI financed government projects. In cases where additions are being made to existing capacity the flow of economic benefits could be especially rapid.

ECAs would also benefit from channelling their credit through a local institution with its knowledge of local industry, its established legal status and its knowledge of local business practice. The DFIs concerned would benefit from an increased involvement in investment, from association with the ECAs and from the income generated by their involvement. They could also be well placed to assist in the mobilisation of the necessary domestic currency resources required. In cases where enterprises may not succeed, the DFI would be well placed to assist in any necessary steps to either rescue the enterprise or effect recoveries.

Members may wish to comment on this "in principle" suggestion as a further step to seek co-operative solutions for concerns and problems which we share with the International Financial Institutions.



Record Removal Notice

File Title President Barber Conable - General Correspondence	Barcode No. 30012518
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Document Date Nov 7, 1988	Document Type Memorandum
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Correspondents / Participants
 To : Mr. J. C. Peter Richardson
 From : W. A. Wapenhans

Subject / Title
 Pinto Decision and Its Application to Staff Downgraded Under Staff Rule 5.09

Exception No(s).

1
 2
 3
 4
 5
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 8
 9
 10 A-C
 10 D
 Prerogative to Restrict

Reason for Removal
 Corporate Administrative Matters

Additional Comments
 Declassification review of this record can be initiated upon request

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn by Chandra Kumar	Date Aug 11, 2014
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Record Removal Notice

File Title President Barber Conable - General Correspondence		Barcode No. 30012518		
Document Date Jul 29, 1988	Document Type Letter			
Correspondents / Participants To : Mr. William Cosgrove From : Barber B. Conable				
Subject / Title Commenting on Mr. Cosgrove's December 3rd letter				
Exception No(s). <input checked="" type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D <input type="checkbox"/> Prerogative to Restrict				
Reason for Removal Personal Information				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.		
		<table border="1"><tr><td>Withdrawn by Chandra Kumar</td><td>Date Aug 11, 2014</td></tr></table>	Withdrawn by Chandra Kumar	Date Aug 11, 2014
Withdrawn by Chandra Kumar	Date Aug 11, 2014			



Record Removal Notice

File Title President Barber Conable - General Correspondence		Barcode No. 30012518		
Document Date Dec 3, 1987	Document Type Letter			
Correspondents / Participants To : Mr. Craig A. Reynolds, Staff Member From : Katherine E. Tyler, Personnel Officer				
Subject / Title Reorganization Issues				
Exception No(s). <input checked="" type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D <input type="checkbox"/> Prerogative to Restrict				
Reason for Removal Personal Information				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"> <tr> <td>Withdrawn by Chandra Kumar</td> <td>Date Aug 11, 2014</td> </tr> </table>	Withdrawn by Chandra Kumar	Date Aug 11, 2014
Withdrawn by Chandra Kumar	Date Aug 11, 2014			



Record Removal Notice

File Title President Barber Conable - General Correspondence		Barcode No. 30012518		
Document Date Sep 30, 1987	Document Type Memorandum			
Correspondents / Participants To : Ms. Nancy Lindsay, VPLEG From : David de Ferranti, Chief, AF6PH				
Subject / Title Mr. Craig Reynolds				
Exception No(s). <input checked="" type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D <input type="checkbox"/> Prerogative to Restrict				
Reason for Removal Personal Information				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"> <tr> <td>Withdrawn by Chandra Kumar</td> <td>Date Aug 11, 2014</td> </tr> </table>	Withdrawn by Chandra Kumar	Date Aug 11, 2014
Withdrawn by Chandra Kumar	Date Aug 11, 2014			



Record Removal Notice

File Title President Barber Conable - General Correspondence	Barcode No. 30012518
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Document Date Mar 2, 1988	Document Type Letter
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Correspondents / Participants
To : Barber Conable, President
From : Craig A. Reynolds

Subject / Title
Mr. Craig Reynolds

Exception No(s).

1 2 3 4 5 6 7 8 9 10 A-C 10 D Prerogative to Restrict

Reason for Removal
Personal Information

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn by Chandra Kumar	Date Aug 11, 2014
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THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

May 6, 1988

Dear Bill:

Thank you for your letter of April 29th regarding the invitation extended to me by Dave Roderick to participate in the plenary session of the International Environment Bureau with the World Bank and other international development agency representatives. I'm pleased to know of your involvement with this group.

I have reviewed my calendar for June 15 and 16, and unfortunately it just is not possible for me to attend the IEB meeting. The inaugural meetings for the newest member of the World Bank Group, the Multilateral Investment Guarantee Agency, will be held during the middle of June, bringing to Washington members of its Governing Council from all over the world for bilateral meetings. In addition, there will be increased Board activity at the end of our fiscal year and we will be heavily involved in our FY89 budget preparations.

I'm sorry not to be able to attend the IEB meeting, Bill, but the World Bank will be well represented by top management from our Environment Department, including the newly-appointed Director.

Your kind words of support are very much appreciated. I've never worked as hard in my life as I am in this job, but it's a unique opportunity to serve on a global scale, and there's a great deal to learn.

Best personal wishes.

Sincerely,



cc: Mr. David Roderick

The Honorable William D. Ruckelshaus
William D. Ruckelshaus Associates
1900 Washington Building
Seattle, Washington 98101

WILLIAM D. RUCKELSHAUS ASSOCIATES

A LIMITED PARTNERSHIP
1900 WASHINGTON BUILDING • SEATTLE, WASHINGTON 98101
(206) 583-8899

April 29, 1988

Mr. Barber Conable
President
The World Bank
701 19th Street, NW
Washington, DC 20433

Dear Barber:

By now I assume you have received the invitation from Dave Roderick to address the plenary session of the International Environment Bureau meeting with the World Bank and other representatives of the other international development agencies on June 16. Your appearance at this session would be an important signal to leaders of the industrial community about the value of private sector contributions to development programs.

Dave Roderick and a few other CEO's have taken the lead in encouraging major firms throughout the world to participate in the International Environment Bureau, which was established following the 1984 World Industry Conference on Environmental Management and is now seeking ways to implement some of the proposals of the World Commission on Environment and Development. I have agreed to serve as an advisor to the IEB Board in developing ideas for their programs and I believe this meeting with the Bank is a significant step in promoting cooperation between economists and technical experts. We hope it will lead to practical applications of sustainable principles to industrial development.

Barber, I know how busy your schedule is but I do hope you will be able to join us for a short time on June 15. Your presence would greatly enhance the meeting. On a personal note, this taxpayer believes you are doing a superb job in a difficult assignment. You do your country proud.

With my very best personal regards.

Sincerely,



William D. Ruckelshaus

cc: Mr. David Roderick
Chairman, USX Corporation

WILLIAM D. RUCKELSHAUS
ASSOCIATES

1110 VERMONT AVE., N.W.
WASHINGTON, D.C. 20005

Mr. Barber Conable
President
The World Bank
701 19th Street, NW
Washington, DC 20433



NOTON

THE WORLD BANK

ROUTING SLIP		DATE 5/3/88
FROM THE OFFICE OF THE SENIOR VICE PRESIDENT POLICY, PLANNING AND RESEARCH		
NAME		ROOM NO.
Mr. Aguirre-Sacasa		
Mr. Stanton		
<input type="checkbox"/>	APPROPRIATE DISPOSITION	NOTE AND RETURN
<input type="checkbox"/>	APPROVAL	NOTE AND SEND ON
<input type="checkbox"/>	COMMENT	PER OUR CONVERSATION
<input type="checkbox"/>	FOR ACTION	PER YOUR REQUEST
<input checked="" type="checkbox"/>	INFORMATION	PREPARE REPLY
<input type="checkbox"/>	INITIAL	RECOMMENDATION
<input type="checkbox"/>	NOTE AND FILE	SIGNATURE
REMARKS PPR is preparing a response to the attached.		
FROM L. Richard Meyers		



USS Technical Center
4000 Tech Center Drive
Monroeville, PA 15146

Phillip X. Masciantonio
Vice President
Environmental Affairs

5/3

412-825-2793

Masciantonio

April 26, 1988

Mr. W. David Hopper
Senior Vice President
Policy, Planning and
Research
The World Bank
1818 H Street, N.W.
Washington, D. C. 20433

Dear Mr. Hopper:

We have received your April 7 letter to Mr. Roderick regarding Mr. Conable's scheduling problems for the IEB-World Bank meetings on June 15-16, 1988.

You should be aware that our Provisional Agenda, already mailed, indicates Mr. Conable as the World Bank representative at the Plenary Session on June 15, (copy enclosed).

We urge your support in obtaining Mr. Conable's attendance at the Plenary. Scheduled for addresses at that session are Mr. Conable, Mr. Santos, President of the ICC, Bill Ruckelshaus, Mr. Roderick, and others. Over 200 industry CEO's and executives will be in attendance at the Plenary. Speeches are scheduled from 2-4 PM, followed by a break. Mr. Conable's attendance would not be required beyond 4 PM. There will be no questions during the Plenary.

Mr. Roderick has personally invited the Presidents of the Regional Banks to attend these meetings. At the June 16 sessions we plan discussion between IEB and Bank representatives. Mr. Piddington and other Bank staff will make a meaningful contribution to these discussions.

Sincerely,

Phillip X. Masciantonio

PROVISIONAL AGENDA

ENVIRONMENTAL PROTECTION AND
SUSTAINABLE INDUSTRIAL DEVELOPMENT

A Conference Sponsored by the

INTERNATIONAL ENVIRONMENTAL BUREAU, IEB,

a Specialized Division of the

INTERNATIONAL CHAMBER OF COMMERCE, ICC

in Cooperation with

THE WORLD BANK

and

THE COMMITTEE OF INTERNATIONAL DEVELOPMENT
INSTITUTIONS ON THE ENVIRONMENT, CIDIE

GOAL

To initiate a cooperative program for the integration of environmental management into industrial projects in developing countries with emphasis on prevention of pollution and conservation of resources.

PARTICIPANTS

- World Bank executives and staff
- Representatives of the IEB/ICC, their members and other companies
- Representatives of UNEP and other agencies attending CIDIE meeting.
- Invited guests

DATES AND LOCATION

June 15 and 16, 1988, in Washington D.C. A plenary in the afternoon of June 15; an Award Dinner on the 15th; a seminar on June 16.

June 15, 1988

Registration 12 Noon to 2:00 PM - Mayflower Hotel
Plenary Session 2:00 PM to 5:00 PM - Mayflower Hotel
Reception and Award Dinner 7:00 P.M- Mayflower Hotel Ballroom

June 16, 1988

9:00 AM - 5:00 PM - Seminar at the World Bank Auditorium,
H Bl-201 G St (between 19th & 20th NW)
Washington, D.C.

PLENARY THEME (See Details on Page Three)

Examine proposals of the World Commission on Environment and Development, WCED, as presented in their report, Our Common Future, for cooperative programs to achieve economic growth based on sound environmental quality.

- Welcome by IEB; ICC; Bank; CIDIE.
- Introduction to sustainable development concept: opportunity for private sector contributions.
- Highlights of The World Bank's new policy and program initiatives on the environment.
- IEB goals, accomplishments, plans; offer to cooperate with Bank in applying sound environmental management principles to industrial projects.

AWARD DINNER (See Details on Page Three)

This prestigious event will bring together world leaders from industry, government and the environmental community. The IEB will present a special achievement award to an individual recognized for outstanding contributions to the global environment. Private sector companies will be provided an opportunity to sponsor dinner tables - (apart from conference participation).

SEMINAR OBJECTIVES (See Details on Page Three)

To produce plans for IEB/ICC/World Bank cooperative programs that will promote sustainable industrial development.

Workshops will deal with specific issues such as Management of Hazardous Wastes; Evaluation of Environmental Risks; Resource and Energy Conservation; Communication Programs; and other topics.

Each session will consider: World Bank Initiatives; Innovative Industrial Approaches; Proposed WB/IEB Cooperative Ventures.

PROVISIONAL AGENDA DETAILS

IEB - WORLD BANK CONFERENCE

PLENARY SESSION: June 15. 2-5 PM. State Room - Mayflower Hotel, 1127 Connecticut Avenue, NW, Washington, D.C.

Participants: D. M. Roderick, Chairman, USX and IEB
B. B. Conable, President, World Bank
T. Santos, President, ICC
M. Tolba, Director, UNEP
W. D. Ruckelshaus, Commissioner, WCED
H. B. Cavalcanti, Director, IEB
Other Industry and World Bank Representatives

RECEPTION AND AWARD DINNER: June 15. 7 PM. Ballroom, Mayflower Gro Harlem Brundtland, Prime Minister of Norway and Chairperson of WCED will be presented the IEB Award for outstanding contribution to global environmental management. Attendance will include IEB, ICC, other industry, World Bank, CIDIE and invited guests.

SEMINAR: June 16, 9 AM - 5 PM. The World Bank Auditorium H B1-201 G Street between 19th and 20th NW, Washington, D. C.

9 AM - Introduction

IEB, ICC, World Bank and CIDIE will participate in all sessions. Each session will consider: World Bank initiatives; innovative industrial approaches; proposed WB/IEB cooperative programs.

Session #1: Chemical and Agri Chemical Industry

Monsanto (session coordinator); Allied Signal; Dow; Union Carbide; Hercules; Others

Session #2: Basic Industry

Tenneco (session coordinator); Alcoa; USX; Arco; Noranda; Others

Luncheon Break

Session #3: Manufacturing Industry

Procter & Gamble (session coordinator); Ford Motor; Northern Telecom; 3M; IBM; C-E Environmental, Inc; Others

Conclusion

Representatives from each session will summarize the discussions and focus on areas for future projects between IEB and The World Bank

Conference Proceedings

Publications will result from each event; the Plenary, Award Dinner, Seminar Sessions and Conclusions

The World Bank
Washington, D.C. 20433
U.S.A.

W. DAVID HOPPER
Senior Vice President
Policy, Planning and Research

April 7, 1988

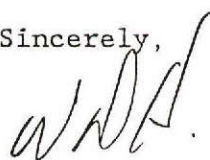
Dear Mr. Roderick:

Thank you very much for your letter of March 23, 1988 to Mr. Conable inviting him to attend the June 15 plenary session of the International Environmental Bureau's (IEB) Board meeting at the Mayflower Hotel, and the social evening following the session.

Unfortunately, Mr. Conable will be unable to attend either event, but we are glad to let you know that Mr. Piddington, the newly appointed Director of the Environment Department, will represent us on both occasions.

I am pleased to know that the arrangements for the IEB-World Bank meetings are progressing well, and am sure that the technical workshops prepared by your staff will be well attended and useful to all concerned.

Sincerely,



Mr. D.M. Roderick
Chairman, Board of Directors
and Chief Executive Officer
USX Corporation
600 Grant Street
Pittsburgh, PA 15230

JWarford/IS:hs/rcr
cc: Mr. Piddington

Office of the President

February 23, 1988

Mr. Visvanathan Rajagopalan

Raj:

I talked to Barber and he really
does not wish to do this.

Marianne Haug

A handwritten signature in dark ink, appearing to be 'M. Haug', written over the typed name 'Marianne Haug'.

Office of the President

February 17, 1988


Ms. Judith Maguire


Judith:

Would you please look at the attached and recommend whether you feel that Mr. Conable should do this. Mr. Conable says he does not know a Mr. Roderick and has never heard of the International Environmental Bureau.

Could you please advise?

Marianne Haug



ROUTING SLIP		Date
Feb. 8, 1988		
OFFICE OF THE PRESIDENT		
Name		Room No.
Mr. Visvanathan Rajagopalan		S-5-055
	To Handle	Note and File
	Appropriate Disposition	Prepare Reply
	Approval	Per Our Conversation
	Information	Recommendation
Remarks		
Raj:		
Can you please reconcile?		
		
Marianne Haug		
From		

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

MIT
 RECEIVED

CORRESPONDANCE DATE : 88/02/05

DUE DATE : 88/02/08

LOG NUMBER : 880205002

FROM : V. Raja (thru DH)

1988 FEB -9 AM 10:56
OFFICE OF THE VICE PRESIDENT
SECTOR POLICY & RESEARCH

SUBJECT : The International Environmental Bureau Symposium on the
Environment.

OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- #* ✓ _____ PLEASE DISCUSS WITH BBC *for approval*
- _____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS : Action needed on attached.

OFFICE MEMORANDUM

DATE : February 3, 1988

TO : Mr. Barber B. Conable
Through : Mr. W. David Hopper
FROM : V. Rajagopalan

EXTENSION : 33419

SUBJECT : The International Environmental Bureau Symposium on the Environment

1. Mr. M. Roderick, Chairman of the Board of Directors and Chief Executive Officer, USX Corporation, asked that the International Environmental Bureau (IEB) and the World Bank consider areas of cooperative activities in environmental matters (letter of December 9, 1987, attached).
2. Following an exchange of letters and meetings with IEB representatives, the Environment Department recommends the following:
 - Mr. Conable to address the IEB Board of Directors in the afternoon of June 15 (precise hour to be determined) on the subject of the "Role of the Private Sector in Assuring Sustainable Economic Development";
 - The presentation to be prepared by the Environment Department.
3. We would be grateful if you could let us know whether you agree with the above recommendation.

Attachment

JJWarford/IS:hs

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

88-04.28-011
(last letter
from Loderick)

BARBER B. CONABLE
President

January 4, 1988

Dear Dave:

Thank you for your letter of December 9 regarding possible cooperation between IEB and the Bank on environmental matters.

We are currently reassessing our environmental program and are convinced that environmental protection and development are not inconsistent; indeed, there is a growing consensus that development is not sustainable unless environmentally sound, and that progress in this area needs all the support that can be found from the business community, governments, and the public at large. We would therefore be happy to explore ways of working with you along the lines suggested in your letter.

While I will be unable to meet with the IEB's Board of Directors, I would like to suggest that you arrange for IEB staff to meet with World Bank environmental staff, including those responsible for the hazardous waste disposal manual mentioned in your letter. The newly created Environment Department comes under the Vice President for Sector Policy and Research, Mr. V. Rajagopalan. A meeting with Mr. Rajagopalan and appropriate staff could be arranged by telephoning him at (202) 473-3419.

I am sure such a meeting will be useful to all concerned.

Sincerely,

Barber Conable

Mr. D. M. Roderick
Chairman, Board of Directors
& Chief Executive Officer
USX Corporation
600 Grant Street
Pittsburgh, Pennsylvania 15230

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

RESPONDANCE DATE : 87/12/09 DUE DATE : 88/01/04
LOG NUMBER : 871210011 FROM : D.M. Roderick
SUBJECT : Would like to discuss two activities being planned by the
International Environmental Bureau (IEB) sometime in 1988 w/BBC.
OFFICE ASSIGNED TO FOR ACTION : Mr. Hopper (D-1202)

ACTION:

_____	APPROVED	
_____	PLEASE HANDLE	
_____	FOR YOUR INFORMATION	
_____	FOR YOUR REVIEW AND RECOMMENDATION	
_____	FOR THE FILES	
_____	PLEASE DISCUSS WITH _____	
_____	PLEASE PREPARE RESPONSE FOR _____	SIGNATURE
_____	AS WE DISCUSSED	
_____	RETURN TO _____	

COMMENTS : BBC wants PPR's recommendation

In capsulized form, these are Mr. Conable's comments regarding the attached:

happy to explore ways of cooperating on environment in ways suggested; we are making major efforts to reassess environmental program; we are convinced as they are that environment and development are not inconsistent; indeed development is not sustainable unless it is environmentally sound; this growing consensus needs all the support it can find in the business community, in the Governments of the Bank's member countries and of people everywhere.

Mr. Conable would like PPR's recommendation on possible meeting and Board meeting.

JSX

Barber B. Conable
 President
 The World Bank
 1818 H Street, NW
 Washington, D.C. 20433

December 9, 1987

Dear Barber:

I am writing on behalf of the International Environmental Bureau, IEB, to describe our organization and to ask that you consider areas of cooperative activities between IEB and the World Bank.

The IEB is a specialized division of the International Chamber of Commerce, funded independently by industrial concerns from around the world. The IEB's fundamental objective is to promote efficient environmental management for sustainable economic growth.

There are two specific cooperative activities that I would like to discuss with you at your earliest convenience. The first involves a meeting between you and IEB's Board of Directors and member company representatives. We are planning a Board Meeting for May or June of 1988 in Washington, D.C., with the first satisfactory dates being May 18 or 19. Our current plans are to conduct a seminar discussion on the environment/development issue. This is of major importance to IEB members and your personal involvement would be appreciated. If we agree to move ahead on this, we should select a May/June date as quickly as possible.

The second area of cooperative activities involves specific projects, supported by the Bank, and making use of IEB's expertise and communications network. One example relates to the Bank's hazardous waste disposal manual. The IEB could facilitate its global dissemination and instruct on its use. I am certain that other projects would be apparent to Bank experts and IEB.

I would like to phone you sometime within the next two weeks in order to get your initial reaction to the May/June meeting and to discuss when I can meet with you in Washington.

Sincerely,



February 16, 1988

Messrs. Qureshi, Fischer, & Aguirre-Sacasa:

Mr. Conable talked to Jim Robinson about the announcement of Mr. Robinson's Debt Scheme. He will make the announcement at the ODC Seminar on February 29. Mr. Conable would appreciate:

- (a) knowing who will represent the Bank at the Seminar;
and
- (b) having ready an agreed Bank approach to the announcement.

As soon as you are ready a meeting will be set with Mr. Conable.

Marianne Haug



cc: Mr. David Bock



®

AMERICAN EXPRESS COMPANY
AMERICAN EXPRESS TOWER, WORLD FINANCIAL CENTER, NEW YORK, N.Y. 10285-5100

JAMES D. ROBINSON, III
CHAIRMAN

February 1, 1988

Dear

Thanks very much for your letter and for the time you and your associates have put into analyzing IIDD. This kind of input has been very useful to us as we have been redefining our proposal for a comprehensive approach to LDC debt. As suggested, we will continue our efforts and keep you posted.

Our fundamental assessment of the situation is that the chances are good, if not high, that in 1988 or 1989 there will be some kind of major adverse development in the "LDC debt crisis". If that assessment is correct -- and only time will tell -- I believe it behooves the major creditor governments, led by the U.S., to manage the situation before it gets out of hand. Hence, now is the time to expand the dialogue to one in search of comprehensive programs -- programs that reflect burden sharing by all impacted parties.

IIDD represents such a comprehensive game plan. Certainly, there are other approaches, but someone has to put up an "open for business" sign to launch and facilitate the process. In my view, that should be the U.S. government. It could be the World Bank or IMF. I know the Japanese are ready to participate in a major way but probably not lead the initiative. I can't think of a better group to adopt it as a high priority than the G-7. You have the key to initiate that comprehensive exercise, and IIDD might serve as the rough prototype to get it underway.

February 1, 1988
page 2

Perhaps the major contribution my associates and I can make is to continue actively to elevate the dialogue to one looking to comprehensive programs rather than incremental ones. Whether IIDD is the format is less critical than its utility in serving as a catalyst to define solutions which tie together (a) the burdens and responsibilities of governments and the private sector -- principally banks; and (b) LDC debt and world trade.

Our concerns are that since 1982 the LDC debt problem has gotten worse not better. U.S. exports have fallen, jobs have been lost, and the banks have gotten into a deeper and deeper hole. While we have "muddled through" the past several years, outstanding debt of key debtor countries has grown primarily to service old debt. Fortunately, this was a period of generally falling interest rates. Little new money for accommodating economic growth has appeared. Some new ideas have shown up on the "menu" but nothing has impacted the fundamentals -- except that since May, banks began facing reality in their income statements and balance sheets and began building flexibility. Nevertheless, there is nothing that suggests new money will be available to finance economic growth, or that much is being done to more closely integrate trade and debt. This is why something like IIDD is called for.

February 1, 1988
page 3

As to specifics:

1. IIDD creates the international reorganization facility that your letter points out is lacking. Banks directly can't set the precedent of forgiving; IIDD, as a quasi-government vehicle, can. IIDD gets the loans by buying them at a substantial discount which the banks suffer as a loss (spread over some period). It is this transfer of loans to the international reorganization facility that creates the opportunity to establish concessionary terms for the LDCs, while simultaneously increasing the incentive (or discipline) for structural reform. There is no existing mechanism presently in place that has the capacity to do this.

2. Rather than encouraging a "debtor cartel" as was mentioned during our meeting, we see IIDD as the only way the IMF can gain sufficient flexibility and acquire the resources to offer adequate incentives for structural reform. IIDD would negotiate with each country individually, based on that nation's particular circumstances. Meaningful incentives, offered on a country by country basis, can discourage cartels not cause them. (The fact is we are living in a "debtor cartel" environment now whether we like to call it that or not.)

3. The more realistic approach we have been taking since May allows regional banks (including our American Express Bank) to exit the business. The more this is done, the more the burden falls on fewer and fewer large banks. If those banks realized the losses clearly present in their portfolios, a number would be out of business. We suspect this will get worse before it gets better. This is made more serious by SEC or FASB questions regarding market to market and Fed tightening of capital definitions and ratios as the early 1990's arrive.

4. Rather than IIDD being a "bank bail out", it is an initiative to get ahead of the problem. Clearly, the cost of bailing out a failed banking system far exceeds the contingent risk for governments inherent in IIDD.

Congress and the public should not view IIDD as a bank "bail out", in light of the prices to be paid for their loans. Because IIDD will acquire this debt at negotiated discounts (roughly comparable to those found in secondary market), the losses incurred by the banks will be both substantial, yet realistic.

5. Large bank stocks sell at a discount from book because their income and balance sheets lack credibility. IIDD paper (AAA), even taken at a 40-50% discount from the face value of existing LDC debt, would lead to greater market confidence. Since the IIDD consols are floating rate, the paper should carry par (or near par) value (assuming the banks purchase interest rate caps). Who's to say that existing LDC debt, at least of some countries, won't continue to lose value?

6. IIDD has the capacity to tailor debt relief in stages over a number of years. It's designed with great flexibility. It is a facility for the IMF to offer in addition to any present facility. Periodically, IIDD would review a country's standing with respect to any conditions imposed. Additional or continued debt relief would be contingent upon compliance with these requirements.

As a final observation, I would note that George Marshall was right -- without economic prosperity there can be no lasting world peace. I believe the present approaches while noble are inadequate. That's why it's critical to shift the debate to the level of a comprehensive game plan.

February 1, 1988
page 6

I look forward to continuing the dialogue. Best regards.

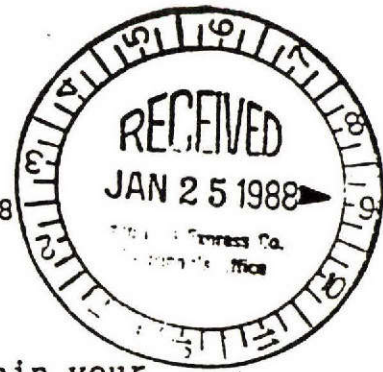
Sincerely,



DEPARTMENT OF THE TREASURY
WASHINGTON

ASSISTANT SECRETARY

January 19, 1988



Dear Jim:

We greatly appreciate your taking the time to explain your debt proposal directly to Secretary Baker, and the personal interest you have shown in seeking better ways to resolve this important issue.

*1. JDR
2 cc: R. G. Baker*

As Secretary Baker promised in our meeting on January 6th, I have set out specific comments and reservations we have regarding your proposal to establish an Institute of International Debt and Development (IIDD).

As we see it, the facility would shift the risk on LDC loans from commercial banks to the public sector as the principal means of solving international debt problems. To us, that approach seems too narrow and we fear it could undermine international support for and progress under the current debt strategy and the case-by-case approach. In addition, it has the potential of being very costly to the U.S. taxpayer and could impact adversely on funding for other U.S. Government programs.

I might add that some Members of Congress and others may well view your IIDD proposal as a bank bail-out. The political implications of the issue might well be sharpened as regional banks continue to reduce their exposure to developing countries, leaving the major New York banks as the chief beneficiaries of such a facility.

We are also concerned that by raising expectations of large-scale debt relief, support for reform efforts within the debtor countries would be undercut while demands to maximize external relief would be encouraged. These demands could take the form of driving down the price of their debt or possibly encouraging unilateral abrogation of debt service payments. Pooling debtor countries' IOU's and issuing new securities could be an incentive for default by some debtors which others might well have the incentive to follow.

On another point, we have serious doubts about attempting to impose conditionality through a supranational entity as part of a refinancing operation. Once debt relief has been granted, there is simply no mechanism to ensure compliance to agreed-upon conditions. Paris Club efforts to impose conditionality through enhanced surveillance, say for Yugoslavia, have been disappointing and I do not see the prospect of any improvement. The Brazilian case in early 1987 is an even more sobering example of the present limitations of the Paris Club in imposing conditionality.

I am sure we all agree that it is critical that debtor countries' reform efforts be supported with additional capital in the form of equity, debt, and the return of flight capital. However, the establishment of the kind of facility you propose could well have the reverse effect, causing a further contraction in private financing flows to developing countries, including vital trade finance.

Despite these reservations, we very much appreciate your ideas and we hope you will continue to work with us in seeking imaginative solutions to the international debt issue.

With best wishes.

Sincerely,

A handwritten signature in black ink, appearing to read 'David C. Mulford', written in a cursive style.

David C. Mulford

Mr. James D. Robinson, III
Chairman
American Express Company
American Express Tower
World Financial Center
New York, New York 10285-5100

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

OK

CORRESPONDANCE DATE : 88/03/10 DUE DATE : 00/00/00
LOG NUMBER : 880314003 FROM : S. Husain (thru MQ)
SUBJECT : BRIEF FOR: Mexico: Mtg. with Rodman Rockefeller on Wednesday,
March 16 at 11:00 am.
OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS : M. Haug, J. Volk (AF)

OFFICE MEMORANDUM

DATE: March 10, 1988

CONFIDENTIAL

TO: Mr. Barber Conable

THROUGH: Mr. Moeen A. Qureshi

FROM: S. Shahid Husain

EXTENSION: 69001

SUBJECT: MEXICO - Briefing for Meeting with Mr. Rodman Rockefeller,
Council of the Americas,
Wednesday, March 16, 11:00 A.M.

DECLASSIFIED

AUG 11 2014

WBG ARCHIVES

1. You will meet with Mr. Rockefeller on March 16 to discuss a report published by the council, titled "Advisory Group on Capital Development for Mexico -- Review and Recommendations". The briefing below sheds some light on the interrelation between Mexico's macroeconomic prospects and capital development, raises some sector issues and overviews the Bank's involvement in Mexico's capital development through lending operations and sector work.

Macroeconomic Framework

2. Inflation in Mexico has been high since 1982 and reached 179% in the 12 months ending in January 1988. High inflationary environment provides a disincentive for financial savings and is an obstacle to the development of capital markets in Mexico. Therefore, it would be difficult to expect a major development in Mexico's capital market, unless inflation is reduced as a result of the ongoing stabilization program. Currently, the longest maturity debt instrument in the market is 28 days. As credible incentives will be put in place, confidence should be restored, creating the preconditions for a more orderly development of the capital markets.

3. At this time the successful implementation of the Economic Solidarity Pact that was introduced in December 1987 has the highest priority. The Pact is designed to reduce inflation, maintain reserves and a favorable balance of payments position and set the stage for the recovery of sustainable growth under an outward looking growth strategy. The specific measures included an additional fiscal effort of 2.9% of GDP in 1988, a 22% devaluation, further liberalization of the trade regime, initial wage and price increases followed by a freeze through March 31, 1988, when forward indexing would be introduced on the basis of a basic goods basket, and a more realistic interest rate policy. The target is to reduce inflation to 2% per month by December 1988. If these objectives are accomplished, economic growth can be recovered and major developments can take place in Mexico's capital markets and the private sector.

Sector Issues

4. Physical and financial restructuring in industry--both in the private and public sectors--is a precondition for the supply response of Mexican industry to the trade reform and the gradual deregulation of the domestic environment which is already under way. But much remains to be

done. The import competing and export sectors can only become internationally competitive if the resources are available on a scale required, in a form suitable to the financial constraints of enterprises under the present economic circumstances of the country. Mexico's industry must modernize to become competitive, which cannot be accomplished without significant investments in new technology and product and market development. This will require risk capital, equity and quasi-equity instruments and direct foreign investments.

5. As a result of Mexico's persistent economic and financial difficulties since 1982, many enterprises had run into serious financial difficulties, characterized by over-indebtedness that limits their absorptive capacity for debt finance. This, together with the 1987 tax reform--which disallows the tax write-off of the inflationary component of interest payments-- strengthened the incentives for financing corporate development through equity. Moreover, new financial instruments are sought in a high inflationary environment, to ensure a positive cash flow from borrowing.

6. To ensure the availability of resources in adequate amounts, including equity, risk capital, and direct foreign investment, the whole financial sector, including the capital market, would have to be strengthened. This could not be achieved without a major review of the regulatory environment and subsequent efforts to put in place regulations, institutions and procedures that promote efficient financial intermediation (both external and domestic) and foreign investment. The timing of reform in these areas is critical. The conceptual framework for the reforms should be worked out while the stabilization program is consolidated during 1988, so that as inflation winds down and the new Administration takes office in 1989, the right incentives would be there for venture capital, equity and quasi-equity instruments as well as direct foreign investments. A strategy should be adopted that can assure that as soon as the macroeconomic environment is propitious for long term capital development, the policy signals for domestic savings are strengthened.

Bank Action

7. The Bank had supported Mexico's trade liberalization with massive financial assistance, and promoted export development and the financial restructuring of the industrial sector over the past few years. It also processed a pilot operation (Industrial Recovery Project, Loan 2746-ME) providing seed money for equity financing of eligible enterprises. To strengthen the supply response, the Bank has supported the restructuring of the fertilizer and steel sectors which would be followed by a broader Industrial Restructuring operation, to promote further the necessary institutional and policy reforms. The Bank is undertaking a comprehensive economic and sector work program, designed to identify priority issues of policy and sector adjustment. A broad study will take stock of the achievements of trade liberalization, and assess the need for domestic deregulation. A study is being currently discussed with the Government on direct foreign investment. Recently, the IFC has been requested by the Government to conduct an assessment of Mexico's stock exchange, which indicates that the authorities are increasingly aware of the problems facing the financial sector. Statements on the campaign trail by

presidential candidate Lic. Carlos Salinas de Gortari also reflect this awareness.

8. In view of the above, you should urge the Council of Americas to promote the necessary reforms of the financial sector, the capital markets and foreign investment regulations, without which the private sector may find it difficult to take part in the recovery process on a desirable scale. It would, of course, have to be made clear that the Bank views successful stabilization as an indispensable precondition for the development of a sound long-term capital development in Mexico.

cc: Messrs. Knotter, LA2TF
Steckhan, LA2 (o/r)
Corbo, LA2CO (o/r)

JVarallyay/vs

JV to handle

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDANCE DATE : 88/03/14 DUE DATE : 00/00/00
LOG NUMBER : 880315022 FROM : Gary Springer
SUBJECT : Re: Meeting with Rodman Rockefeller, Chairman of the US Council
of the Mexico-US Business Committee on march 16 at 11:00 am.
OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE *L*
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS : cc: Mr. Qureshi and a copy on Report of the Advisory Group on
Capital Development for Mexico.
cc: Mr. Husain with (4) copies of the above report.

U.S. Council of the
Mexico-U.S. Business Committee

680 PARK AVE NEW YORK, NY 10021 (212) 628-3200

March 14, 1988


Ms. Jennifer Volk
Executive Assistant to Mr. Conable
Office of the President
The World Bank
701 19th Street, N.W. Room E-1227
Washington, D.C. 20433

Dear Ms. Volk:

Enclosed please find a list of executives scheduled to attend the meeting with Mr. Conable, at 11 a.m. on March 16. I also enclose five copies of the Report of the Advisory Group on Capital Development for Mexico as briefing materials for the Bank executives who will join this session.

I look forward to a most fruitful session.

Sincerely,



Gary L. Springer
Executive Secretary

Sponsored by

Council of the Americas • Chamber of Commerce of the United States • American Chamber of Commerce of Mexico, A.C.

Delegation:

Rodman C. Rockefeller, Chairman

U.S. Council, Mexico-U.S. Business Committee
and Co-Chairman
Advisory Group on Capital Development for Mexico

Charles F. Barber, Former Chairman

ASARCO, Inc. and Vice-Chairman,
Advisory Group on Capital Development for Mexico

Brower A. Merriam, President, Latin America & Southeast Asia

Pfizer International, Inc. and Co-Chairman
Task Team on Trade & Investment, U.S. Council

Stephen W. Cargo, Supervisor, Mexico Liaison & Analysis

North American Automotive Operations
The Ford Motor Company

Robert Herzstein, Senior Partner

Arnold & Porter & Chairman, U.S. Council Trade Subcommittee

Guy F. Erb, Managing Director

Erb & Madian, Inc.
and Executive Director of Work Programs, U.S. Council

Gary L. Springer, Director of Programs

Council of the Americas,
and Executive Secretary, U.S. Council

U.S. Council of the Mexico-U.S. Business Committee

680 PARK AVE NEW YORK, NY 10021 (212) 628-3200

Rodman C. Rockefeller
CHAIRMAN

STATEMENT OF PURPOSE

The Mexico-U.S. Business Committee promotes constructive dialogue and action between the private sectors of Mexico and the United States. The Committee is the oldest bilateral business organization between the U.S. and Mexico, and recently celebrated its Forty-second annual Plenary meeting in 1987.

Through the forum of the binational Committee, the U.S. and Mexican private sectors work together toward resolution of issues that affect trade and private capital investment in both countries. The Committee has proven the usefulness of constructive business-government dialogues and consultations on issues of critical importance to the binational business community.

The ongoing work programs of the Committee include: Bilateral trade and investment, capital formation and flow, and border development. At its annual Plenary meeting, the full Committee analyzes the year's developments, decides upon recommendations to business and government, and establishes the Committee's annual work program.

The U.S. Council of the Mexico-U.S. Business Committee is the steering group for U.S. participants. The U.S. Council is an independent business organization founded and sponsored by the Council of the Americas, the Chamber of Commerce of the United States, and the American Chamber of Commerce of Mexico. It is funded by annual dues from its U.S. corporate membership.

The U.S. Council is chaired by Rodman C. Rockefeller. The Task Team work programs are directed by Guy F. Erb, Managing Director of Erb & Madian, Inc. Gary L. Springer, Director of Programs at the Council of the Americas, manages the U.S. Council's day-to-day activities and provides research, planning and executive support.

The Mexican Section of the binational Committee is sponsored by the Mexican Business Council for International Affairs (CEMAI). Lic. Juan Elek, Managing Director of Elek Moreno Valle y Asociados, chairs the Mexican counterpart.

January, 1988

Sponsored by

Council of the Americas • Chamber of Commerce of the United States • American Chamber of Commerce of Mexico, A.C.

U.S. Council of the Mexico-U.S. Business Committee

680 PARK AVE NEW YORK, NY 10021 (212) 628-3200

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Arthur Andersen & Company
Atlantic Richfield Company.
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Becton-Dickinson & Company, Inc.
Caterpillar Tractor Company
The Chase Manhattan Bank, N.A.
Church & Dwight Company, Inc.
Citibank, N.A.
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of Mexico
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Coordinating Organizations

The Conference Board
Committee for Economic Development
Overseas Development Council
National Planning Association
Association of American Chambers of
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U.S. Council of the
Mexico-U.S. Business Committee 680 PARK AVE NEW YORK, NY 10021 (212) 628-3200

Rodman C. Rockefeller
CHAIRMAN

Breakfast Meeting with President Miguel de la Madrid
Los Pinos, Mexico City, Mexico
February 15, 1988

PRESS CLIPPINGS

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Council of the Americas • Chamber of Commerce of the United States • American Chamber of Commerce of Mexico, A.C.

Business Leaders Applaud Results Of US-Mexico Meet

By WILLIAM A. ORME Jr.

Journal of Commerce Special

MEXICO CITY — President Miguel de la Madrid is accepting thanks from U.S. and Mexican businessmen for his attempts to open the Mexican economy to foreign investment and predicted his country's next administration would keep up the liberalization effort.

"A policy of economic isolation would only prevent the country from achieving its goal" of growth and development, Mr. de la Madrid said at a meeting with U.S. and local business leaders.

The session Monday followed a weekend summit with President Reagan at the Mexican resort city of Mazatlan in which the two leaders called for fewer trade restraints on both sides of the border and concluded a bilateral textile accord.

At Tuesday's meeting, Rodman C. Rockefeller of the U.S.-Mexico Business Committee thanked Mr. de la Madrid for an "extraordinary job" in opening up the Mexican economy. This trend will be "consolidated and expanded" under Mexico's next government, Mr. de la Madrid predicted.

Mr. Rockefeller is president of three firms — Arbor Acres Farm Inc., Ivec Inc. and Pocantico Development Development Associates Inc. — that are concerned with agribusiness, biogenetics and risk-capital ventures.

President de la Madrid noted that when he took office five years ago, oil revenues provided 70% of Mexico's export income. Today they are less than half, he said.

Some Mexican manufacturers hurt by import competition have criticized their leader for pledging at Saturday's meeting with President Reagan to persevere with his trade liberalization policies. But most Mexican industrialists have reacted favorably to the Mazatlan meeting, government officials in Mexico City said.

Held amid local carnival festivities in Mazatlan, Saturday's summit was the last formal encounter of two departing presidents who had met as heads of state four times before. The two presidents met alone for 45 minutes while five-member Cabinet

delegations continued wide-ranging talks on Central America, drug trafficking problems, immigration, and other bilateral issues.

Mexican Cabinet officers at the meeting reiterated their traditional objections to a North American common market, an arrangement Mexico fears would oblige it to surrender some of its present trade privileges as a developing nation. But the increasing importance of U.S. trade to Mexico's economic recovery was repeatedly emphasized by Mr. de la Madrid and other Mexican officials.

The United States exported \$14.58 billion worth of goods to Mexico in 1987 while importing \$20.52 billion, the U.S. Commerce Department said Friday. That compares with \$12.39 billion in exports and \$17.56 billion in imports in 1986.

The two governments used the presidential meeting as a symbolic venue for the signing of what they say will be a precedent-setting textile accord. "Both countries have made substantial progress in reducing textile and apparel trade barriers in the past two years and the result of our endeavors has been new market openings for U.S. and Mexican textile industries," said U.S. Special Trade Representative Clayton Yeutter.

Negotiated before the summit, the textile agreement assures Mexico yearly 6% increases in its U.S. import quota; Mexico now supplies a scant 3.8% of U.S. textile imports. It also specifically protects clothing from Mexican-based "maquiladora" plants against U.S. import restrictions. To reciprocate, Mexico is opening its market for the first time to a wide range of finished U.S. garments up to a total US\$240 million a year.

The de la Madrid government has been praised in Washington for dropping Mexican import tariffs from a top range of 100% when it took office to a maximum 20% today. Efforts by the Reagan administration to oppose protectionist retaliation against Mexico's increasingly successful manufacturing exporters have been similarly welcomed here.

Necesaria, una economía más moderna: MMH

Reconocen empresarios de Estados Unidos, la recuperación mexicana

Entre un grupo de prominentes empresarios de Estados Unidos y México, con quien desayunó en Los Pinos, el presidente De la Madrid señaló ayer que la apertura de la economía al exterior es un cambio radical de la política económica y de protección.

La mayoría —agregó—, rechaza la autarquía y el aislacionismo porque, «dañarían muy gravemente a la nación».

«Los cambios a una moderada estructura arancelaria están imponiendo la necesidad de modernizar la economía y hacerla más eficiente y competitiva, lo que redundará en beneficio de los consumidores nacionales y da mejores perspectivas a nuestra capacidad exportadora.

Modernizar la planta productiva

En esta reunión hizo uso de la palabra el señor Juan Elek, presidente de la Sección Mexicana del Comité Empresarial México-Estados Unidos, quien subrayó que actualmente hay necesidad de modernizar la infraestructura y la planta productiva del país; actualizar su tecnología; hacer más competitiva a la industria mexicana en el mercado internacional y, atraer capitales para financiar esas actividades.

Por su parte Rodman C. Rockefeller, presidente de la sección estadounidense del Comité Empresarial México-Estados Unidos, rindió homenaje al «extraordinario trabajo» desarrollado por la administración del presidente De la Madrid para la recuperación de la economía mexicana ante las circunstancias adversas, así como a la enorme fuerza, paciencia y resistencia del pueblo mexicano frente a éstas.

Además, entregó al Presidente un estudio sobre el papel de la inversión extranjera en el futuro desarrollo del país.

«No pasará mucho tiempo sin que se empiece a hablar, en Estados Unidos, sobre las ventajas de la inversión en México, en lugar de hacerlo sobre la costa del Pacífico», precisó el empresario.

Durante el desayuno, el secretario de Hacienda, Gustavo Petricoli reseñó las medidas adoptadas por el régimen del madridista para combatir la inflación.

Y el secretario de Comercio y Fomento Industrial, Héctor Hernández se refirió a la modernización del marco jurídico de la inversión extranjera que el Gobierno ha hecho para crearle un clima adecuado; además, explicó los criterios que norman el proceso de desincorporación de empresas paraestatales.



Durante un desayuno en Los Pinos, el empresario estadounidense, Rodman Rockefeller, hizo entrega al presidente De la Madrid de un estudio en torno a las inversiones extranjeras.



Un grupo de destacados empresarios miembros del Comité Empresarial México-Estados Unidos para Asuntos Internacionales (CEMAI), dieron a conocer al Jefe del Ejecutivo los trabajos que han realizado y que proyectan llevar a cabo para impulsar las relaciones comerciales y las inversiones en nuestro país.

MIGUEL DE LA MADRID: RECHAZO AL AISLAMIENTO

La apertura comercial de México, cambio radical en la estrategia

La apertura de la economía al exterior es un cambio radical de la política económica y de protección, afirmó ayer el presidente De la Madrid. La mayoría —agregó— rechaza la autarquía y el aislacionismo porque «dañarían muy gravemente a la nación».

El Presidente se dirigió así a un grupo de empresarios mexicanos y norteamericanos de alto nivel, con los que desayunó en Los Pinos.

Les dijo: «Los cambios a una moderada estructura arancelaria están imponiendo la necesidad de modernizar la economía y hacerla más eficiente y competitiva, lo que redundará en beneficio de los consumidores nacionales y da mejores perspectivas a nuestra capacidad exportadora».

Respecto a la apertura comercial, señaló que los empresarios han mostrado una gran capacidad de reacción al aumentar las exportaciones no petroleras.

Asimismo, los cambios estructurales en la economía del país han traído una mejoría en las cuentas con el exterior y el mejor manejo de las finanzas públicas; la descentralización alienta el crecimiento de nuevas áreas económicas.

«Yo estoy cierto —dijo el Ejecutivo Federal— de que los mexicanos perseveraremos en estas reformas para consolidarlas y para ampliarlas, y que México volverá a tomar en unos cuantos años más el camino de un desarrollo firme y sostenido, con lo que ello implica para el crecimiento del mercado mexicano y para la

posición de México en la economía internacional».

Juan Elek, presidente de la sección mexicana del Comité Empresarial México-Estados Unidos, subrayó que actualmente hay necesidad de modernizar la infraestructura y la planta productiva del país, actualizar su tecnología, hacer más competitiva a la industria mexicana en el mercado internacional y atraer capitales para financiar esas actividades.

Rodman C. Rockefeller, presidente de la sección estadounidense del Comité Empresarial México-Estados Unidos, rindió homenaje al «extraordinario trabajo» desarrollado por la administración del presidente De la Madrid para la recuperación de la economía mexicana ante las circunstancias adversas, así como a la enorme fuerza, paciencia y resistencia del pueblo mexicano frente a éstas.

Rockefeller entregó al presidente De la Madrid un estudio sobre el papel de la inversión extranjera en el futuro desarrollo del país.

Al entregar el documento dijo que no pasará mucho tiempo sin que se empiece a hablar en Estados Unidos sobre las ventajas de la inversión en México, en lugar de hacerlo sobre la costa del Pacífico.

Durante el desayuno el secretario de Hacienda, Gustavo Petricoli, reseñó las medidas adoptadas por el régimen delamadridista para combatir la inflación.

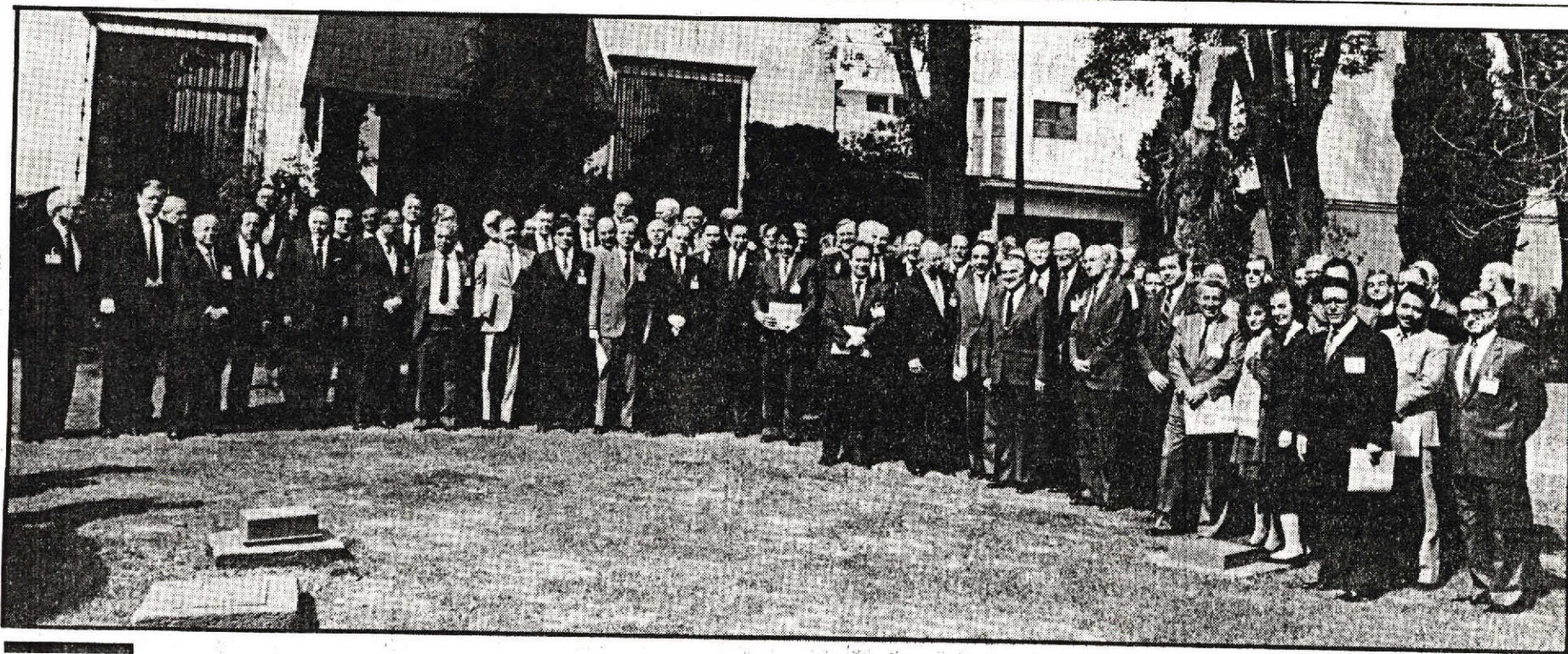
El secretario de Comercio, Héctor

Hernández, se refirió a la modernización del marco jurídico de la inversión extranjera que el Gobierno ha hecho para crearle un clima adecuado; además, explicó los criterios que norman el proceso de desincorporación de empresas paraestatales.

Pedro Aspe, secretario de Programación, expuso la forma en que se ha hecho frente a las difíciles circunstancias económicas de los últimos años; aseguró que para el final de la presente administración el gasto público se habrá reducido de 30 a 20.5 por ciento del Producto Interno Bruto (PIB).

Entre otros empresarios, asistieron al desayuno, Robert D. Kennedy, presidente de Union Carbide Corporation; A.W. Clausen, presidente del Banco de América; Enrique Madero Bracho, presidente del CEMAI; Agustín F. Legorreta, presidente del Consejo Coordinador Empresarial; además: George Landau, presidente de la American Society; James T. Mills, presidente The Conference Board, Inc; Stephen B. Friedman, presidente de la Cámara Americana de Comercio en México, y Denman K. MacNear, presidente de la firma de transporte Southern Pacific Co.

Entre los secretarios de Estado estuvieron, además de los ya mencionados, el secretario de Energía, Alfredo del Mazo, y Manuel Velázquez de la Parra, director general del Secretariado Técnico de Gabinetes de la Presidencia de la República.



El presidente Miguel de la Madrid posó junto a los miembros del Consejo Empresarial Mexicano para Asuntos Internacionales (CEMAI) momentos después de un desayuno celebrado ayer en la residencia oficial de Los Pinos.

Reconoce Rockefeller el Esfuerzo de MMH Frente a la Crisis

Por Ada Hernández Delfin

Los cambios estructurales de la economía nacional aseguran a México el camino de un desarrollo firme y sostenido, que respaldará el crecimiento del mercado mexicano y la producción de nuestro país en la economía internacional, aseguró ayer el Presidente Miguel de la Madrid.

"El desarrollo de México depende y dependerá de la adecuada inserción de su economía en el mercado mundial —prosiguió—. Rechazamos posiciones de autarquía económica que aislarían y dañarían gravemente a la nación", remarcó.

El Presidente De la Madrid expresó lo anterior durante un desayuno celebrado en el Salón Carranza, de Los Pinos, con los integrantes del Comité Empresarial México-Estados Unidos del Consejo Empresarial Mexicano para Asuntos Internacionales (CEMAI).

Allí, el Primer Mandatario dijo que la apertura de la economía significa el cambio radical de nuestra política comercial y de protección, y reconoció que ante esta apertura los empresarios mexicanos han mostrado una gran capacidad y reacción.

Prueba de ello es el importante cambio generado en la estructura de nuestro comercio exterior, ya que si bien en 1982 el 70 por ciento de éste dependía en un 70 por ciento de las ventas de petróleo, hoy las exportaciones de hidrocarburos representan únicamente entre el 45 y 50 por ciento de nuestras ventas al extranjero.

Dijo que el ingreso de México al GATT da al país la posibilidad de actuar en un foro multilateral y participar en las negociaciones internacionales del comercio, y reconoció

que los cambios a una moderada estructura arancelaria imponen la necesidad de modernizar la economía y hacerla más eficiente y competitiva.

Por otra parte, el Presidente De la Madrid destacó que los cambios estructurales introducidos a la economía nacional, repercuten favorablemente también en la mejora de las cuentas de México con el exterior, en el mejor manejo de las finanzas públicas y en mayor eficacia en el funcionamiento del sector público.

Sin embargo, el mandatario mexicano reconoció que los efectos positivos de las reformas estructurales podrán valorarse más ampliamente con el tiempo; no dudó que los mexicanos perseveraremos en estas reformas para consolidarlas y ampliarlas y que en unos cuantos años más "México volverá a tomar el camino de un desarrollo firme y sostenido".

RECONOCIMIENTO A MMH

Durante el desayuno en el que estuvieron los secretarios

de Hacienda, Gustavo Petricioli; Comercio, Héctor Hernández, y Programación y Presupuesto, Pedro Aspe, y en el que se indicó que al finalizar el sexenio el gasto público quedará reducido del 30 por ciento al 20.5 por ciento del Producto Interno Bruto, el señor Rodman C. Rockefeller, presidente de la sección estadounidense del Consejo Empresarial México-Estados Unidos, hizo un amplio reconocimiento al "extraordinario trabajo" desarrollado por la administración del Presidente Miguel de la Madrid para lograr la recuperación de la economía en momentos tan difíciles.

También reconoció "la enorme fuerza, paciencia y resistencia del pueblo mexicano" frente a las circunstancias adversas vividas por México en los últimos tiempos.

Al entregar al Presidente de la República un estudio sobre el papel de la inversión extranjera en el futuro desarrollo de México, el señor Rockefeller señaló que los avances registrados en el país permitieron

asegurar que en poco tiempo se comenzará a hablar en los Estados Unidos sobre las ventajas de invertir en México, en lugar de hacerlo en las costas del Pacífico.

Por su parte, el licenciado Juan Elek, presidente de la Sección Mexicana del Comité Empresarial México-Estados Unidos, coincidió con el Presidente De la Madrid en la necesidad de modernizar la infraestructura y la planta productiva del país, actualizar su tecnología, hacer más competitiva a la industria mexicana en el mercado internacional y atraer capitales para financiar esas actividades.

En la reunión a la que también asistieron los señores Alfredo del Mazo, secretario de Energía, Minas e Industria Paraestatal; Agustín F. Legorreta, presidente del Consejo Coordinador Empresarial; Enrique Madero Bracho, presidente del CEMA; Robert D. J Kennedy, presidente de la firma Union Carbide Corporation, y A.W. Clausen, presidente del Banco de América, entre otros, el licenciado Petricioli explicó

las medidas adoptadas por el Gobierno Federal para combatir la inflación, la cual, reconoció, sigue siendo prioridad fundamental.

En su oportunidad, el titular de SECOFI, Héctor Hernández, se refirió a los esfuerzos realizados para modernizar el marco jurídico de la inversión externa y crear así un clima adecuado para la misma, y el titular de la SPP, Pedro Aspe, expuso la difícil situación económica enfrentada por el país en los últimos años.

También estuvieron en el desayuno los señores George Landau, presidente de la American Society; James T. Mills, presidente de The Conference Board, Inc.; Stepehn B. Friedman, presidente de la Cámara Americana de Comercio en México; Denman K. McNear, presidente de la firma de transporte Southern Pacific Co.; y el director general del secretario Técnico de Gabinete de la Presidencia de la República, Manuel Velázquez de la Parra, entre otros funcionarios y representantes del sector empresarial.

EL HERALDO
DE MEXICO

México, D.F., martes 16 de febrero de 1988

En Materia Económica México Rechaza el Aislacionismo: MMH

*'Posiciones Autárquicas
Dañarían a la Nación'

Por Roberto NORIEGA

Los mexicanos rechazamos las posiciones de autarquía económica o de aislacionismo, porque "dañarían muy gravemente a la nación", afirmó el presidente De la Madrid, y acotó que el desarrollo de México depende y dependerá en granparte de una adecuada inserción de su economía en el mercado mundial, y en este sentido el ingreso de México al GATT le ha dado al país la posibilidad de actuar en un foro multilateral y participar en las negociaciones internacionales del comercio.

Y al destacar que nuestro país ha hecho avances importantes en la apertura de la economía que significa el cambio radical de nuestra política comercial y de protección, el Ejecutivo Federal agregó que aunque los cambios estructurales que se han introducido en materia económica ya empiezan a dar algunos frutos, los efectos positivos de las reformas se darán plenamente con el tiempo.

Merced a esos cambios, introducidos a la economía, se han mejorado las cuentas con el exterior y es posible el mejor manejo de las finanzas públicas; así como mayor eficacia en el funcionamiento del sector público, al tiempo de que la descentralización está alentando el crecimiento de nuevas áreas económicas.

"Yo estoy cierto que los mexicanos perseveraremos en estas reformas para consolidarlas y para

Pasa a la Página 13

ampliarlas y que México volverá a tomar en unos cuantos años más, el camino de un desarrollo firme y sostenido, con lo que ello implica para el crecimiento del mercado mexicano y para la posición de México en la economía internacional", indicó el Primer Mandatario ante un grupo de destacados miembros del Comité Empresarial México-Estados Unidos para Asuntos Internacionales (CEMAIS).

Consecuente con sus afirmaciones, el Jefe de la Nación insistió en que el ingreso al GATT es benéfico para el país y destacó que los cambios a una moderada estructura arancelaria está imponiendo la necesidad de modernizar la economía y hacerla más eficiente y competitiva, lo que redundará en beneficio de los consumidores nacionales y da mejores perspectivas a nuestra capacidad exportadora.

Habló el Presidente de la República durante un desayuno servido en la residencia oficial de Los Pinos y ahí expresó que ante esa política de apertura comercial, los empresarios nacionales han mostrado una gran capacidad de reacción, lo que ha dado por resultado un crecimiento importante de las exportaciones no petroleras.

En este sentido recalcó que en 1982 México dependía en aproximadamente 70 por ciento de las ventas al exterior de petróleo crudo y actualmente, precisó, las exportaciones de hidrocarburos no representan más de 45 a 50 por ciento, lo que implica un cambio importante en la estructura de nuestro comercio exterior.

En el desayuno, los empresarios dieron a conocer al Primer Mandatario los trabajos que han realizado y que proyectan llevar a cabo, para impulsar las relaciones comerciales y las inversiones en nuestro país.

Ante ellos, el Ejecutivo Federal dijo que la experiencia ha demostrado que en la medida que México cuenta con mayor disponibilidad de divisas por exportaciones y turismo, en esa proporción compra más en el mercado norteamericano.

Durante la reunión el secretario de Hacienda, licenciado Gustavo Petricoli, dijo que el combate a la inflación sigue siendo la prioridad de la actual administración, y a ello van encaminadas las medidas económicas que el gobierno federal ha adoptado en los últimos meses.

A su vez el titular de Comercio, Héctor Hernández, se refirió a los esfuerzos que ha hecho el gobierno mexicano para modernizar el marco jurídico de la inversión extranjera y crear así un clima adecuado a ésta; y explicó los criterios que norman el proceso de desincorporación de organismos y empresas paraestatales.

El doctor Pedro Aspe, secretario de Programación y Presupuesto, explicó ampliamente en esta reunión la forma en que el gobierno federal ha hecho frente a las difíciles circunstancias económicas de los últimos años y señaló que para el fin de esta administración guberna-

mental, el gasto público se habrá reducido del 30 al 20.5 por ciento del Producto Interno Bruto.

Al inicio del desayuno hablaron el licenciado Juan Elek, presidente de la sección mexicana del Comité Empresarial México-Estados Unidos, y su contraparte, Rodman C. Rockefeller.

El primero subrayó que actualmente hay necesidad de modernizar la infraestructura y la planta productiva del país; actualizar su tecnología; hacer más competitiva a la industria mexicana en el mercado internacional y atraer capitales para financiar esas actividades.

En su oportunidad, el señor Rockefeller se refirió elogiosamente al "extraordinario trabajo" desarrollado por la administración del presidente De la Madrid, para la recuperación de la economía mexicana ante las circunstancias adversas, así como a la enorme fuerza, paciencia y resistencia del pueblo mexicano frente a éstas.

Rockefeller entregó al Presidente de México un estudio sobre el papel que juega la inversión extranjera en el futuro desarrollo de nuestro país, mismo que fue realizado por un grupo del propio CEMAI, y señaló que en virtud de los avances logrados, no pasará mucho tiempo sin que se empiece a hablar en Estados Unidos sobre las ventajas de la inversión en México, en lugar de hacerlo sobre las costas del Pacífico.

En la mesa principal de la reunión, también estuvieron los señores Robert D. Kennedy, presidente de la firma Unión Carbide Corporation; A.W. Clausen, presidente del Banco de América; Enrique Madero Bracho, presidente de la CEMAI; Agustín F. Legorreta, presidente del Consejo Coordinador Empresarial; George Landau, presidente de la American Society; James T. Mills, presidente de The Conference Board, Inc.; Stephen B. Friedman, presidente de la Cámara Americana de Comercio en México, y Denman K. McNear, presidente de la firma de transporte Southern Pacific Co.

Asistieron también al desayuno el secretario de Energía, Minas e Industria Paraestatal, Alfredo del Mazo; el licenciado Manuel Velázquez de la Parra, director general del Secretariado Técnico de Gabinetes de la Presidencia de la República, y otros servidores públicos.

El Sol de México

MEXICO, D.F., Martes 16 de Febrero de 1988

DLM: aislacionismo económico o autarquía dañarían de manera muy grave a la nación

► En 1982 el país dependía en 70% de las exportaciones petroleras; ahora sólo en 45► Será necesario mantener las reformas a la economía nacional, expresó el Presidente en la reunión de trabajo del CEMAI► Agregó que el desarrollo nacional dependerá de su inserción en el mercado mundial

Roberto Santiago

Luego de puntualizar ante empresarios mexicanos y estadounidenses que el desarrollo del país depende y dependerá en gran parte de la adecuada inserción de su economía en el mercado mundial, el presidente Miguel de la Madrid Hurtado precisó que, por ello, los mexicanos rechazamos las posiciones de autarquía económica o de aislacionismo que, de imponerse, dañarían muy gravemente a la nación.

En una reunión de trabajo con los miembros del Comité Empresarial México-Estados Unidos del Consejo Empresarial Mexicano para Asuntos Internacionales (CEMAI), el jefe del Ejecutivo indicó que los cambios estructurales introducidos a la economía nacional empiezan a dar algunos frutos, pero advirtió que para que México retome el camino de un desarrollo firme y sostenido habrán de pasar unos cuantos años más y será necesario perseverar en las reformas emprendidas a fin de consolidarlas y ampliarlas.

En su intervención, De la

Madrid Hurtado destacó que los resultados positivos de las cuentas con el exterior y el mejor manejo de las finanzas públicas, así como una mayor eficacia en el funcionamiento del sector público, son algunos de los resultados de las modificaciones estructurales, en tanto que la descentralización está estimulando el crecimiento de nuevas áreas económicas.

Luego expuso que el país ha logrado avances importantes en la apertura de su economía, los que han producido un cambio radical en nuestras políticas comerciales y de protección y señaló que en ese sentido, el ingreso de México al GATT le ha dado a la nación la posibilidad de actuar en un foro multilateral, además de que le permite tener participación en las negociaciones internacionales del comercio.

Ante ello —enfaticó el Presidente—, los cambios a una moderada estructura arancelaria están imponiendo la necesidad de modernizar la economía y hacerla más eficiente

y competitiva, para que redunde en beneficio de los consumidores nacionales y de mejores perspectivas a nuestra capacidad exportadora.

En la reunión, a la que asistieron los secretarios de Hacienda, Comercio, Programación y Presupuesto, y Energía, Minas, e Industria Paraestatal, se dieron a conocer los trabajos realizados y los que están en proyecto para impulsar las relaciones comerciales y las inversiones en nuestro país.

En ese marco, Miguel de la Madrid, subrayó que ante la política de apertura comercial, los empresarios nacionales han mostrado una gran capacidad de reacción, lo cual ha dado como resultado un importante crecimiento de las exportaciones no petroleras.

Recordó que en 1982 el país dependía en aproximadamente el 70 por ciento de las ventas de petróleo crudo al exterior, en tanto que ahora las exportaciones de hidrocarburos no representan más de un porcentaje entre 45 y 50 por ciento, lo que implica un cambio importante en la estructura de

nuestro comercio exterior.

En el encuentro, el titular de Hacienda, Gustavo Petricoli, aludió a las diversas medidas económicas que el gobierno federal ha adoptado en los últimos meses con el propósito esencial de combatir la inflación que, dijo, sigue siendo la principal prioridad.

Por su parte, Pedro Aspe, de Programación y Presupuesto, dio una amplia explicación de la forma en que el gobierno ha hecho frente a las difíciles circunstancias económicas registradas en los últimos años y señaló que para finales de la actual gestión gubernamental, el gasto público se habrá reducido del 30 por ciento al 20.5 por ciento del producto interno bruto.

A su vez, el secretario de Comercio, Héctor Hernández, destacó los esfuerzos gubernamentales para lograr la modernización del marco jurídico para la inversión extranjera y crear así un clima adecuado a ésta, y expuso los criterios que norman el proceso de desincorporación de organismos y empresas paraestatales.

Por parte de los empresarios intervinieron Juan Elek, presidente de la sección mexicana del Comité Empresarial México-Estados Unidos quien explicó la necesidad de modernizar la infraestructura de la planta productiva nacional, para hacer más competitiva a la industria mexicana en los mercados internacionales y con ello atraer capitales para financiar tales actividades.

A su vez, Rodman C. Rockefeller, presidente de la sección estadounidense del Comité Empresarial México-Estados Unidos, alabó el extraordinario trabajo desarrollado por la administración del presidente Miguel de la Madrid, para la recuperación de la economía mexicana ante un panorama adverso, así como la enorme fuerza, paciencia y resistencia del pueblo mexicano frente a tales adversidades.

Luego entregó al jefe del Ejecutivo un estudio sobre el papel de la inversión extranjera en el futuro desarrollo de México, trabajo realizado por un grupo del propio comité, y señaló que dados los avances, no pasará mucho tiempo sin que se empiece a hablar en Estados Unidos sobre las ventajas de invertir en México en lugar de hacerlo en la costa del Pacífico.

EXCELSIOR

EL PERIODICO DE LA VIDA NACIONAL

Registrado como Artículo de Segunda Clase en la Administración de Correos, el 12 de marzo de 1917

"Apertura para el Desarrollo" Rechaza MM Autarquía Económica o Aislamiento

Por SALVADOR MARTINEZ G.

"Los mexicanos perseveraremos en la apertura de la economía para consolidar y ampliar los cambios estructurales que permitirán a México retomar el camino de un desarrollo firme y sostenido", en unos cuantos años más, dijo ayer el Primer Magistrado, y rechazó las posiciones de autarquía económica o de aislacionismo que dañarían muy gravemente a la nación.

sigue de la primera plana

Habló así durante un desayuno en Los Pinos con los representantes del Comité Empresarial México-Estados Unidos, en el que Rodman C. Rockefeller, en nombre de la sección estadounidense, rindió homenaje al "extraordinario trabajo" de la administración de De la Madrid, así como "a la enorme fuerza, paciencia y resistencia del pueblo mexicano", frente a las circunstancias adversas de su economía nacional.

También asistieron los titulares de la SHCP, Gustavo Petricioli; de la SPP, Pedro Aspe y de la Secofin, Héctor Hernández.

La Dirección General de Comunicación Social de la Presidencia, en boletín de prensa informó, que De la Madrid indicó que el desarrollo de México depende y dependerá en gran parte de una adecuada inserción de su economía en el mercado mundial.

Ante los empresarios mexicanos y estadounidenses, integrantes también del Consejo Empresarial Mexicano para Asuntos Internacionales (CEMAI), la información oficial señala que el Ejecutivo mexicano aseguró que el ingreso de México al GATT ha dado al país la posibilidad de actuar en un foro multilateral y participar en las negociaciones

internacionales del comercio.

Y subrayó que los cambios a una moderada estructura arancelaria están imponiendo la necesidad de modernizar la economía y hacerla más eficiente y competitiva, lo cual redundará en beneficio de los consumidores nacionales y da mejores perspectivas a nuestra capacidad exportadora.

Afirmó De la Madrid que el país ha hecho avances importantes en la apertura de la economía que significa el cambio radical en nuestra política comercial y de protección; cambios estructurales que empiezan a dar algunos frutos, como la mejoría de las cuentas con el exterior, mejor manejo de las finanzas públicas y mayor eficacia en el funcionamiento del sector público, al tiempo que la descentralización está alentando el crecimiento de nuevas áreas económicas.

Sin embargo, aclaró que los efectos positivos en las reformas estructurales se apreciarán con el tiempo.

En cuanto a la participación del sector privado en la política de apertura comercial dijo que los empresarios nacionales han mostrado una gran capacidad de reacción, lo que ha dado por resultado un crecimiento importante en las exportaciones no petroleras.

El Ejecutivo recordó que 1982-México dependía en, aproximadamente, 70 por

cientos de las ventas al exterior de petróleo crudo, mientras que actualmente los hidrocarburos representan entre 45 y 50 por ciento, lo que implica un cambio importante en la estructura de nuestro comercio exterior.

VOLVERA AL CAMINO DEL DESARROLLO

Por ello manifestó que "yo estoy cierto de que los mexicanos perseveraremos en estas reformas para consolidarlas y para ampliarlas, y que México volverá a tomar, en unos cuantos años más, el camino de un desarrollo firme y sostenido".

Y el secretario de Programación, Pedro Aspe, precisó que el gasto público se habrá reducido de 30 a 20.5 por ciento del PIB en este año, al explicar el hecho por el gobierno frente a las difíciles circunstancias económicas.

En el desayuno los empresarios informaron de los trabajos que han realizado y que proyectan llevar a cabo (no se dijo cuáles) para impulsar las relaciones comerciales y las inversiones en nuestro país.

Rockefeller, presidente de la sección estadounidense del Comité Empresarial Bilateral, entregó al Jefe del Ejecutivo un estudio sobre el papel de la inversión extranjera en el futuro desarrollo de nuestro país, que no fue distribuido a la prensa, realizado por un grupo de miembros del propio comité.

Rockefeller auguró que dados los avances en México,

no pasará mucho tiempo sin que se empiece a hablar en Estados Unidos sobre las ventajas de la inversión aquí, en lugar de hacerlo sobre la costa del Pacífico.

En nombre de la sección mexicana del Comité Empresarial, Juan Elek dijo que hay necesidad de modernizar nuestra estructura y la planta productiva del país, actualizar su tecnología; hacer más competitiva a la industria mexicana en el mercado internacional y atraer capitales para financiar esas actividades.

Héctor Hernández habló de los esfuerzos del gobierno por modernizar el marco jurídico de la inversión externa y crear así un clima adecuado a ésta. El comunicado señala que Hernández explicó los criterios que norman el proceso de desincorporación de organismos y empresas paraestatales.

En forma numérica se reveló que Gustavo Petricioli, secretario de Hacienda, se refirió a las medidas económicas que el Gobierno Federal ha adoptado en los últimos meses con el propósito esencial de combatir la inflación que "sigue siendo la prioridad nacional".

Asistieron también al desayuno el secretario de Energía y Minas e Industria Paraestatal, Alfredo del Mazo; A.W. Clausen, presidente del Banco de América; Stephen B. Friedman, presidente de la Camco y Agustín Legorreta, presidente del CCE.

U.S. Council of the Mexico-U.S. Business Committee

680 PARK AVE NEW YORK, NY 10021 (212) 628-3200

Rodman C. Rockefeller
CHAIRMAN

Remarks by
Mr. Rodman C. Rockefeller
Chairman, U.S. Council, Mexico U.S. Business Committee
Breakfast Meeting with President Miguel de la Madrid
Los Pinos, Mexico, D.F.
February 15, 1988

Sponsored by

Council of the Americas • Chamber of Commerce of the United States • American Chamber of Commerce of Mexico, A.C.

Mr. President of the Republic
Honorable Secretaries and Sub-Secretaries of the State
Esteemed Fellow Americans and Mexican Business Leaders

President de la Madrid, you have offered us your hospitality annually over the last five years, and we have benefited from the dialogue held each year. This, our last breakfast with you, promises to be most memorable. We come today to salute you and the extraordinary work your administration has achieved.

Most of us here today will remember the conditions in which Mexico found itself in February, 1984 on the occasion of our first breakfast. I need not recite all of the depressing statistics: It is enough to note that Central Bank reserves were approximately \$1.8 billion and that Mexico's trade, exclusive of petroleum, had dropped steadily since 1982. National external debt had risen to \$88 billion. The country was shocked by financial crisis, confused about the future, and discouraged.

What a change we see today! Although debt still is high, reserves are at a high point of \$14 billion and Mexico is leading in innovative new solutions to the refinancing and reduction of its debt. Exports, particularly of non-petroleum products, rose spectacularly last year. Most importantly, the attitude of the country towards the future has greatly changed.

Thanks to President de la Madrid's leadership, Mexicans today look with confidence toward new economic opportunities in the international economy. Fear of the outside world has given way to growing confidence in Mexico's ability to compete in the international marketplace. This change of heart was begun by President de la Madrid's decision in 1985 to join the GATT and reflected in the signature by Secretary Hernandez and Ambassador Yeutter of the bilateral Framework Accord here in Mexico City last November 6th. Mexico can now concentrate on maximizing its natural advantages of complementarity to the world's largest, most dynamic market.

The advantages of this complementarity will work in both directions. The U.S. economy will benefit, indeed has already begun to benefit from the availability of low-cost quality products from Mexico.

It should not be too long before we in the U.S. are talking about the advantages of the Southern base, instead of the Pacific Rim. Although we are not talking about the North American Common Market, the trade negotiations the U.S. has just completed with Canada and Mexico clearly bring to mind the "market of common advantages." Collectively, we have the richest market in the world, and I sense a mutual obligation to work that all our people may realize the economic benefits of this great wealth.

Mexico's position, as potentially low producer in this great market, should excite the envy of the rest of the developing

world. The programs, priorities and policies which your administration has initiated have begun the process of realizing that potential. The people of the United States and of Mexico will be the beneficiaries of the changes which you have begun. As I stated before, we applaud and support these continuing efforts.

It is never possible to change the course of a giant ocean liner in a few kilometers, nor is it possible to redirect the direction of a great economy such as Mexico's in a few years. However, the captain has given the orders, the crew has begun the turn, and the passengers are adjusting to new currents and new waves in the economic and political seas. This adjustment will go on for a number of years, and will of course affect the United States as well as Mexico.

In Mexico, this adjustment, often quite painful, has been underway for the last six years. I feel that we should pay tribute in front of President de la Madrid to the enormous strength, patience and resiliency of the Mexican people in the face of the changes and misfortunes of the past years. Even the recent earthquake in Mexico City failed to shake the determination of the Mexican people to overcome their setbacks. I feel that all of us in this room must recognize and appreciate this strength of national character.

Mr. President, in the spirit of collaboration and support from the private sector, which you have come to expect and deserve, I wish to submit to you the publication of an analysis and report which our leaders have recently completed. The binational Advisory Group on Capital Development for Mexico was formed in May, 1986 to bring senior business leaders from Mexico and the U.S. together to consider the economic recovery of Mexico. It was felt that within the industrial private sectors of both nations lay the productive and investment capacity to begin the national recovery. The Advisory Group asked its fellow investors what was needed to begin such a process. This Report is the result of these efforts. With proper humility and a sense of the term necessary for progress to take place, we wish to present this Report to you for your consideration.

Sir, you will notice that it is a small report, only nineteen pages. However, it is signed by each of the fifty men who submit it. Its ideas and concepts bear their unanimous support, and the support of the corporations and investors from which they come. This is a powerful tool, one which can be used by both Mexicans and Americans to help to navigate the future economic waters.

The Report is addressed to a wide audience. We begin with the private sector leaders of both countries. Then we submit to our respective Governments. Finally, we address the international financial organizations who will play an increasingly important role in future economic growth. Earlier, when the work was in progress, we briefed the staff and President

of the World Bank and the staff of the International Monetary Fund.

I hope that the Report and the collective efforts that went with it will be well received. It is an optimistic summary of the hopes and ambitions of Mexican and U.S. business leaders who are in a position to commit to the future of both our countries. The policies it recommends are the collective judgments of those who want to participate in that future growth. We will hear more in detail about these recommendations from our speakers later.

You have directed the Mexican economy in a new course, which will occupy our time and energies for many years. I believe this course will bring renewed growth and prosperity to both our countries. You have the confidence of knowing that the Mexican and American business communities recognize the value and importance of your directions and support the continuing efforts to carry them out. We look forward with anticipation to the work and opportunities which your leadership has created.

February 15, 1988

→ Jm o/r 3/16
11:00 am

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDANCE DATE : 88/03/07 DUE DATE : 00/00/00
LOG NUMBER : 880310002 FROM : Gary Springer
SUBJECT : Re: Meeting with Rodman Rockefeller, Chairman of the US Council
of the Mexico-US Business Committee on March 16 at 11:00 am.
OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS : cc: Mr. Qureshi

✓
done
3/10
C.P.

U.S. Council of the
Mexico-U.S. Business Committee

680 PARK AVE NEW YORK, NY 10021 (212) 628-3200

March 7, 1988

Ms. Jennifer Volk
Executive Assistant to Mr. Conable
Office of the President
The World Bank
701 19th Street, N.W. Room E-1227
Washington, D.C. 20433

Dear Ms. Volk:

I am writing to followup our recent conversation regarding a visit to the World Bank by Mr. Rodman C. Rockefeller, Chairman of the U.S. Council of the Mexico-U.S. Business Committee, and two or three other corporate executives who served on the Advisory Group on Capital Development for Mexico. The topic of the meeting is to officially transmit the Report of the Advisory Group on Capital Development for Mexico, which Mr. Conable and Mr. Rockefeller preliminarily discussed at a meeting a year ago. This letter will confirm the meeting with Mr. Conable on March 16 at 11 a.m.

The ideas and concepts contained in the Report are unanimously supported by the fifty corporate leaders who signed it, as well as the corporations they lead. This Report signals a new binational private sector commitment to create a more productive and profitable economic and business atmosphere in the future.

We appreciate your facilitation of this meeting, which forms a part of a major followup program by the Mexico-U.S. Business Committee, a program that will include business leaders, U.S. policy officials, and officials in international financial institutions. I look forward to working with you as we prepare for the meeting.

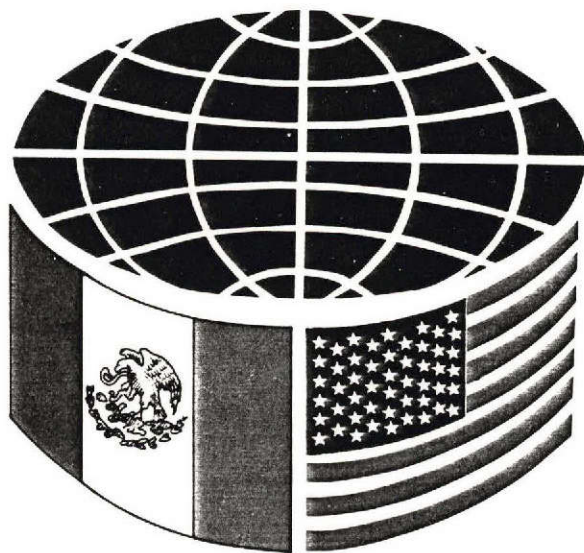
Sincerely,


Gary L. Springer

Sponsored by

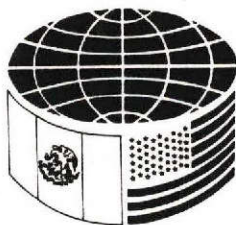
Council of the Americas • Chamber of Commerce of the United States • American Chamber of Commerce of Mexico, A.C.

REPORT
OF THE ADVISORY GROUP
ON CAPITAL DEVELOPMENT
FOR MEXICO



MEXICO-U.S. BUSINESS COMMITTEE

REPORT
OF THE ADVISORY GROUP
ON CAPITAL DEVELOPMENT
FOR MEXICO



MEXICO-U.S. BUSINESS COMMITTEE

PREFACE

The Mexico-U.S. Business Committee has long been concerned with the growth and development of the U.S. and Mexican economies and, in particular, the role that private enterprise can play in the expansion of bilateral trade and investment. Thus the binational Committee has devoted considerable attention to the measures that private firms, governments, and international organizations can take to speed Mexico's economic recovery. To assist it in this task, the Committee asked a number of business and financial leaders from both countries to serve on the Advisory Group on Capital Development for Mexico, whose work is summarized in this report.

The purpose of the Advisory Group is to provide informed inputs to leaders of private industry and finance and to policymakers in government and international financial institutions on measures that could encourage the capital development necessary for Mexico's renewed economic growth.

Agreements between Mexico and its private and official creditors have provided a breathing space during which corporations and governments can take constructive actions. Foreign and Mexican private investors are examining means of modernizing their operations, reducing costs, and establishing internationally competitive production. The Mexican government has demonstrated its intent to facilitate increased competition through reforms that modernize the economic system, including greater reliance on private enterprise.

The XL Plenary Meeting of the Mexico-U.S. Business Committee made several recommendations for removing barriers to capital development. A survey conducted among the principal U.S. companies doing business in Mexico also gave rise to a series of proposals aimed at achieving the same goal. A comparable survey was also undertaken in Mexico. Through its surveys of both Mexican and U.S. firms with operations in Mexico, the Advisory Group has compiled a number of comments and recommendations which it hopes will prove useful to other private companies, the governments of the United States and Mexico, and the World Bank Group, the Inter-American Development Bank, and the International Monetary Fund.

This report summarizes the results of the two surveys, discussions with business and banking leaders, officials of the two governments and international financial institutions, and the results of the meetings of the Advisory Group itself. The report contains four sections. The first describes the situation that prevailed in Mexico during 1986. The second focuses on recent changes in Mexico and the United States, and the third and fourth sections contain the conclusions and recommendations of the Advisory Group, which the Mexico-U.S. Business Committee approved at its XLII Plenary Meeting at New Orleans, November 4-7, 1987.

We, the undersigned members of the Advisory Group, commend this report to:

Industrial and banking leaders in both countries;

U.S. and Mexican government officials; and

The World Bank, the International Monetary Fund, and the Inter-American Development Bank.

It is our hope that the report and follow-up actions taken by the Advisory Group, the Mexico-U.S. Business Committee, and other interested organizations and individuals will contribute to the prosperity of Mexico and the United States.

Signed

Juan Elek
Co-Chairman, Advisory Group and
Partner,
Elek, Moreno Valle y Asociados

Enrique Madero Bracho
Presidente, Consejo Empresarial
Mexicano para Asuntos Internacionales,
(CEMAI) and
Vice Chairman, Advisory Group

Adolfo I. Autrey
Administrador General
Casa Autrey, S.A.

Alberto Santos de Hoyos
Presidente del Consejo
Grupo Gamesa

Gerardo Cortina
Director Ejecutivo
Operadora de Bolsa, S.A.

Alejandro Alvarez Guerrero
Presidente de la Sección México
Canada, (CEMAI)

Miguel Alemán Velasco
Presidente del Consejo
Almexa Aluminio, S.A. de C.V.

Ignacio Arangúren
Director General
Arancia Grupo Industrial

Alberto Bailleres
Presidente Ejecutivo y
Presidente del Consejo
Industrias Peñoles, S.A.

Rodman C. Rockefeller
Co-Chairman, Advisory Group and
Chairman,
Arbor Acres Farm, Inc.

Charles F. Barber
Vice Chairman, Advisory Group and
Former Chairman,
ASARCO, Inc.

Charles W. Parry
Vice Chairman, Advisory Group and
Former Chairman
Aluminum Company of America

George A. Schaefer
Chairman & Chief Executive Officer
Caterpillar, Inc.

Richard E. Heckert
Chairman
E.I. du Pont de Nemours & Co., Inc.

Robert A. Hanson
Chairman & Chief Executive Officer
Deere & Company

William O. Carlsen
President — Latin America
Westinghouse Electric Company

Edwin L. Artzt
Vice Chairman of the Board,
Procter & Gamble Company, and
President, Procter & Gamble
International

Charles E. Hugel
President & Chief Executive Officer
Combustion Engineering, Inc.

Eugenio Clariond Reyes
Presidente
Grupo Imsa

Jorge Chapa
Consejero
Valores Corporativos

Gustavo de la Serna
Director General
Casa Pedro Domecq-Mexico, S.A.
de C.V.

Antonio del Valle Ruiz
Presidente
Centro de Estudios Económicos
del Sector Privado

Alejandro Garza Laguera
Presidente del Consejo
de Administración
Empresa La Moderna, S.A. de C.V.

Agustin F. Legorreta
Presidente
Consejo Coordinador Empresarial y
Presidente del Consejo
Operadora de Bolsa, S.A. de C.V.

Prudencio López
Presidente y Director General
Cia. Molinera Mexicana

Javier López del Bosque
Vice Presidente del Consejo
de Administración
Grupo Industrial Saltillo

Antonio Madero Bracho
Presidente del Consejo de Administra-
ción
Corporación Industrial San Luis, S.A.

Guillermo Martínez Huitrón
Presidente del Consejo
Corporación Marco, S.A. de C.V.

Antonio Ruiz Galindo, Jr.
Presidente
Desc, Sociedad de Fomento Industrial

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Senior Managing Director
Shearson Lehman Hutton

Barry MacTaggart
Chairman & President
Pfizer International, Inc.

Pedro-Pablo Kuczynski
Co-Chairman
First Boston International

John E. Avery, Jr.
Company Group Chairman
Johnson & Johnson International

Victor H. Palmieri
Chairman
The Palmieri Company

Robert F. Reiser
Group Vice President and
President, International Operations
Xerox Corporation

Louis R. Ross
Executive Vice President
North American Automotive Operations
The Ford Motor Company

Fletcher Byrom
Former Chairman
Koppers Company, Inc.

Ambassador George W. Landau
President
Council of the Americas

Stephen B. Friedman
President and Director General
American Express Company (Mexico),
S.A. de C.V.
and President,
American Chamber of Commerce
of Mexico, A. C.

Andrés Marcelo Sada
Presidente
Cydsa, S.A.

Manuel Somoza Alonso
Director General
Casa de Bolsa Inverlat, S.A.

Saturnino Suárez
Presidente del Consejo
Suarey, S.A. de C.V.

Eloy S. Vallina
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Grupo Chihuahua

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Index, Economica, Aplicada

Bernardo Garza Sada.
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Grupo Industrial ALFA

Eugenio Garza Laguerá
Presidente del Consejo
Grupo VISA, S.A. de C.V.

Gilberto Borja
Presidente
Grupo ICA

Francisco Bunt
Consejero
Cámara Nacional del Cemento

Fausto C. Miranda
Socio Senior
Miranda y Estavillo, S.C.

INTRODUCTION

By way of background, it is necessary to recall that the late 1970s and early 1980s saw dramatic increases in external borrowing by Mexico, rising public expenditures, including widespread subsidies, and state support for the operating losses and expansion of state enterprises. The seemingly uncontrollable public deficit originated in large part from the government's reliance on subsidies. Export subsidies, however, did not fully offset the decline in Mexico's international competitiveness caused by the country's orientation toward import substitution and its protection of relatively inefficient production.

After the severe drop in oil revenues during 1981 and 1982, Mexico entered the most serious economic crisis of its recent history. In response to mounting deficits, foreign debt, and fiscal pressures, the Mexican government devalued the peso, nationalized the banking system, imposed foreign exchange controls, forced conversion of "Mex-dollar" deposits, and suspended principal payments on its external debt. A profound need for an economic restructuring was apparent as President de la Madrid took office in late 1982.

President de la Madrid's administration has made great progress in fundamentally changing the development model of Mexico from import substitution to export development. The government has thereby significantly reduced the deficit of the public sector, even achieving an operating surplus, excluding financing costs. In addition, it has committed itself to a liberalization of trade that will also help to alter the national development model. However, in the midst of the above reforms, in 1986 Mexico experienced another severe economic crisis due to the sharp drop in oil prices.

In spite of the difficulties caused by the loss of oil revenues, and by the earthquake of 1985, efforts have continued to improve Mexico's international competitiveness. President de la Madrid led Mexico into the General Agreement on Tariffs and Trade (GATT), supported the negotiations with the United States that culminated in the November, 1987, signature of an historic framework agreement on bilateral trade and investment, and shifted away from reliance on import licenses toward greater use of tariffs. Both the United States government and international financial institutions have welcomed the liberalization of foreign trade, one result of which has been a significant increase in Mexico's non-oil exports.

President de la Madrid has also announced a more open approach to private investment. However, many international companies and investors, both foreign and Mexican, remain cautious. Some U.S. firms express frustration over the constraints of foreign ownership and the lack of consistency in the government's policies toward private investors. Others have increased their investments. Many of the latter argue that their investments would be larger and the technology they employ more up-to-date were the foreign investment regime more favorable to the expansion of private investment.

The Mexican government has also begun to restructure slowly the state-owned sector through the sale, liquidation, merger, or transfer of State enterprises. Over half of the restructured firms are in the industrial sector.

Although the reforms in Mexico have made headway, some have resisted the calls for change which have come from both inside and outside the country. The 1986 oil crisis provoked a serious economic downturn in Mexico for the second time in this decade. As a consequence, the government and the private sector realized that they would have to increase the pace of transforming Mexico's internal structure and that a substantial portion of public and private external debt would have to be restructured if default was to be avoided. The dramatic and sweeping reforms still necessary to change Mexico from an inward-looking to an internationally competitive nation will be difficult and painful not only for many domestic interests, but also for those international companies that had invested in Mexico to supply a protected Mexican market. The pace of change has tended to be slow, but it is our hope that the growing national perception of the need for reform will accelerate the achievement of international competitiveness.

RECENT EVENTS IN MEXICO AND THE UNITED STATES

Reversing decades of import substitution policies is no easy task. The government and private sector of Mexico have made great progress over the past five years. The following points illustrate that progress as well as some of the problems that remain:

- A substantial increase in confidence has occurred regarding Mexico and its institutions, particularly in the private sector;
- Capital has returned to Mexico for investments, as well as for the operation of firms, and has contributed to the accumulation of significant external reserves;
- The private sector has significantly reduced its external debt;
- Mexico acceded to the General Agreement on Tariffs and Trade (GATT), gaining international recognition for the liberalization of its trade regime and accepting the policy obligations of a full participant in the GATT system;
- Mexico has kept to, and even accelerated, its program of trade liberalization, virtually eliminating import permits, substantially reducing tariffs, and announcing the elimination of official import prices;
- The governments of the United States and Mexico signed a bilateral framework agreement on investment and trade;
- A substantial reduction in price controls has occurred, allowing most firms to notify the authorities of price changes, rather than obliging them to seek permission, which in the past had often encountered delays, modifications, or denials;
- Private firms and the government have undertaken an extraordinary effort to increase industrial productivity;
- In the context of the secondary market for Mexican international debt, the Mexican government developed a program for the conversion of external debt to equity by foreign investors;

- Mexican non-oil exports have increased greatly;
- The successful renegotiation of the long-term public external debt and the introduction and subsequent modification of the FICORCA program for private debts reduced the perception abroad that Mexico suffers from a permanent debt crisis;
- The government interpreted existing laws on foreign investment in a somewhat more accommodating way, which included the authorization of the complete acquisition of some companies by foreign capital;
- Revisions in Mexico's legislation on the protection of patents and trademarks left a number of deficiencies that prevent Mexicans from receiving the full benefits that any patent law should provide;
- Despite progress toward reduction of the federal budget deficit, there has been a sharp increase in the rate of inflation during 1987 and the outlook is not favorable for 1988;
- Mexico has once again begun a peaceful political transition, which will culminate in the election of a new administration in 1988.
- The United States has sent mixed economic policy signals recently. Economic growth has been adequate, but large budget and trade deficits have severely troubled international financial markets and trade policy trends are disquieting;
- Although the U.S. market has been the principal source of the recent growth in Mexico's non-oil exports, there is concern that the trade bills now before the Congress could lead to restrictions on U.S. imports and thus adversely affect Mexican export prospects;
- Fluctuation in U.S. interest rates are of great importance to Mexico, since a variation of one percentage point in international interest rates has an effect on the balance of payments equivalent to a two dollar change in the price of oil;
- Lack of progress in addressing the U.S. budget and trade deficits has tended to undermine international confidence in the outlook for the U.S. economy; and
- The sharp fall in the value of equities on U.S. stock exchanges, which had repercussions in foreign stock exchanges, raised fears of a recession in the United States, and consequently, in other countries that depend heavily on the U.S. economy, including Mexico.

RECOMMENDATIONS OF THE ADVISORY GROUP

The binational Advisory Group on Capital Development for Mexico has prepared the following joint conclusions and recommendations after considerable discussion of the findings of surveys of U.S. and Mexican corporations and individual investors about the obstacles to investment in Mexico. These recommendations are intended chiefly for business and banking leaders in both Mexico and the U.S., for the governments of the two countries, and for international financial institutions.

1. THE LEGAL FRAMEWORK

Confidence attracts capital. Investor confidence is based on dependable, satisfactory expectations about the business environment. In Mexico, legal uncertainty reduces the level of confidence and inhibits long-term investment.

The frequent amending of Mexican laws and regulations affecting trade and investments causes a serious lack of confidence among private investors. In Mexico, the legal order and the institutions that support it should be strengthened and given permanence and stability. Of paramount importance are (1) the narrowing of the discretionary authority of the government as it pertains to private investment, commerce, and the operations of productive enterprise, and (2) an increase in the rights conferred by law on investors. The objective of the Mexican government should be to reduce the scope of regulation of the private economy.

The Mexican foreign investment law, for example, gives the government wide discretion to treat individual cases on an *ad hoc* basis. Thus, despite the progress since 1982 toward a more open Mexican economy, the current laws do not yet inspire the confidence in the clarity and the stability of the legal framework that is necessary to induce substantially greater flows of investment. Steady movement toward a more secure, less discretionary system would encourage private investment and especially the repatriation of capital for the long-term expansion of industrial capacity.

If Mexico is to become and remain internationally competitive, it will require continuous access to up-to-date technology. Mexico should bring its patent and trademark laws, and the protection they offer, up to industrialized-country norms. In the future, Mexico will compete for technology on a world scale and must therefore offer protection to innovators, whether they are Mexican or foreign, that is comparable to those of competitive industrial countries.

Although recent debates on Mexico's protection of intellectual property have concentrated on the desire of foreign companies for greater patent protection, in the long-run Mexico itself should receive the greatest benefits from stronger laws since they will encourage innovation within its own borders.

To help Mexico remove the barriers to greater private investment in industry, as well as in tourism and other services, the Advisory Group recommends the following measures to reduce the administrative discretion that the current legal system confers upon the State:

- The rights to invest in Mexico conferred by law on potential investors should be enlarged and the scope of discriminatory regulation narrowed;
- Mexico should adopt laws on intellectual property that provide full patent protection without discrimination, thereby encouraging domestic innovation and the transfer of foreign technology; and,
- The trade and investment agreement between Mexico and the United States¹ should be implemented in a manner that provides greater certainty regarding legal concepts and priorities.

2. THE MANAGEMENT OF MEXICO'S ECONOMY

The faltering performance of Mexico's inward looking development model in the mid-1970s and its crisis in 1981-82 were principal factors in the policy review that resulted in the shift of the nation's orientation toward exports. Business and government share the objective of promoting economic growth and job creation, which we can achieve with a realistic, long-term economic management, with a well-defined trend toward reliance on market forces. Reaching this goal will require fiscal measures and monetary policies that foster healthy economic growth with reduced inflation.

As Mexico strengthens its open market orientation in the years ahead, business leaders should aim at strengthening private enterprise and at achieving the increases in productivity that will enhance Mexico's international competitiveness. A variety of changes affecting laws, macroeconomic management, fiscal and monetary policies, and the role of the Mexican government itself will be necessary to meet those objectives. Chief among these changes will be the reduction of the Mexican government's expenditures and thus, of the federal budget deficit.

Discriminatory economic and tax benefits restrict free competition and discourage private investment. Thus the trend must be towards the elimination of company or sector-specific concessions and of the protection of inefficient operations. Opening the economy to competition will in the longer run increase employment, production, exports, and Mexico's ability to compete internationally. Deregulation can help improve efficiency and reduce the conditions that can give rise to corruption.

¹ *Understanding between the Government of the United States of America and the Government of the United Mexican States Concerning a Framework of Principles and Procedures for Consultations regarding Trade and Investment Relations*, signed in Mexico, D.F., November 6, 1987, by the U.S. Trade Representative, Ambassador Clayton Yeutter and the Mexican Secretary of Commerce and Industrial Development, Hector Hernandez Cervantes.

The initial successes in the 1980s of non-oil exports were enhanced by the allocation of idle capacity to production for foreign markets. The next stage in Mexico's long-term development of exports will depend on capital investments that create new internationally competitive capacity, the incorporation and local development of advanced technologies, and a reduction of the legal, policy, and regulatory constraints that hamper the growth of the domestic economy.

Managing the economic opening

The government's wide discretionary powers hamper sound economic management in Mexico. The private economy will feel at risk until it is manifest that there is a long-term commitment to free major parts of the economy from government administration and detailed regulation. To illustrate, despite the recent liberalization of price controls, concerns persist that Mexican authorities may return to them in their fight against inflation, rather than attack the causes of inflation through fiscal and monetary policy.

The simplification of laws, and the reduction of regulations and direct and indirect controls will increase the confidence of private investors, as will the encouragement, not the limitation, of the free exercise of professions, industry, and trade.

The Advisory Group recommends:

- Fiscal and monetary policies that encourage Mexican savings, and contain inflationary pressures;
- Exchange rate policies that help sustain Mexican exports; and,
- The maintenance in Mexico of price freedom where it has been established, and the relaxation and, ultimately, elimination of remaining price controls.

The tax system

The existing tax burden in Mexico impedes investment and causes capital flight, brain drain, and the growth of an underground economy. Tax laws that encourage investment, simplify compliance with tax obligations, and that investors perceive as enduring will be valuable incentives for private investment and job creation. Achieving a clear and transparent Mexican tax system, with lower tax rates, is particularly important in view of the worldwide trend toward declining tax rates.

To encourage new investment the Advisory Group recommends that:

- The Mexican tax system be modified so as to make the overall tax burden competitive with the tax systems of:

(A) countries that compete with Mexico for foreign investment, and,

(B) countries that provide outflows of foreign investment; and,

- The 55 per cent withholding tax be reduced, since the level of that tax discourages both Mexican and foreign investment.

Reducing the size of the government and the scope of its activities

The reduction of government competition with private enterprise and of the scope of regulation would encourage new investment in Mexico and enable the government to concentrate public resources on appropriate areas of government activity, such as education and other social services.

The role of the Mexican government, although reduced to some extent by the current administration, remains pervasive. Sectorial decrees, inefficient practices of state-owned companies, and regulatory requirements all complicate domestic and international commercial transactions.

Privatization of state enterprises helps reduce government intervention in the economy. The sale of inefficient government-controlled enterprises will also help reduce inflation since their operating deficits contribute significantly to government expenditures.

Steps such as these will enhance Mexican industry's opportunities to participate more competitively in world markets.

The Advisory Group recommends:

- An acceleration of the program for the sale of additional Mexican government-owned enterprises;
- That those enterprises that remain in government hands be made cost competitive or liquidated;
- Simplification of Mexican legal requirements for the incorporation of businesses;
- A transition of the Mexican automotive component and vehicle manufacturing industry from reliance on local content requirements to the mutually beneficial international exchange of world-class new technology, and high quality and cost competitive complementary products, taking account of the investments that have been made within the framework of the Automotive Rationalization Decree of 1983 and the regulations of 1984;
- That both business and government increase the resources dedicated to the training and education of Mexican youth and workers.

3. THE ENCOURAGEMENT OF CAPITAL FORMATION AND FLOWS

The expansion of Mexican industry, mining, and agriculture will be hindered without new capital investments and greater availability of credit to the private sector. Government policy should therefore be designed to encourage business and banking to make investment and loan capital available for productive use in the Mexican economy.

The renegotiation of Mexico's international debt has enabled the government to surmount some of the most pressing difficulties caused by the debt burden. However, the overhang of foreign debt, and the potentially costly increase in financial charges in the near to medium-term oblige all concerned to seek means of ameliorating this problem. The conversion of debt to equity makes a significant contribution to the reduction of the outstanding debt.

Mexico's debt to equity conversion program has begun to achieve its objectives, namely, increased employment and productivity, greater export capability, encouragement of new technology, efficient import substitution, and the development of new tourist facilities. The debt to equity program's inflationary impact has been small, relative to the advantages that it brings in terms of increased productive investments. Used efficiently with consistent application, it can bring new capital investment to Mexico.

Although the resources of Mexicans themselves will be the most important source of direct capital investment, foreign investors will have an important role in Mexican recovery. Thus this report has highlighted obstacles to foreign direct investment in addition to those that affect Mexican and foreign investors equally.

Among the most important obstacles is the current Mexican law on foreign investment, which, through the discretion it leaves in the hands of government authorities, fails to provide the consistent, long-term inducement to invest that Mexico needs. The recent changes in Mexico's foreign investment regulations that have attempted to liberalize the treatment of medium and small foreign investors do not change the essence of the problem, which is a lack of confidence that the current legal framework ensures the freedom to invest and earn a return that is commensurate with the risks taken over the longer term.

The development of commerce and industry also requires that investors enjoy secure title to their properties. This is essential for the long-term stability of investments and for the confidence necessary to attract capital.

The Advisory Group recommends that:

- Mexican business and government leaders make it their urgent priority to modernize, clarify, and simplify the laws on foreign investment;
- In amending the legislation on foreign investment, and other laws and dispositions regulating such investment, particular attention be given to the guidelines approved by the Council of the *Consejo Empresarial Mexicano para Asuntos Internacionales* (CEMAI);
- Every effort be made by the private sector to develop projects and by the government to formulate policies that encourage the flow of loan and direct investment capital to Mexico;
- Authorization be given to Mexican citizens to acquire the external debt of the Mexican government under the same terms that it currently authorizes foreigners, thereby removing discrimination against Mexican nationals;
- New securities and instruments be developed and authorized that would encourage both Mexican and U.S. investors to invest in productive enterprise in Mexico; and,
- Ambiguities in the security of title to properties for industrial and commercial use should be clarified.

4. INFRASTRUCTURE

Mexican ports have been overwhelmed by the growth of commerce; railroads and highways are insufficient and unreliable; and telecommunications networks are out-of-date. In particular, the inefficiency of *Telefonos de Mexico* hampers business operations and causes a great loss of worker hours. Such deficiencies in Mexico's infrastructure seriously affect private investment and business development in Mexico.

The gaps in infrastructure diminish the international competitiveness of Mexican products and will only grow more serious as Mexico's economy develops and as increasing exports place demands on transport and communication systems. The government of Mexico must make the rebuilding of the infrastructure a top priority. Government resources should be channeled toward the creation of an efficient infrastructure in Mexico, emphasizing railroads, ports, telephone service, and other electronic communications facilities.

The Advisory Group recommends that:

- The government reduce its expenditures on the production and delivery of goods and services, thus freeing up resources that it can devote to the improvement of infrastructure and social expenditures; and,
- Mexican and U.S. private sector identify the most serious bottlenecks in Mexico's infrastructure and recommend measures to remove them.

5. BILATERAL COOPERATION AND THE ROLE OF THE UNITED STATES

Sustained access for Mexican products to a growing U.S. market will be critical to Mexico's ability to sustain a long-term outward economic orientation, which will, of course, benefit both countries. The weight of the United States in the world economy, and in particular relative to Mexico, makes it essential that the U.S. government pursue sound macro-economic policies.

Both countries can contribute to ensuring open markets, for example, through the negotiation of reciprocal trade liberalization. At present, the possible passage of protectionist trade legislation by the United States hampers the planning by Mexican firms for long-term exports to the U.S. market. U.S. and Mexican adherence to the principles of free trade will help create the confidence that is indispensable to long-term private direct investment in up-to-date manufacturing plants.

Fundamental for the future relationship of Mexico and the United States is the inclusion of a better understanding of each other's culture in the education of their youth. A strong effort should therefore be made to present the two countries as good neighbors with the same basic goals, that is, economic growth and the well-being of their citizens in a market economy.

The Advisory Group recommends that:

- The United States and Mexico avoid protectionist legislation and gradually phase out laws favoring specific sectors or industries;

-
- The United States government act to reduce the federal budget deficit and the trade deficit;
 - Private leaders, the two governments, the World Bank, the Inter-American Development Bank, and the International Monetary Fund take complementary actions that will contribute to the dependability and openness of the U.S. market and the long-term continuity of Mexican policies that lead to the further opening of the economy;
 - The Mexico-U.S. Business Committee, and its sponsoring organizations, CEMAI, the Council of the Americas, the Chamber of Commerce of the United States, and the American Chamber of Commerce of Mexico, furnish legislators, opinion-makers, the mass media, and business leaders with regular and effective information on the goals of the binational Committee and on its views of the changes taking place in Mexico and in the United States;
 - The two governments commence negotiations to expand bilateral commerce within the U.S.-Mexico framework agreement on bilateral trade and investment;
 - The Mexico-U.S. Business Committee promote the constructive implementation of the framework agreement's provisions on dispute settlement and of the program for immediate action, which calls for consultations and negotiations on specific issues; and,
 - The Mexico-U.S. Business Committee study the U.S.-Canada Free Trade Agreement carefully, as it and the U.S.-Mexico bilateral agreement will be the foundation for increased trade and investment among Canada, the United States, and Mexico. This future trilateral relationship should enhance North American competitiveness in an era of global markets.

CONCLUSION

Mexico alone will be hard pressed to meet all of its needs for new industrial plant, the modernization of existing operations, infrastructure, and advanced technology. Foreign lending and equity investment by both overseas and Mexican investors can thus play extremely important roles in the country's development in the years ahead. Mexican policy reforms that promote the international competitiveness of the economy will encourage foreign and domestic businesses to invest in production for the world market. The results of those investments will include an accelerated economic recovery and an increase in Mexico's standard of living.

In preparing this report, we have been encouraged by the steps that the government of Mexico has taken to promote an outward orientation for the country's economy. Nevertheless, as our work concludes, we note with concern that in October and November, 1987, the management of the controlled and free-rate in the foreign exchange markets once again raised doubts among private investors about the prospects for reasonably consistent long-term economic management in Mexico.

For the United States, the modernization of Mexico holds out the promise of a closer and more mutually beneficial bilateral relationship. Increased bilateral trade and investment should strengthen the export performance of both countries in world markets, while bringing to their consumers and industries access to each other's products at internationally competitive prices. We will count our work as a success if the Advisory Group on Capital Development for Mexico makes a contribution to the removal of obstacles to the closer economic ties that can benefit both countries so significantly.

IMPLEMENTATION OF THE ADVISORY GROUP'S RECOMMENDATIONS

The Advisory Group recommended the following actions to the binational Mexico-U.S. Business Committee, which approved them at its XLII Plenary Meeting, New Orleans, Louisiana, November 4 - 7, 1987:

- Dissemination of the Report and Recommendations of the Advisory Group to business leaders, private sector organizations, and business and banking firms, government officials, the World Bank, Inter-American Development Bank, and the International Monetary Fund, and colleges and universities in both countries;
- Active consultations on the Report and its policy recommendations with the leadership of business, government, and international and academic institutions; and,
- Efforts by business leaders to develop the public support that will be necessary to sustain open U.S. and Mexican economies.

THE MEXICO-U.S. BUSINESS COMMITTEE

The Mexico-U.S. Business Committee is the oldest bilateral business organization between the United States and Mexico. The binational Committee held its XLII annual Plenary meeting in 1987.

The goal of the Mexico-U.S. Business Committee is to promote a better understanding of the value of the Mexican and U.S. private sectors to the economic growth and development of the two countries.

The binational Committee seeks joint solutions to problems of concern to business leaders of Mexico and the United States. At the annual Plenary meeting, the binational Committee analyzes the year's developments, decides upon recommendations to business and governments, and establishes the Committee's annual work program.

The U.S. Council of the Mexico-U.S. Business Committee is the steering group for U.S. participants. The U.S. Council is an independent business organization founded and sponsored by the Council of the Americas, the Chamber of Commerce of the United States, and the American Chamber of Commerce of Mexico, A. C.

The Mexican Section is the steering group for Mexican participants and is sponsored by the *Consejo Empresarial Mexicano para Asuntos Internacionales* (CEMAI).

THE ADVISORY GROUP ON CAPITAL DEVELOPMENT FOR MEXICO

On May 27, 1986, members of the Mexico-U.S. Business Committee met with other leaders of U.S. and Mexican banking and industry to consider the actions required to promote economic recovery in Mexico as well as the growth of the country's private economy. As a result of that meeting, the binational Business Committee established the Advisory Group on Capital Development for Mexico.

With the intent of providing informed inputs to business, banking, government, and international financial institutions, the Business Committee asked the Advisory Group to report to the Committee's XLII Plenary in November, 1987, and to recommend specific actions on:

- The identification and removal of the obstacles to increased investment and commerce by Mexican and U.S. firms;
- Specific structural reforms that governments and firms can take to enhance Mexico's international competitiveness; and.
- The financing of private productive investments, including measures to mobilize domestic savings.

The Advisory Group was also asked to develop common views among U.S. and Mexican industrial leaders, and to widen the private constituency in the United States and Mexico for industrial modernization and the development of an internationally competitive private sector in Mexico.

The Advisory Group decided to focus on measures that business and government can take to modernize existing operations, reduce costs, and encourage new investments for internationally competitive production. As a first step, the Advisory Group undertook surveys of Mexican and U.S. corporations with substantial investments in Mexico in order to identify the most significant obstacles to new investments in Mexico by both Mexican and foreign investors.

Members of the Advisory Group also consulted with the World Bank, the International Monetary Fund, and the Inter-American Development Bank. The surveys served as the foundation for consultations among the members of the Advisory Group and for the preparation of the Group's final report.

U.S. Council of the
Mexico-U.S. Business Committee

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Rodman C. Rockefeller
CHAIRMAN

March 9, 1988

Ms. Jennifer Volk
Executive Assistant to Mr. Conable
Office of the President
The World Bank
701 19th Street, N.W. Room E-1227
Washington, D.C. 20433

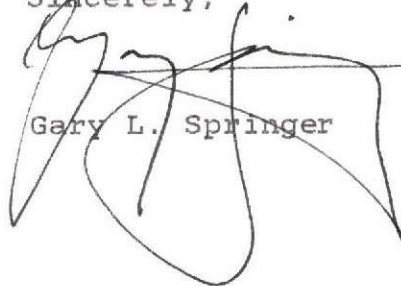
Dear Ms. Volk:

As promised, here is an advance copy of the Report of the Advisory Group on Capital Development for Mexico, which we will discuss at the meeting next week.

If U.S. Customs ever releases the remaining copies, I will deliver to you as many as you may need.

I look forward to seeing you next week.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary L. Springer", written over a printed name.

Gary L. Springer

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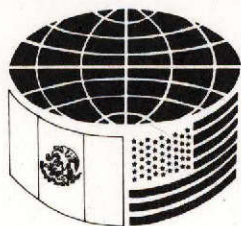
Council of the Americas • Chamber of Commerce of the United States • American Chamber of Commerce of Mexico, A.C.

INFORME
DEL GRUPO CONSULTIVO
SOBRE DESARROLLO DE CAPITAL
PARA MEXICO



COMITE EMPRESARIAL
MEXICO-ESTADOS UNIDOS

INFORME
DEL GRUPO CONSULTIVO
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PARA MEXICO



COMITE EMPRESARIAL
MEXICO-ESTADOS UNIDOS

PREFACIO

El Comité Empresarial México-Estados Unidos se ha interesado desde hace tiempo en el desarrollo de las economías de los dos países y, especialmente, en el papel que la empresa privada puede desempeñar en la expansión del comercio y la inversión bilaterales. Por consiguiente, el Comité binacional ha dedicado considerable atención a las medidas que las empresas privadas, los gobiernos y las organizaciones internacionales pueden tomar para acelerar la recuperación económica de México. Para ayudar en esta tarea el Comité solicitó a algunos dirigentes empresariales y financieros de ambos países que formaran parte del Grupo Consultivo sobre Desarrollo de Capital para México, cuya labor se resume en este informe.

El propósito del Grupo Consultivo es proporcionar información a los dirigentes de la industria y a las instituciones financieras privadas así como a las autoridades superiores del gobierno y las instituciones financieras internacionales acerca de aquellas medidas que podrían fomentar el desarrollo de capital que es necesario para restablecer el crecimiento económico de México.

Los acuerdos celebrados entre México y sus acreedores privados y públicos han proporcionado un respiro durante el cual las empresas y los gobiernos pueden emprender acciones positivas. En la actualidad, los inversionistas extranjeros y mexicanos están considerando los medios para modernizar sus operaciones, reducir sus costos y establecer una producción que sea internacionalmente competitiva. El gobierno mexicano ha demostrado su intención de facilitar una mayor competencia por medio de reformas que modernicen el sistema económico, incluso contando más con la empresa privada.

La XL Reunión Plenaria del Comité Empresarial México-Estados Unidos hizo varias recomendaciones para eliminar los obstáculos al desarrollo de capital. Además, una encuesta efectuada entre las principales compañías estadounidenses que realizan operaciones en México tuvo como consecuencia una serie de propuestas para alcanzar esa meta. También en México se llevó a cabo una encuesta similar. Gracias a las encuestas de empresas mexicanas y extranjeras que realizan operaciones en México, el Grupo Consultivo ha compilado una serie de comentarios y recomendaciones que, según espera, serán de utilidad para otras compañías privadas, para los gobiernos de Estados Unidos y de México así como para el Grupo del Banco Mundial, el Banco Interamericano de Desarrollo y el Fondo Monetario Internacional.

Este informe resume los resultados de las dos encuestas, conversaciones con dirigentes empresariales y de la banca, funcionarios de los dos gobiernos y de las instituciones financieras internacionales, así como los resultados de las reuniones celebradas por el propio Grupo Consultivo. El informe comprende cuatro partes. En la primera se describe la situación prevaleciente en México en 1986. En la segunda se examinan los recientes cambios ocurridos en México y Estados Unidos mientras que la tercera y cuarta partes contienen las conclusiones y recomendaciones del Grupo Consultivo que fueron aprobadas por el Comité Empresarial México-Estados Unidos en su XLII Reunión Plenaria celebrada en Nueva Orleans del 4 al 7 de noviembre de 1987.

Los infrascritos, miembros del Grupo Consultivo, recomiendan la lectura de este informe a:

- los dirigentes de la industria y de la banca de ambos países;
- los funcionarios de los gobiernos de México y Estados Unidos; y
- el Banco Mundial, el Fondo Monetario Internacional y el
- Banco Interamericano de Desarrollo.

Esperamos que el informe y las acciones de seguimiento emprendidas por el Grupo Consultivo, el Comité Empresarial México-Estados Unidos y demás organizaciones e individuos interesados contribuyan a la prosperidad de México y Estados Unidos.

(firmado)

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INTRODUCCION

Es necesario recordar, como antecedentes, que en los últimos años del decenio de 1970 y primeros del decenio de 1980 hubo notables aumentos de los préstamos externos concedidos a México, elevación del gasto público, incluso extensos subsidios, y apoyo estatal para las pérdidas de operación y la expansión de las empresas paraestatales. El déficit público, aparentemente incontrolable, derivaba en gran medida de los subsidios establecidos por México. Sin embargo, los subsidios a las exportaciones no compensaban plenamente la disminución de la competitividad de México en el plano internacional, causada por la orientación del país hacia la substitución de importaciones y la protección que daba a la producción relativamente ineficiente.

Tras la marcada caída de los ingresos por concepto de petróleo que se produjo en 1981 y 1982 México entró en la crisis económica más grave de su historia reciente. En respuesta a los déficit cada vez mayores, la deuda exterior y las presiones fiscales, el gobierno mexicano devaluó el peso, nacionalizó el sistema bancario, impuso controles de cambio, obligó a convertir en pesos los depósitos en "mexdólares" y suspendió los pagos de principal de su deuda externa. Cuando el Presidente de la Madrid comenzó su mandato, a fines de 1982, era evidente la profunda necesidad de una reestructuración económica.

El gobierno del Presidente de la Madrid ha avanzado mucho en la tarea de cambiar en forma fundamental el modelo de desarrollo de México, pasando de la substitución de importaciones al desarrollo de las exportaciones. Con ello el gobierno ha reducido considerablemente el déficit del sector público, alcanzando incluso un superávit de operación, con exclusión de los costos de financiamiento. Además, se ha dedicado a liberalizar el comercio lo cual contribuirá también a modificar el modelo de desarrollo nacional. No obstante, en 1986, cuando se hallaba en medio de las reformas mencionadas. México sufrió otra severa crisis económica debida a la marcada caída de los precios del petróleo.

A pesar de las dificultades causadas por la merma de los ingresos derivados del petróleo y por los terremotos de 1985, los esfuerzos por mejorar la competitividad internacional de México no han cesado. El Presidente de la Madrid propició el ingreso de México al GATT, apoyó las negociaciones con Estados Unidos que en noviembre de 1987 culminaron con la firma de un histórico entendimiento marco sobre comercio e inversión, y en vez del sistema de permisos de importación ha favorecido un mayor uso de los aranceles. Tanto el gobierno de Estados Unidos como las instituciones financieras internacionales han observado con satisfacción esta liberalización del comercio exterior, uno de cuyos resultados ha sido el considerable aumento de las exportaciones no petroleras de México.

El Presidente de la Madrid ha anunciado, además, un criterio más abierto en materia de inversión privada. Sin embargo, muchas compañías internacionales y muchos inversionistas, tanto externos como mexicanos, siguen mostrándose precavidos. Algunas empresas norteamericanas manifiestan frustración ante las limitaciones impuestas a la propiedad externa y ante la falta de congruencia de las políticas gubernamentales con relación a los inversionistas privados. Otras han aumentado sus inversiones. Muchas de estas últimas señalan que sus inversiones serían mayores aún y la tecnología que emplean sería más moderna si el régimen de inversión externa fuera más favorable a la expansión de la inversión privada.

El gobierno mexicano también ha empezado a reestructurar lentamente el sector paraestatal por medio de ventas, liquidaciones, fusiones transferencia de tales empresas. Más de la mitad de las empresas reestructuradas pertenecen al sector industrial.

Aunque las reformas han avanzado en México, algunos se han resistido a los llamados en pro del cambio provenientes tanto del interior como del exterior del país. La crisis petrolera de 1986 provocó una grave contracción económica en México, por segunda ocasión en este decenio. En consecuencia, el gobierno y el sector privado comprendieron que tendrían que acelerar el ritmo de transformación de la estructura interna del país y que una parte considerable de la deuda exterior pública y privada tendría que ser reestructurada para evitar caer en un incumplimiento. Las reformas radicales y notables que todavía son necesarias para que México se transforme dejando de ser un país con crecimiento hacia dentro para ser un país internacionalmente competitivo serán difíciles y dolorosas no sólo para muchos intereses nacionales sino también para aquellas compañías internacionales que han invertido en México para abastecer a un mercado mexicano protegido. El ritmo del cambio ha tendido a ser lento, pero esperamos que la creciente comprensión nacional de la necesidad de cambio acelerará el logro de competitividad en el plano internacional.

ACONTECIMIENTOS RECIENTES OCURRIDOS EN MEXICO Y ESTADOS UNIDOS

No es fácil dar marcha atrás en las políticas de sustitución de importaciones que han prevalecido durante décadas. El gobierno y el sector privado de México han hecho grandes progresos en los últimos cinco años. Los puntos siguientes ilustran dichos progresos así como algunos de los problemas que aún subsisten:

- Ha habido un considerable aumento de la confianza en México y sus instituciones, especialmente en el sector privado;
- Ha regresado capital a México para inversiones así como para la operación de empresas, lo cual ha contribuido a la acumulación de importantes reservas de divisas;
- El sector privado ha reducido de manera considerable su deuda exterior;
- México entró a formar parte del Acuerdo General sobre Aranceles Aduaneros y Comercio (GATT), obteniendo reconocimiento internacional por la liberación de su régimen comercial y aceptando las obligaciones normativas de un participante cabal del sistema del GATT;
- México se ha apegado a su programa de liberación del comercio, e incluso lo ha acelerado, eliminando prácticamente los permisos de importación a la vez que ha reducido considerablemente los aranceles y ha anunciado la eliminación de los precios oficiales de las importaciones;
- Los gobiernos de Estados Unidos y México firmaron un entendimiento marco sobre comercio e inversión;
- Ha habido una reducción considerable de los controles de precios y se ha permitido a la mayor parte de las empresas notificar a las autoridades los cambios en los precios en lugar de obligarlas a pedir permiso, lo que anteriormente era causa de demoras, modificaciones o negativas;
- Las empresas privadas y el gobierno han emprendido un esfuerzo extraordinario para aumentar la productividad industrial;

- En el contexto del mercado secundario para la deuda internacional de México, el gobierno mexicano elaboró un programa para convertir la deuda exterior en capital accionario para los inversionistas extranjeros;
- Las exportaciones no petroleras de México han aumentado en gran medida;
- La exitosa renegociación de la deuda exterior pública a largo plazo así como la implantación y modificación subsiguiente del programa FICORCA Para las deudas del sector privado redujeron en el extranjero la idea de que México padece una crisis permanente de la deuda;
- El gobierno interpretó las leyes vigentes sobre inversión externa con un criterio más amplio que incluyó la autorización para que algunas compañías pudieran ser adquiridas en su totalidad por capital extranjero;
- Las enmiendas de las leyes mexicanas sobre protección de patentes y marcas registradas han dejado persistir una serie de deficiencias que impiden que los mexicanos reciban los beneficios cabales que toda ley sobre patentes debe dispensar;
- A pesar de los progresos logrados en la reducción del déficit del presupuesto federal, ha habido un marcado aumento de la tasa de inflación durante 1987 y las perspectivas para 1988 no son favorables;
- Una vez más México ha iniciado una transición política pacífica que culminará con la elección de un nuevo gobierno en 1988.
- En los últimos tiempos Estados Unidos ha dado diversos criterios de política económica. Su crecimiento económico ha sido suficiente pero los grandes déficit presupuestario y comercial han trastornado gravemente los mercados financieros internacionales y las tendencias de su política comercial son inquietantes;
- Aunque el mercado estadounidense ha sido la causa principal del reciente crecimiento de exportaciones no petroleras de México, existe la preocupación de que los proyectos de ley sobre comercio que actualmente considera el Congreso pudieran ocasionar restricciones de las importaciones de Estados Unidos lo cual afectaría adversamente las perspectivas de las exportaciones mexicanas;
- Las fluctuaciones de las tasas de interés estadounidenses son de gran importancia para México puesto que la variación de un punto porcentual en las tasas de interés internacionales tiene un efecto en la balanza de pagos equivalente a un cambio de dos dólares en el precio del petróleo;
- La falta de progreso en la corrección de los déficit presupuestario y comercial de Estados Unidos ha tendido a socavar la confianza internacional en las perspectivas de la economía estadounidense; y
- La marcada disminución del valor de las acciones en la bolsa de valores de Estados Unidos, que tuvo repercusiones en las bolsas de otros países, suscitó el temor de una recesión en Estados Unidos y, por ende, en otros países que dependen sobremedida de la economía norteamericana, entre los que figura México.

RECOMENDACIONES DEL GRUPO CONSULTIVO

El Grupo Consultivo binacional sobre Desarrollo de Capital para México ha elaborado las siguientes conclusiones y recomendaciones conjuntas tras haber considerado a fondo los resultados de las encuestas entre compañías estadounidenses y mexicanas así como de inversionistas individuales acerca de los obstáculos que afectan las inversiones en México. Estas recomendaciones se destinan, principalmente, a los dirigentes empresariales y de la banca tanto de México como de Estados Unidos, a los gobiernos de ambos países y a las instituciones financieras internacionales.

1. EL MARCO LEGAL

La confianza atrae capital. La confianza del inversionista está basada en expectativas confiables y satisfactorias sobre el medio empresarial. En México, la incertidumbre en materia jurídica reduce el nivel de confianza e inhibe la inversión a largo plazo.

Las frecuentes enmiendas de las leyes y reglamentos mexicanos que afectan el comercio y las inversiones provocan una grave falta de confianza en los inversionistas privados. En México, el orden jurídico y las instituciones que lo sustentan deben ser reforzadas y tener durabilidad y estabilidad. De primordial importancia son: (1) la disminución de la autoridad discrecional del gobierno en lo que respecta a la inversión privada, el comercio y las operaciones de la empresa productiva, y (2) el aumento de los derechos que la ley confiere a los inversionistas. El objetivo del gobierno mexicano debería ser reducir el alcance de la reglamentación de la economía privada.

La ley mexicana sobre inversiones extranjeras, por ejemplo, da al gobierno amplia discreción para tratar los casos individuales sobre una base *ad hoc*. Así, a pesar de los progresos realizados desde 1982 hacia una economía mexicana más abierta, las leyes actuales no inspiran aún la confianza en la claridad y la estabilidad del marco legal que son necesarias para estimular flujos de inversión considerablemente mayores. Un firme progreso hacia el establecimiento de un sistema más seguro y menos discrecional estimularía la inversión privada y especialmente la repatriación de capitales para la expansión de la capacidad industrial a largo plazo.

Para que México sea internacionalmente competitivo, y continúe siéndolo, hace falta un continuo acceso a la tecnología más moderna. México debería establecer sus leyes sobre patentes y marcas registradas (así como la protección que dichas leyes brindan) en pie de igualdad con las normas de los países industrializados. En el futuro México competirá por tecnología en una escala mundial y, por ende, debe ofrecer a los innovadores, bien sean mexicanos o extranjeros, una protección comparable a la que ofrecen los países industriales competitivos.

Aunque los recientes debates sobre la protección de la propiedad privada en México se han concentrado en el deseo que tienen las compañías extranjeras de obtener mayor protección de sus patentes, a la larga sería el propio México el que se beneficiaría más de contar con leyes vigorosas puesto que éstas estimularían las innovaciones dentro de sus fronteras.

Con el propósito de ayudar a que México elimine los obstáculos a una mayor inversión privada en la industria así como en el turismo y otros servicios, el Grupo Consultivo recomienda las siguientes medidas para reducir la discreción administrativa que el sistema jurídico actual confiere al Estado:

- Los derechos para invertir en México que la ley confiere a los inversionistas potenciales deberían ser ampliados y el alcance de la reglamentación discrecional debería ser reducido;
- México debería adoptar leyes sobre propiedad intelectual que brinden una cabal protección de las patentes sin discriminación alguna, con lo cual se estimularían las innovaciones dentro del país y la transferencia de tecnología externa; y
- El convenio sobre comercio e inversión celebrado entre México y Estados Unidos¹ debería ser aplicado de manera que proporcione más certidumbre en lo que respecta a los conceptos jurídicos y las prioridades.

2. EL MANEJO DE LA ECONOMIA DE MEXICO

Los vacilantes resultados del modelo de desarrollo industrial mexicano de sustitución de importaciones a mediados del decenio de 1970 y la crisis del mismo en 1981-82 fueron factores principales en la revisión de políticas, que dio como resultado un cambio de la orientación de la nación, dirigida ahora a las exportaciones. Las empresas y el gobierno comparten el objetivo de fomentar el crecimiento económico y la creación de empleos, objetivo que podemos lograr con un manejo económico realista y a largo plazo, con una clara tendencia a atenerse a las fuerzas del mercado. El alcance de este objetivo exigirá medidas fiscales y políticas monetarias que fomenten un crecimiento económico sano con una menor inflación.

¹ Entendimiento entre el Gobierno de los Estados Unidos Mexicanos y el Gobierno de los Estados Unidos de América relativo a un Marco de Principios y Procedimientos de Consulta sobre Relaciones de Comercio e Inversión, firmado en México, D.F., el 6 de noviembre de 1987, por el Representante de Comercio de Estados Unidos, Sr. Embajador Clayton Yeutter y el Secretario de Comercio y Fomento Industrial de México, Sr. Héctor Hernández Cervantes

A medida que México fortalezca su orientación al mercado abierto en los años venideros, los dirigentes empresariales deberán tender a fortalecer la empresa privada y alcanzar los aumentos de la productividad que reforzarán la competitividad internacional de México. Para alcanzar estos objetivos serán necesarios diversos cambios que afecten las leyes, la gestión de la macroeconomía, políticas fiscales y monetarias y el propio papel del gobierno mexicano. Entre estos cambios figura en lugar preponderante la reducción del gasto del gobierno mexicano y, por ende, del déficit del presupuesto federal.

Las ventajas económicas y fiscales discriminatorias limitan la libre competencia y desalientan la inversión privada. Por consiguiente hay que tender a la eliminación de las concesiones a compañías o sectores específicos y a eliminar la protección de las operaciones ineficientes. El hecho de abrir la economía a la competencia redundará a la larga en un aumento del empleo, la producción, las exportaciones y la capacidad de México para competir internacionalmente. La eliminación de reglamentaciones puede contribuir a mejorar la eficiencia y reducir las condiciones que pueden propiciar la corrupción.

Los éxitos obtenidos inicialmente por las exportaciones no petroleras de México en el decenio de 1980 fueron reforzados por la asignación de la capacidad ociosa a la producción para los mercados exteriores. La siguiente fase en el desarrollo a largo plazo de las exportaciones mexicanas dependerá de las inversiones de capital que creen una nueva capacidad internacionalmente competitiva, la incorporación y el desarrollo local de tecnologías avanzadas y una reducción de las limitaciones jurídicas, normativas y fiscalizadoras que obstaculizan el crecimiento de la economía nacional.

El manejo de la apertura económica

En México, los amplios poderes discrecionales del gobierno obstaculizan la buena gestión económica. La economía privada se sentirá en peligro hasta que sea manifiesto que hay un compromiso a largo plazo para liberar las principales partes de la economía de la administración y reglamentación excesiva del gobierno. Para ilustrar este punto diremos que pese a la reciente liberalización de los controles de precios, persiste la inquietud de que las autoridades mexicanas puedan restablecerlos nuevamente, en su lucha contra la inflación, en lugar de atacar las causas de la misma por medio de políticas fiscales y monetarias.

La simplificación de las leyes y la reducción de las reglamentaciones y de los controles directos e indirectos aumentarán la confianza de los inversionistas privados al igual que el estímulo (y no la limitación) del libre ejercicio de las profesiones, la industria y el comercio.

El Grupo Consultivo recomienda:

- políticas fiscales y monetarias que estimulen el ahorro de los mexicanos y frenen las presiones inflacionarias;
- políticas cambiarias que ayuden a mantener las exportaciones mexicanas; y

- el mantenimiento en México de la libertad de precios, así como la atenuación y, finalmente, la eliminación de los controles de precios existentes.

El sistema fiscal

La carga tributaria que hay en México obstaculiza la inversión y causa huída de capitales, fuga de cerebros y el crecimiento de una economía subterránea. Leyes fiscales que estimulen las inversiones, simplifiquen el cumplimiento de las obligaciones tributarias y que los inversionistas consideren duraderas, serán valiosos incentivos para la inversión privada y la creación de empleos. El logro de un sistema fiscal mexicano claro y transparente, con tasas impositivas más bajas, es especialmente importante habida cuenta de la tendencia mundial a reducir las tasas impositivas.

Para estimular nuevas inversiones el Grupo Consultivo recomienda que:

- se modifique el sistema fiscal mexicano de manera que la carga tributaria general sea competitiva con los sistemas fiscales de:
 - (A) los países que compiten con México por obtener inversiones externas, y
 - (B) los países que proporcionan flujos de inversión externa; y
- se reduzca el impuesto retenido de 55 por ciento, ya que el nivel de dicho impuesto desalienta la inversión tanto mexicana como extranjera.

Reducción del tamaño del gobierno y del alcance de sus actividades

La reducción de la competencia del gobierno con la empresa privada y del alcance de su reglamentación estimularía nuevas inversiones en México y permitiría al gobierno concentrar los recursos públicos en las esferas de actividad gubernamental apropiadas tales como la educación y otros servicios sociales.

Aunque el papel del gobierno mexicano ha sido reducido en cierta medida por la administración actual, sigue siendo generalizado. Los decretos sectoriales, las prácticas ineficientes de las empresas paraestatales, y los requerimientos reglamentarios complican las transacciones comerciales nacionales e internacionales.

La privatización de las empresas paraestatales contribuye a reducir la intervención del gobierno en la economía. La venta de empresas ineficientes controladas por el gobierno contribuirá también a reducir la inflación puesto que sus déficit de operación contribuyen de manera importante al gasto público.

Medidas como ésta permitirán a la industria mexicana incrementar sus oportunidades de participación de manera competitiva en los mercados mundiales.

El Grupo Consultivo recomienda:

- Acelerar el programa para la venta de empresas paraestatales mexicanas;

- Que las empresas que queden en manos del gobierno tengan costos competitivos o bien sean liquidadas;
- Simplificar los requisitos jurídicos mexicanos para incorporar empresas;
- Que haya una transición en la industria automotriz mexicana, tanto de componentes como de manufactura de vehículos, que permita la liberalización de la dependencia en los requerimientos de contenido local, a un intercambio internacional, mutuamente benéfico, de nueva tecnología a nivel mundial, con productos complementarios de alta calidad y costos competitivos, tomando en consideración las inversiones que se han realizado dentro del marco del Decreto para la Racionalización de la Industria Automotriz de 1983 y la reglamentación del mismo de 1984;
- Que tanto las empresas como el gobierno aumenten los recursos dedicados a la capacitación y la educación de los jóvenes y los obreros mexicanos.

3. FOMENTO DE LA FORMACION Y LOS FLUJOS DE CAPITAL

La expansión de la industria, la minería y la agricultura de México se verá obstaculizada si no hay nuevas inversiones de capital y mayor disponibilidad de crédito para el sector privado.

Por consiguiente, debería trazarse la política gubernamental de manera que estimule a las empresas y a la banca a tener disponibilidad de capital para inversiones y empréstitos para su uso productivo en la economía mexicana.

La renegociación de la deuda internacional de México ha permitido al gobierno superar algunas de las más apremiantes dificultades causadas por la carga que la misma implica. Sin embargo, la amenaza de la deuda exterior y el aumento de los costos financieros potencialmente onerosos de mediano a largo plazo obliga a todos los interesados a buscar los medios para reducir este problema. La conversión de deuda a capital constituye una importante contribución a la reducción de la deuda.

El programa mexicano de conversión de deuda a capital ha empezado a alcanzar sus objetivos, a saber: más empleo y productividad, más capacidad de exportación, estímulo a las tecnologías nuevas, eficiente substitución de importaciones y desarrollo de nuevos servicios turísticos. El efecto inflacionario del programa de conversión de deuda a capital ha sido pequeño en relación con las ventajas que conlleva en términos de mayores inversiones productivas. Si se usa de manera eficiente y se aplica sistemáticamente puede traer a México nuevas inversiones de capital.

Aunque los recursos de los propios mexicanos será la fuente más importante de inversiones de capital, los inversionistas externos desempeñarán un papel importante en la recuperación mexicana. Por consiguiente, este informe ha subrayado los obstáculos a la inversión externa directa además de aquellos que afectan por igual a los inversionistas mexicanos y extranjeros.

Entre los obstáculos más importantes figura la actual legislación mexicana sobre inversión externa que, debido a la discreción que otorga a las autoridades gubernamentales, no proporciona el firme incentivo que México necesita para invertir a largo

plazo. Los recientes cambios en la reglamentación de la inversión externa en México, que han intentado liberalizar el tratamiento del pequeño y mediano inversionista externo, no alteran la esencia del problema que es la falta de confianza en que el marco jurídico actual garantice la libertad para invertir y obtener un rendimiento proporcional a los riesgos que se corre a largo plazo.

El desarrollo del comercio y la industria exige también que los inversionistas tengan seguridad en sus títulos de propiedad. Esto es esencial para la estabilidad de las inversiones a largo plazo así como para la confianza necesaria para atraer capital.

El Grupo Consultivo recomienda que:

- Los dirigentes empresariales y del gobierno de México establezcan como prioridad apremiante modernizar, aclarar y simplificar las leyes sobre inversión externa;
- al enmendar la legislación sobre inversión externa, y otras leyes y disposiciones que la gobiernan, se de atención especial a las directrices aprobadas por el *Consejo Empresarial Mexicano para Asuntos Internacionales* (CEMAI);
- tanto el sector privado como el gobierno se esfuercen al máximo, el primero para elaborar proyectos, y el segundo para formular políticas que promuevan el flujo de capital de empréstitos y capital para inversión directa;
- se de a los ciudadanos mexicanos autorización para adquirir la deuda exterior del gobierno de México en los mismos términos en que actualmente se autoriza a los extranjeros, con lo que se eliminaría la discriminación contra los ciudadanos mexicanos;
- se creen y autoricen nuevos valores e instrumentos que estimulen a los inversionistas mexicanos y extranjeros a invertir en empresas productivas en México; y
- se aclaren las ambigüedades en la seguridad de los títulos de propiedad para uso industrial y comercial.

4. INFRAESTRUCTURA

Los puertos mexicanos están abrumados por el crecimiento del comercio; los ferrocarriles y las carreteras son insuficientes y poco confiables; y las redes de telecomunicaciones son anticuadas. De manera especial, la ineficiencia de Teléfonos de México obstaculiza las operaciones comerciales y causa grandes pérdidas de horas de trabajo. Estas deficiencias de la infraestructura de México afectan gravemente la inversión privada y el desarrollo comercial del país.

Las deficiencias de la infraestructura menoscaban la competitividad internacional de los productos mexicanos y los mismos irán agravándose a medida que la economía de México se desarrolle y el aumento de las exportaciones planteé demandas a los sistemas de transporte y de comunicación. El gobierno de México debe considerar como alta prioridad la reconstrucción de la infraestructura del país. Los recursos del gobierno deberían canalizarse a la creación de una infraestructura eficiente, haciendo hincapié en los ferrocarriles, los puertos, el servicio de teléfono y otros servicios de comunicaciones electrónicas.

El Grupo Consultivo recomienda que:

El gobierno reduzca sus gastos para la producción y entrega de bienes y servicios, con lo cual liberaría recursos que podría dedicar al mejoramiento de la infraestructura y a gastos sociales; y

- Los sectores privados de ambos países determinen cuáles son los cuellos de botella más graves en la infraestructura de México y recomienden medidas para eliminarlos.

5. LA COOPERACION BILATERAL Y EL PAPEL DE ESTADOS UNIDOS

El acceso sostenido de los productos mexicanos a un mercado estadounidense cada vez mayor será crucial para que México pueda mantener una orientación económica hacia el exterior, a largo plazo, lo que, huelga decirlo, beneficiaría a ambos países. El peso de Estados Unidos en la economía mundial y especialmente en lo que respecta a México, hace esencial que el gobierno norteamericano adopte firmes políticas macroeconómicas.

Ambos países pueden contribuir a asegurar mercados abiertos, por ejemplo, mediante la negociación de una liberalización recíproca del comercio. En la actualidad, la posible aprobación de leyes de comercio proteccionistas en Estados Unidos constituye un obstáculo para que las empresas mexicanas puedan planear a largo plazo sus exportaciones al mercado estadounidense. La adhesión de México y Estados Unidos a los principios del libre comercio contribuirá a crear la confianza indispensable para la inversión privada directa a largo plazo en fábricas modernas.

Para las futuras relaciones entre México y Estados Unidos es fundamental incluir en la educación de los jóvenes una mejor comprensión de la cultura del otro país. Por consiguiente, habría que hacer un gran esfuerzo por presentar a los dos países como buenos vecinos que tienen las mismas metas básicas: el crecimiento económico y el bienestar de sus ciudadanos en una economía de mercado.

El Grupo Consultivo recomienda que:

- Estados Unidos y México eviten las leyes proteccionistas y eliminen paulatinamente aquellas que favorecen a sectores o industrias específicos;
- El gobierno de Estados Unidos tome medidas para reducir los déficit presupuestario federal y comercial;
- Los dirigentes privados, los dos gobiernos, el Banco Mundial, el Banco Interamericano de Desarrollo y el Fondo Monetario Internacional emprendan acciones complementarias que contribuyan a la confiabilidad y apertura del mercado estadounidense y a la continuidad a largo plazo de las políticas mexicanas que lleven a una mayor apertura de la economía;

- El Comité Empresarial México-Estados Unidos y las organizaciones que lo patrocinan, el CEMAI, el Consejo de las Américas, la Cámara de Comercio de Estados Unidos y la Cámara de Comercio Americana de México suministren a los legisladores, orientadores de la opinión pública, medios de comunicación masiva y dirigentes empresariales información periódica y real sobre las metas del comité binacional y sobre sus opiniones acerca de los cambios que ocurren tanto en México como en Estados Unidos;
- Los dos gobiernos inicien negociaciones para expandir el comercio bilateral dentro del marco del convenio celebrado entre Estados Unidos y México;
- El Comité Empresarial México-Estados Unidos promueva la aplicación constructiva de las disposiciones del mencionado convenio relativas a la resolución de controversias y al cumplimiento del programa de acción inmediata, que requiere consultas y negociaciones sobre temas específicos; y
- El Comité Empresarial México-Estados Unidos estudie cuidadosamente el convenio comercial celebrado entre Estados Unidos y Canadá puesto que dicho convenio, junto con el convenio bilateral entre Estados Unidos y México, constituirá la base para aumentar el volumen del comercio y las inversiones entre Canadá, Estados Unidos y México. Esta futura relación trilateral fortalecerá la competitividad de América del Norte en una era de mercados globales.

CONCLUSION

México, por sí solo, se verá en dificultades financieras para satisfacer todas sus necesidades de nuevas plantas industriales, modernización de las operaciones existentes, infraestructura y tecnología avanzada. Por ende, los préstamos exteriores y la inversión directa, tanto por parte de inversionistas externos como de inversionistas mexicanos pueden desempeñar papeles sumamente importantes en el desarrollo del país en los años venideros. Las reformas de las políticas mexicanas que fomentan la competitividad internacional de la economía alentarán a las empresas extranjeras y nacionales a invertir en la producción para el mercado mundial. Entre los resultados de estas inversiones figurarán la acelerada recuperación económica y el aumento del nivel de vida en México.

Al elaborar este informe nos hemos sentido alentados por las medidas tomadas por el gobierno de México para fomentar la orientación al exterior de la economía del país. No obstante, al concluir nuestro trabajo observamos con preocupación que en los meses de octubre y noviembre de 1987 el manejo del tipo de cambio controlado y libre en los mercados de divisas a vuelto a plantear dudas en los inversionistas privados sobre las perspectivas de una gestión económica razonablemente consistente en México a largo plazo.

Para Estados Unidos la modernización de México entraña la promesa de una relación bilateral más estrecha y más provechosa mutuamente. El aumento del comercio y las inversiones bilaterales fortalecerá el comportamiento de las exportaciones de ambos países en los mercados mundiales y hará que los consumidores y las industrias de cada uno de ellos tengan acceso a los productos del otro a precios internacionalmente competitivos. Consideraremos que nuestra labor habrá tenido éxito si el Grupo Consultivo sobre Desarrollo de Capital para México contribuye a eliminar los obstáculos para establecer vínculos económicos más estrechos que pueden ser sumamente ventajosos para ambos países.

APLICACION DE LAS RECOMENDACIONES DEL GRUPO CONSULTIVO

El Grupo Consultivo recomendó las acciones siguientes al Comité Empresarial México-Estados Unidos, el cual las aprobó en la XLII Reunión Plenaria celebrada en Nueva Orleans, Louisiana, del 4 al 7 de noviembre de 1987:

- Distribución del Informe y las Recomendaciones del Grupo Consultivo a los dirigentes empresariales, organizaciones del sector privado, empresas e instituciones bancarias, funcionarios gubernamentales, Banco Mundial, Banco Interamericano de Desarrollo, Fondo Monetario Internacional, así como a instituciones de estudios superiores y universidades de ambos países;
- Consultas sobre el Informe y sus Recomendaciones efectuadas con dirigentes de empresas, el gobierno y las instituciones internacionales y académicas; y
- Empeño de los dirigentes empresariales por crear el apoyo público que será necesario para mantener economías abiertas de Estados Unidos y de México.

EL GRUPO CONSULTIVO SOBRE DESARROLLO DE CAPITAL PARA MEXICO

EL COMITE EMPRESARIAL MEXICO-ESTADOS UNIDOS

El Comité Empresarial México-Estados Unidos es la organización empresarial bilateral más antigua que existe en México y los Estados Unidos de América. Este Comité binacional sostuvo su cuadragésima segunda reunión plenaria en 1987.

El objetivo primordial del Comité Empresarial México-Estados Unidos es el de promover un mejor entendimiento de la importancia que tienen los sectores privados mexicano y estadounidense en el crecimiento económico y desarrollo de ambos países.

El Comité binacional busca soluciones conjuntas a los problemas que afectan a los empresarios de México y de los Estados Unidos. En su reunión anual plenaria, el Comité binacional analiza los acontecimientos del año, determina las recomendaciones dirigidas a la iniciativa privada y al gobierno, y establece el programa de trabajo anual del Comité.

El Consejo de los Estados Unidos del Comité Empresarial México-Estados Unidos, es el grupo directivo de los participantes norteamericanos. El Consejo de los Estados Unidos es un organismo empresarial independiente fundado y auspiciado por el Consejo de las Américas, la Cámara de Comercio de los Estados Unidos y la Cámara Americana de Comercio de México.

La Sección Mexicana es el grupo directivo de los participantes mexicanos bajo el patrocinio del *Consejo Empresarial Mexicano para Asuntos Internacionales* (CEMAI).

EL GRUPO CONSULTIVO SOBRE DESARROLLO DE CAPITAL PARA MEXICO

El 27 de mayo de 1986, los miembros del Comité Empresarial México-Estados Unidos se reunieron con otros líderes de la banca y la industria mexicana y norteamericana a fin de identificar las acciones necesarias para promover la recuperación económica de México, así como el crecimiento del sector privado del país. Como resultado de esta reunión el Comité Empresarial binacional estableció el Grupo Consultivo sobre Desarrollo de Capital para México.

Con objeto de proporcionar información confiable a empresas, bancos, gobiernos e instituciones financieras internacionales, el Comité Empresarial solicitó al Grupo Consultivo un informe para la cuadragésima segunda reunión plenaria del Comité que se llevaría a cabo en noviembre de 1987, y recomendar acciones específicas sobre:

- la identificación y remoción de obstáculos para el incremento del comercio y la inversión entre empresas mexicanas y norteamericanas;
- reformas estructurales específicas que puedan adoptarse a nivel empresarial y gubernamental a fin de incrementar la competitividad de México a nivel internacional; y
- el financiamiento de inversiones productivas privadas, incluyendo medidas para movilizar el ahorro interno.

Se solicitó también al Grupo Consultivo recabar puntos de vista entre los líderes industriales mexicanos y norteamericanos a fin de lograr un apoyo más decidido en México y los Estados Unidos para la modernización y desarrollo de un sector privado internacionalmente competitivo en México.

El Grupo Consultivo decidió enfocar las medidas que los empresarios y el gobierno pudieran tomar para lograr la modernización de la planta productiva existente, reducir costos e incentivar nuevas inversiones tendientes hacia una producción internacionalmente competitiva. Como primer paso el Grupo Consultivo llevó a cabo encuestas entre corporaciones mexicanas y norteamericanas con inversiones sustanciales en México a fin de identificar los obstáculos más significativos para las nuevas inversiones en México por parte de inversionistas tanto mexicanos como extranjeros.

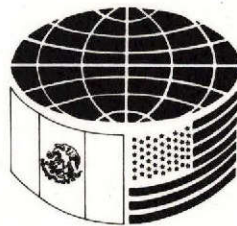
Los miembros del Grupo Consultivo consultaron igualmente con el Banco Mundial, el Fondo Monetario Internacional y el Banco Interamericano de Desarrollo. Estas encuestas sirvieron como fundamento para la realización del reporte final del Grupo.

REPORT
OF THE ADVISORY GROUP
ON CAPITAL DEVELOPMENT
FOR MEXICO



MEXICO-U.S. BUSINESS COMMITTEE

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MEXICO-U.S. BUSINESS COMMITTEE

PREFACE

The Mexico-U.S. Business Committee has long been concerned with the growth and development of the U.S. and Mexican economies and, in particular, the role that private enterprise can play in the expansion of bilateral trade and investment. Thus the binational Committee has devoted considerable attention to the measures that private firms, governments, and international organizations can take to speed Mexico's economic recovery. To assist it in this task, the Committee asked a number of business and financial leaders from both countries to serve on the Advisory Group on Capital Development for Mexico, whose work is summarized in this report.

The purpose of the Advisory Group is to provide informed inputs to leaders of private industry and finance and to policymakers in government and international financial institutions on measures that could encourage the capital development necessary for Mexico's renewed economic growth.

Agreements between Mexico and its private and official creditors have provided a breathing space during which corporations and governments can take constructive actions. Foreign and Mexican private investors are examining means of modernizing their operations, reducing costs, and establishing internationally competitive production. The Mexican government has demonstrated its intent to facilitate increased competition through reforms that modernize the economic system, including greater reliance on private enterprise.

The XL Plenary Meeting of the Mexico-U.S. Business Committee made several recommendations for removing barriers to capital development. A survey conducted among the principal U.S. companies doing business in Mexico also gave rise to a series of proposals aimed at achieving the same goal. A comparable survey was also undertaken in Mexico. Through its surveys of both Mexican and U.S. firms with operations in Mexico, the Advisory Group has compiled a number of comments and recommendations which it hopes will prove useful to other private companies, the governments of the United States and Mexico, and the World Bank Group, the Inter-American Development Bank, and the International Monetary Fund.

This report summarizes the results of the two surveys, discussions with business and banking leaders, officials of the two governments and international financial institutions, and the results of the meetings of the Advisory Group itself. The report contains four sections. The first describes the situation that prevailed in Mexico during 1986. The second focuses on recent changes in Mexico and the United States, and the third and fourth sections contain the conclusions and recommendations of the Advisory Group, which the Mexico-U.S. Business Committee approved at its XLII Plenary Meeting at New Orleans, November 4-7, 1987.

We, the undersigned members of the Advisory Group, commend this report to:

Industrial and banking leaders in both countries;

U.S. and Mexican government officials; and

The World Bank, the International Monetary Fund, and the Inter-American Development Bank.

It is our hope that the report and follow-up actions taken by the Advisory Group, the Mexico-U.S. Business Committee, and other interested organizations and individuals will contribute to the prosperity of Mexico and the United States.

Signed

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Elek, Moreno Valle y Asociados

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INTRODUCTION

By way of background, it is necessary to recall that the late 1970s and early 1980s saw dramatic increases in external borrowing by Mexico, rising public expenditures, including widespread subsidies, and state support for the operating losses and expansion of state enterprises. The seemingly uncontrollable public deficit originated in large part from the government's reliance on subsidies. Export subsidies, however, did not fully offset the decline in Mexico's international competitiveness caused by the country's orientation toward import substitution and its protection of relatively inefficient production.

After the severe drop in oil revenues during 1981 and 1982, Mexico entered the most serious economic crisis of its recent history. In response to mounting deficits, foreign debt, and fiscal pressures, the Mexican government devalued the peso, nationalized the banking system, imposed foreign exchange controls, forced conversion of "Mex-dollar" deposits, and suspended principal payments on its external debt. A profound need for an economic restructuring was apparent as President de la Madrid took office in late 1982.

President de la Madrid's administration has made great progress in fundamentally changing the development model of Mexico from import substitution to export development. The government has thereby significantly reduced the deficit of the public sector, even achieving an operating surplus, excluding financing costs. In addition, it has committed itself to a liberalization of trade that will also help to alter the national development model. However, in the midst of the above reforms, in 1986 Mexico experienced another severe economic crisis due to the sharp drop in oil prices.

In spite of the difficulties caused by the loss of oil revenues, and by the earthquake of 1985, efforts have continued to improve Mexico's international competitiveness. President de la Madrid led Mexico into the General Agreement on Tariffs and Trade (GATT), supported the negotiations with the United States that culminated in the November, 1987, signature of an historic framework agreement on bilateral trade and investment, and shifted away from reliance on import licenses toward greater use of tariffs. Both the United States government and international financial institutions have welcomed the liberalization of foreign trade, one result of which has been a significant increase in Mexico's non-oil exports.

President de la Madrid has also announced a more open approach to private investment. However, many international companies and investors, both foreign and Mexican, remain cautious. Some U.S. firms express frustration over the constraints of foreign ownership and the lack of consistency in the government's policies toward private investors. Others have increased their investments. Many of the latter argue that their investments would be larger and the technology they employ more up-to-date were the foreign investment regime more favorable to the expansion of private investment.

The Mexican government has also begun to restructure slowly the state-owned sector through the sale, liquidation, merger, or transfer of State enterprises. Over half of the restructured firms are in the industrial sector.

Although the reforms in Mexico have made headway, some have resisted the calls for change which have come from both inside and outside the country. The 1986 oil crisis provoked a serious economic downturn in Mexico for the second time in this decade. As a consequence, the government and the private sector realized that they would have to increase the pace of transforming Mexico's internal structure and that a substantial portion of public and private external debt would have to be restructured if default was to be avoided. The dramatic and sweeping reforms still necessary to change Mexico from an inward-looking to an internationally competitive nation will be difficult and painful not only for many domestic interests, but also for those international companies that had invested in Mexico to supply a protected Mexican market. The pace of change has tended to be slow, but it is our hope that the growing national perception of the need for reform will accelerate the achievement of international competitiveness.

RECENT EVENTS IN MEXICO AND THE UNITED STATES

Reversing decades of import substitution policies is no easy task. The government and private sector of Mexico have made great progress over the past five years. The following points illustrate that progress as well as some of the problems that remain:

- A substantial increase in confidence has occurred regarding Mexico and its institutions, particularly in the private sector;
- Capital has returned to Mexico for investments, as well as for the operation of firms, and has contributed to the accumulation of significant external reserves;
- The private sector has significantly reduced its external debt;
- Mexico acceded to the General Agreement on Tariffs and Trade (GATT), gaining international recognition for the liberalization of its trade regime and accepting the policy obligations of a full participant in the GATT system;
- Mexico has kept to, and even accelerated, its program of trade liberalization, virtually eliminating import permits, substantially reducing tariffs, and announcing the elimination of official import prices;
- The governments of the United States and Mexico signed a bilateral framework agreement on investment and trade;
- A substantial reduction in price controls has occurred, allowing most firms to notify the authorities of price changes, rather than obliging them to seek permission, which in the past had often encountered delays, modifications, or denials;
- Private firms and the government have undertaken an extraordinary effort to increase industrial productivity;
- In the context of the secondary market for Mexican international debt, the Mexican government developed a program for the conversion of external debt to equity by foreign investors;

- Mexican non-oil exports have increased greatly;
- The successful renegotiation of the long-term public external debt and the introduction and subsequent modification of the FICORCA program for private debts reduced the perception abroad that Mexico suffers from a permanent debt crisis;
- The government interpreted existing laws on foreign investment in a somewhat more accommodating way, which included the authorization of the complete acquisition of some companies by foreign capital;
- Revisions in Mexico's legislation on the protection of patents and trademarks left a number of deficiencies that prevent Mexicans from receiving the full benefits that any patent law should provide;
- Despite progress toward reduction of the federal budget deficit, there has been a sharp increase in the rate of inflation during 1987 and the outlook is not favorable for 1988;
- Mexico has once again begun a peaceful political transition, which will culminate in the election of a new administration in 1988.
- The United States has sent mixed economic policy signals recently. Economic growth has been adequate, but large budget and trade deficits have severely troubled international financial markets and trade policy trends are disquieting;
- Although the U.S. market has been the principal source of the recent growth in Mexico's non-oil exports, there is concern that the trade bills now before the Congress could lead to restrictions on U.S. imports and thus adversely affect Mexican export prospects;
- Fluctuation in U.S. interest rates are of great importance to Mexico, since a variation of one percentage point in international interest rates has an effect on the balance of payments equivalent to a two dollar change in the price of oil;
- Lack of progress in addressing the U.S. budget and trade deficits has tended to undermine international confidence in the outlook for the U.S. economy; and
- The sharp fall in the value of equities on U.S. stock exchanges, which had repercussions in foreign stock exchanges, raised fears of a recession in the United States, and consequently, in other countries that depend heavily on the U.S. economy, including Mexico.

RECOMMENDATIONS OF THE ADVISORY GROUP

The binational Advisory Group on Capital Development for Mexico has prepared the following joint conclusions and recommendations after considerable discussion of the findings of surveys of U.S. and Mexican corporations and individual investors about the obstacles to investment in Mexico. These recommendations are intended chiefly for business and banking leaders in both Mexico and the U.S., for the governments of the two countries, and for international financial institutions.

1. THE LEGAL FRAMEWORK

Confidence attracts capital. Investor confidence is based on dependable, satisfactory expectations about the business environment. In Mexico, legal uncertainty reduces the level of confidence and inhibits long-term investment.

The frequent amending of Mexican laws and regulations affecting trade and investments causes a serious lack of confidence among private investors. In Mexico, the legal order and the institutions that support it should be strengthened and given permanence and stability. Of paramount importance are (1) the narrowing of the discretionary authority of the government as it pertains to private investment, commerce, and the operations of productive enterprise, and (2) an increase in the rights conferred by law on investors. The objective of the Mexican government should be to reduce the scope of regulation of the private economy.

The Mexican foreign investment law, for example, gives the government wide discretion to treat individual cases on an *ad hoc* basis. Thus, despite the progress since 1982 toward a more open Mexican economy, the current laws do not yet inspire the confidence in the clarity and the stability of the legal framework that is necessary to induce substantially greater flows of investment. Steady movement toward a more secure, less discretionary system would encourage private investment and especially the repatriation of capital for the long-term expansion of industrial capacity.

If Mexico is to become and remain internationally competitive, it will require continuous access to up-to-date technology. Mexico should bring its patent and trademark laws, and the protection they offer, up to industrialized-country norms. In the future, Mexico will compete for technology on a world scale and must therefore offer protection to innovators, whether they are Mexican or foreign, that is comparable to those of competitive industrial countries.

Although recent debates on Mexico's protection of intellectual property have concentrated on the desire of foreign companies for greater patent protection, in the long-run Mexico itself should receive the greatest benefits from stronger laws since they will encourage innovation within its own borders.

To help Mexico remove the barriers to greater private investment in industry, as well as in tourism and other services, the Advisory Group recommends the following measures to reduce the administrative discretion that the current legal system confers upon the State:

- The rights to invest in Mexico conferred by law on potential investors should be enlarged and the scope of discriminatory regulation narrowed;
- Mexico should adopt laws on intellectual property that provide full patent protection without discrimination, thereby encouraging domestic innovation and the transfer of foreign technology; and,
- The trade and investment agreement between Mexico and the United States¹ should be implemented in a manner that provides greater certainty regarding legal concepts and priorities.

2. THE MANAGEMENT OF MEXICO'S ECONOMY

The faltering performance of Mexico's inward looking development model in the mid-1970s and its crisis in 1981-82 were principal factors in the policy review that resulted in the shift of the nation's orientation toward exports. Business and government share the objective of promoting economic growth and job creation, which we can achieve with a realistic, long-term economic management, with a well-defined trend toward reliance on market forces. Reaching this goal will require fiscal measures and monetary policies that foster healthy economic growth with reduced inflation.

As Mexico strengthens its open market orientation in the years ahead, business leaders should aim at strengthening private enterprise and at achieving the increases in productivity that will enhance Mexico's international competitiveness. A variety of changes affecting laws, macroeconomic management, fiscal and monetary policies, and the role of the Mexican government itself will be necessary to meet those objectives. Chief among these changes will be the reduction of the Mexican government's expenditures and thus, of the federal budget deficit.

Discriminatory economic and tax benefits restrict free competition and discourage private investment. Thus the trend must be towards the elimination of company or sector-specific concessions and of the protection of inefficient operations. Opening the economy to competition will in the longer run increase employment, production, exports, and Mexico's ability to compete internationally. Deregulation can help improve efficiency and reduce the conditions that can give rise to corruption.

¹ *Understanding between the Government of the United States of America and the Government of the United Mexican States Concerning a Framework of Principles and Procedures for Consultations regarding Trade and Investment Relations*, signed in Mexico, D.F., November 6, 1987, by the U.S. Trade Representative, Ambassador Clayton Yeutter and the Mexican Secretary of Commerce and Industrial Development, Hector Hernandez Cervantes.

The initial successes in the 1980s of non-oil exports were enhanced by the allocation of idle capacity to production for foreign markets. The next stage in Mexico's long-term development of exports will depend on capital investments that create new internationally competitive capacity, the incorporation and local development of advanced technologies, and a reduction of the legal, policy, and regulatory constraints that hamper the growth of the domestic economy.

Managing the economic opening

The government's wide discretionary powers hamper sound economic management in Mexico. The private economy will feel at risk until it is manifest that there is a long-term commitment to free major parts of the economy from government administration and detailed regulation. To illustrate, despite the recent liberalization of price controls, concerns persist that Mexican authorities may return to them in their fight against inflation, rather than attack the causes of inflation through fiscal and monetary policy.

The simplification of laws, and the reduction of regulations and direct and indirect controls will increase the confidence of private investors, as will the encouragement, not the limitation, of the free exercise of professions, industry, and trade.

The Advisory Group recommends:

- Fiscal and monetary policies that encourage Mexican savings, and contain inflationary pressures;
- Exchange rate policies that help sustain Mexican exports; and,
- The maintenance in Mexico of price freedom where it has been established, and the relaxation and, ultimately, elimination of remaining price controls.

The tax system

The existing tax burden in Mexico impedes investment and causes capital flight, brain drain, and the growth of an underground economy. Tax laws that encourage investment, simplify compliance with tax obligations, and that investors perceive as enduring will be valuable incentives for private investment and job creation. Achieving a clear and transparent Mexican tax system, with lower tax rates, is particularly important in view of the worldwide trend toward declining tax rates.

To encourage new investment the Advisory Group recommends that:

- The Mexican tax system be modified so as to make the overall tax burden competitive with the tax systems of:

(A) countries that compete with Mexico for foreign investment, and,

(B) countries that provide outflows of foreign investment; and,

- The 55 per cent withholding tax be reduced, since the level of that tax discourages both Mexican and foreign investment.

Reducing the size of the government and the scope of its activities

The reduction of government competition with private enterprise and of the scope of regulation would encourage new investment in Mexico and enable the government to concentrate public resources on appropriate areas of government activity, such as education and other social services.

The role of the Mexican government, although reduced to some extent by the current administration, remains pervasive. Sectorial decrees, inefficient practices of state-owned companies, and regulatory requirements all complicate domestic and international commercial transactions.

Privatization of state enterprises helps reduce government intervention in the economy. The sale of inefficient government-controlled enterprises will also help reduce inflation since their operating deficits contribute significantly to government expenditures.

Steps such as these will enhance Mexican industry's opportunities to participate more competitively in world markets.

The Advisory Group recommends:

- An acceleration of the program for the sale of additional Mexican government-owned enterprises;
- That those enterprises that remain in government hands be made cost competitive or liquidated;
- Simplification of Mexican legal requirements for the incorporation of businesses;
- A transition of the Mexican automotive component and vehicle manufacturing industry from reliance on local content requirements to the mutually beneficial international exchange of world-class new technology, and high quality and cost competitive complementary products, taking account of the investments that have been made within the framework of the Automotive Rationalization Decree of 1983 and the regulations of 1984;
- That both business and government increase the resources dedicated to the training and education of Mexican youth and workers.

3. THE ENCOURAGEMENT OF CAPITAL FORMATION AND FLOWS

The expansion of Mexican industry, mining, and agriculture will be hindered without new capital investments and greater availability of credit to the private sector. Government policy should therefore be designed to encourage business and banking to make investment and loan capital available for productive use in the Mexican economy.

The renegotiation of Mexico's international debt has enabled the government to surmount some of the most pressing difficulties caused by the debt burden. However, the overhang of foreign debt, and the potentially costly increase in financial charges in the near to medium-term oblige all concerned to seek means of ameliorating this problem. The conversion of debt to equity makes a significant contribution to the reduction of the outstanding debt.

Mexico's debt to equity conversion program has begun to achieve its objectives, namely, increased employment and productivity, greater export capability, encouragement of new technology, efficient import substitution, and the development of new tourist facilities. The debt to equity program's inflationary impact has been small, relative to the advantages that it brings in terms of increased productive investments. Used efficiently with consistent application, it can bring new capital investment to Mexico.

Although the resources of Mexicans themselves will be the most important source of direct capital investment, foreign investors will have an important role in Mexican recovery. Thus this report has highlighted obstacles to foreign direct investment in addition to those that affect Mexican and foreign investors equally.

Among the most important obstacles is the current Mexican law on foreign investment, which, through the discretion it leaves in the hands of government authorities, fails to provide the consistent, long-term inducement to invest that Mexico needs. The recent changes in Mexico's foreign investment regulations that have attempted to liberalize the treatment of medium and small foreign investors do not change the essence of the problem, which is a lack of confidence that the current legal framework ensures the freedom to invest and earn a return that is commensurate with the risks taken over the longer term.

The development of commerce and industry also requires that investors enjoy secure title to their properties. This is essential for the long-term stability of investments and for the confidence necessary to attract capital.

The Advisory Group recommends that:

- Mexican business and government leaders make it their urgent priority to modernize, clarify, and simplify the laws on foreign investment;
- In amending the legislation on foreign investment, and other laws and dispositions regulating such investment, particular attention be given to the guidelines approved by the Council of the *Consejo Empresarial Mexicano para Asuntos Internacionales* (CEMAI);
- Every effort be made by the private sector to develop projects and by the government to formulate policies that encourage the flow of loan and direct investment capital to Mexico;
- Authorization be given to Mexican citizens to acquire the external debt of the Mexican government under the same terms that it currently authorizes foreigners, thereby removing discrimination against Mexican nationals;
- New securities and instruments be developed and authorized that would encourage both Mexican and U.S. investors to invest in productive enterprise in Mexico; and,
- Ambiguities in the security of title to properties for industrial and commercial use should be clarified.

4. INFRASTRUCTURE

Mexican ports have been overwhelmed by the growth of commerce; railroads and highways are insufficient and unreliable; and telecommunications networks are out-of-date. In particular, the inefficiency of *Telefonos de Mexico* hampers business operations and causes a great loss of worker hours. Such deficiencies in Mexico's infrastructure seriously affect private investment and business development in Mexico.

The gaps in infrastructure diminish the international competitiveness of Mexican products and will only grow more serious as Mexico's economy develops and as increasing exports place demands on transport and communication systems. The government of Mexico must make the rebuilding of the infrastructure a top priority. Government resources should be channeled toward the creation of an efficient infrastructure in Mexico, emphasizing railroads, ports, telephone service, and other electronic communications facilities.

The Advisory Group recommends that:

- The government reduce its expenditures on the production and delivery of goods and services, thus freeing up resources that it can devote to the improvement of infrastructure and social expenditures; and,
- Mexican and U.S. private sector identify the most serious bottlenecks in Mexico's infrastructure and recommend measures to remove them.

5. BILATERAL COOPERATION AND THE ROLE OF THE UNITED STATES

Sustained access for Mexican products to a growing U.S. market will be critical to Mexico's ability to sustain a long-term outward economic orientation, which will, of course, benefit both countries. The weight of the United States in the world economy, and in particular relative to Mexico, makes it essential that the U.S. government pursue sound macro-economic policies.

Both countries can contribute to ensuring open markets, for example, through the negotiation of reciprocal trade liberalization. At present, the possible passage of protectionist trade legislation by the United States hampers the planning by Mexican firms for long-term exports to the U.S. market. U.S. and Mexican adherence to the principles of free trade will help create the confidence that is indispensable to long-term private direct investment in up-to-date manufacturing plants.

Fundamental for the future relationship of Mexico and the United States is the inclusion of a better understanding of each other's culture in the education of their youth. A strong effort should therefore be made to present the two countries as good neighbors with the same basic goals, that is, economic growth and the well-being of their citizens in a market economy.

The Advisory Group recommends that:

- The United States and Mexico avoid protectionist legislation and gradually phase out laws favoring specific sectors or industries;

- The United States government act to reduce the federal budget deficit and the trade deficit;
- Private leaders, the two governments, the World Bank, the Inter-American Development Bank, and the International Monetary Fund take complementary actions that will contribute to the dependability and openness of the U.S. market and the long-term continuity of Mexican policies that lead to the further opening of the economy;
- The Mexico-U.S. Business Committee, and its sponsoring organizations, CEMAI, the Council of the Americas, the Chamber of Commerce of the United States, and the American Chamber of Commerce of Mexico, furnish legislators, opinion-makers, the mass media, and business leaders with regular and effective information on the goals of the binational Committee and on its views of the changes taking place in Mexico and in the United States;
- The two governments commence negotiations to expand bilateral commerce within the U.S.-Mexico framework agreement on bilateral trade and investment;
- The Mexico-U.S. Business Committee promote the constructive implementation of the framework agreement's provisions on dispute settlement and of the program for immediate action, which calls for consultations and negotiations on specific issues; and,
- The Mexico-U.S. Business Committee study the U.S.-Canada Free Trade Agreement carefully, as it and the U.S.-Mexico bilateral agreement will be the foundation for increased trade and investment among Canada, the United States, and Mexico. This future trilateral relationship should enhance North American competitiveness in an era of global markets.

* The United States government act to reduce the federal budget deficit and the trade deficit.

* Private leaders, the two governments, the World Bank, the Inter American Development Bank, and the International Monetary Fund take complementary actions that will contribute to the dependability and openness of the U.S. market and the long-term continuity of Mexican policies that lead to the further opening of the economy.

* The Mexico-U.S. Business Committee, and its sponsoring organizations, CEMAL, the Council of the Americas, the Chamber of Commerce of the United States, and the American Chamber of Commerce of Mexico, furnish legislators, opinion makers, the mass media, and business leaders with regular and effective information on the goals of the bilateral Committee and on its views of the changes taking place in Mexico and in the United States.

* The two governments' commerce negotiations to expand bilateral commerce within the U.S. Mexico framework agreement on bilateral trade and investment.

* The Mexico-U.S. Business Committee promote the constructive implementation of the framework agreement's provisions on dispute settlement and of the program for immediate action, which calls for consultations and negotiations on specific issues.

CONCLUSION

* The Mexico-U.S. Business Committee study the U.S.-Canada Free Trade Agreement carefully, as it and the U.S.-Mexico bilateral agreement will be the foundation

Mexico alone will be hard pressed to meet all of its needs for new industrial plant, the modernization of existing operations, infrastructure, and advanced technology. Foreign lending and equity investment by both overseas and Mexican investors can thus play extremely important roles in the country's development in the years ahead. Mexican policy reforms that promote the international competitiveness of the economy will encourage foreign and domestic businesses to invest in production for the world market. The results of those investments will include an accelerated economic recovery and an increase in Mexico's standard of living.

In preparing this report, we have been encouraged by the steps that the government of Mexico has taken to promote an outward orientation for the country's economy. Nevertheless, as our work concludes, we note with concern that in October and November, 1987, the management of the controlled and free-rate in the foreign exchange markets once again raised doubts among private investors about the prospects for reasonably consistent long-term economic management in Mexico.

For the United States, the modernization of Mexico holds out the promise of a closer and more mutually beneficial bilateral relationship. Increased bilateral trade and investment should strengthen the export performance of both countries in world markets, while bringing to their consumers and industries access to each other's products at internationally competitive prices. We will count our work as a success if the Advisory Group on Capital Development for Mexico makes a contribution to the removal of obstacles to the closer economic ties that can benefit both countries so significantly.

THE MEXICO-U.S. BUSINESS COMMITTEE

IMPLEMENTATION OF THE ADVISORY GROUP'S RECOMMENDATIONS

The Advisory Group recommended the following actions to the binational Mexico-U.S. Business Committee, which approved them at its XLII Plenary Meeting, New Orleans, Louisiana, November 4 - 7, 1987:

- Dissemination of the Report and Recommendations of the Advisory Group to business leaders, private sector organizations, and business and banking firms, government officials, the World Bank, Inter-American Development Bank, and the International Monetary Fund, and colleges and universities in both countries;
- Active consultations on the Report and its policy recommendations with the leadership of business, government, and international and academic institutions; and,
- Efforts by business leaders to develop the public support that will be necessary to sustain open U.S. and Mexican economies.

THE MEXICO-U.S. BUSINESS COMMITTEE

The Mexico-U.S. Business Committee is the oldest bilateral business organization between the United States and Mexico. The binational Committee held its XLII annual Plenary meeting in 1987.

The goal of the Mexico-U.S. Business Committee is to promote a better understanding of the value of the Mexican and U.S. private sectors to the economic growth and development of the two countries.

The binational Committee seeks joint solutions to problems of concern to business leaders of Mexico and the United States. At the annual Plenary meeting, the binational Committee analyzes the year's developments, decides upon recommendations to business and governments, and establishes the Committee's annual work program.

The U.S. Council of the Mexico-U.S. Business Committee is the steering group for U.S. participants. The U.S. Council is an independent business organization founded and sponsored by the Council of the Americas, the Chamber of Commerce of the United States, and the American Chamber of Commerce of Mexico, A. C.

The Mexican Section is the steering group for Mexican participants and is sponsored by the *Consejo Empresarial Mexicano para Asuntos Internacionales* (CEMAI).

THE ADVISORY GROUP ON CAPITAL DEVELOPMENT FOR MEXICO

On May 27, 1986, members of the Mexico-U.S. Business Committee met with other leaders of U.S. and Mexican banking and industry to consider the actions required to promote economic recovery in Mexico as well as the growth of the country's private economy. As a result of that meeting, the binational Business Committee established the Advisory Group on Capital Development for Mexico.

With the intent of providing informed inputs to business, banking, government, and international financial institutions, the Business Committee asked the Advisory Group to report to the Committee's XLII Plenary in November, 1987, and to recommend specific actions on:

- The identification and removal of the obstacles to increased investment and commerce by Mexican and U.S. firms;
- Specific structural reforms that governments and firms can take to enhance Mexico's international competitiveness; and.
- The financing of private productive investments, including measures to mobilize domestic savings.

The Advisory Group was also asked to develop common views among U.S. and Mexican industrial leaders, and to widen the private constituency in the United States and Mexico for industrial modernization and the development of an internationally competitive private sector in Mexico.

The Advisory Group decided to focus on measures that business and government can take to modernize existing operations, reduce costs, and encourage new investments for internationally competitive production. As a first step, the Advisory Group undertook surveys of Mexican and U.S. corporations with substantial investments in Mexico in order to identify the most significant obstacles to new investments in Mexico by both Mexican and foreign investors.

Members of the Advisory Group also consulted with the World Bank, the International Monetary Fund, and the Inter-American Development Bank. The surveys served as the foundation for consultations among the members of the Advisory Group and for the preparation of the Group's final report.

3/16.
12:30

The World Bank/International Finance Corporation
OFFICE MEMORANDUM

DATE: 26-Feb-1988 05:15pm

TO: Marianne Haug (MARIANNE HAUG)

FROM: Jennifer Anne Volk, EXC (JENNIFER ANNE VOLK)

EXT.: 72173

SUBJECT: Loose Ends

MARIANNE - I AM RECEIVING CONCERNING PRESSURE ON THESE TWO.

China Press Conference: HKNicholas told me today that Mr. Burki is quite willing to do this press conference himself on March 11. The choice of date is because Ext. Aff. wants to be able to say that the Press conference is being held by Burki because BBC is overseas. Another alternative was raised by Linda today: As to March 14, how about moving the PC to the afternoon, doing the China trip briefing first thing in the morning, followed by a press briefing immediately after that.

Burki

Rodman Rockefeller: Last year on February 2, Mr. Conable met with Rodman Rockefeller from the Council of the Americas to discuss Mexico and the Bank's role in its recovery and growth. The meeting was attended by Messrs. Knox, Botellier. Since then a report has been prepared and is now ready and Mr. Rockefeller would like to present it to Mr. Conable. They need about 45 minutes. I have pulled last year's brief, a copy of which is in your in-box. May I know your thoughts on scheduling this item. (My thought is that March is hopeless.) (Contact: Gary Springer 659-1547)

B-Hasain present

MAQ
Hussain

3/16

✓ Congressional Breakfasts: Are we still on for March 3, 15 and 17?

✓ Turkey and the new Resident Mission: Word from the Region was not to schedule anything with the Ambassador until after March 7 but in any event, we should wait to hear from OPS.

CC: Linda Jean McLaughlin

(LINDA JEAN MCLAUGHLIN)

"L... V...
MEX"
R+R

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

Council of the
Gamy 659-1547 American
Springers. cas.

Rodman + $2/3$ year
Rockefeller. \rightarrow ago.

Report ready 2/2.

now. Presenting

45 minutes

Knox
Bokellier
Azzan

6-7
7-8
7-9

MEXICO - Briefing Note for Mr. Barber Conable
for Meeting with Mr. Rodman Rockefeller

1. On Friday, January 23, 1987, at 10 a.m., you will meet with Mr. Rodman Rockefeller, Chairman of the U.S. Council of the Mexico-U.S. Business Committee and several members of the Advisory Group on Capital Development for Mexico. The main objective of the Advisory Group is to develop views on policies deemed most conducive to new private investment and growth in Mexico. This is being carried out in consultation with U.S. and Mexican Government officials, industrial and banking leaders of both countries, and the multilateral financing institutions. Mr. Rockefeller and his colleagues would like to discuss the World Bank role in the recovery and growth of Mexico and at the same time brief you on their recent trip to Mexico where they have already met with representatives of the Government and the private sector.

2. You may wish to start the discussion by providing an overview of Mexico's economic program and the make-up of the 1986-87 financing package that is proposed to be provided in support of this program. A fact sheet on the financing package is attached. As you know, the commercial Bank package has not yet been finalized.

Mexico's Economic Program

3. The World Bank has worked with the Government on the program of growth-oriented adjustment and structural reform, and is of the view that, if implemented effectively over the next several years, it constitutes a sound basis for Mexico to resume production and employment growth on a sustainable basis. Mexico's program is designed to improve the efficiency and competitiveness of the economy through significant trade liberalization and a reduction in the size and scope of the public sector. Trade liberalization measures already implemented include accession to the GATT, elimination of import restrictions on more than 60% of the total value of imports and reduction in import tariffs from a maximum of 100% to 45% at present. The Government's intention regarding further trade liberalization, including specific commitments to remove all import reference prices by end 1987 and to reduce tariffs to a range of 0-30% by end 1988, has been publicly announced. Structural change in the area of public expenditures is being carried out along two lines: through the selling, merging, closing, and/or transferring of non-strategic and non-priority firms and industrial reconversion. The latter will be supported by the Bank through two specific projects in fertilizers and steel, as well as industrial sector and restructuring loans.

Foreign Direct Investment

4. Rules concerning foreign investment have been selectively liberalized, especially for small and medium scale industries and in the areas relating to non-oil exports and the transfer of technology. The Government has also recently issued procedures for debt-equity swaps.

MIGA

5. Mexico had abstained from supporting the resolution adopted by the the Board of Governors during the Seoul meetings of 1985. Bank position had been to wait until Brazil and Argentina signed the agreement on MIGA before approaching Mexico. Bank may now reconsider this position in view of some positive signs coming out of Mexico recently.

World Bank Role

6. As part of the international financial package negotiated last year between Mexico and her commercial bank creditors, the World Bank is tentatively committed to a net disbursement total of US\$2.3 billion during the two year period 1986/87. This amount includes the net present value (estimated at about US\$200 million) of guarantees. A large portion of our lending will be made available to the private sector through a variety of credit programs in agriculture, industry, mining, and housing. In this regard, you may want to give special emphasis to our recent Trade Policy Loan, the Export Development Loan II (Board approval 1/20/87), as well as forthcoming industrial restructuring loans for fertilizer, steel, and private sector firms in a variety of sub-sectors. Finally, you may want to touch upon the linkages between World Bank loans and the commercial banks' financing (including aspects that relate to our guarantees, parallel and co-financing).

7. As Mr. Rockefeller and his colleagues may have special interest in the proposed Bank-assisted projects that relate to industrial reconversion/restructuring, a summary paragraph is provided below for each of these projects:

8. Industrial Restructuring Loan is intended to provide financing to (private) firms undertaking restructuring operations in subsectors or product lines that are being freed of non-tariff Barriers, price controls, domestic content requirements, and similar market restrictions. It is intended to help the (private) industrial sector to cope with increased competitive pressures and high indebtedness. The project will have components of policy reform, credit supply, equity mobilization and financial engineering.

9. Steel Sector Restructuring would support implementation of a strategy to restructure the steel sector. The project is not aimed at capacity expansion. We envisage the following main components of the project: (i) Implementation of policy adjustments including removal of domestic price controls, effective liberalization of imports, and development of a national steel policy clearly identifying the role of the public and private sectors and stimulating private investments; (ii) Restructuring of Sidermex, including its corporate reorganization and financial restructuring; and (iii) Technical assistance package to private sector steel firms.

10. Fertilizer Sector Restructuring would aim at establishing the sector on a sound competitive basis by: (i) closing uneconomic plants and reducing production inefficiencies; (ii) partial privatization of the distribution system; (iii) gradual elimination of subsidies; and (iv) corporate reorganization and financial restructuring of FERTIMEX.

Mr. Bottelier, Mexico Division Chief, will attend the meeting.

Cleared in substance with and cc: Mr. Steckhan, LC1DR

Mexico Division
January 21, 1987

FACT SHEET ON THE MEXICAN EXTERNAL FINANCING PACKAGE

<u>A. Commercial Banks</u>	<u>Amount</u> (US\$ Bns)	<u>Maturity/ Grace</u> (Years)	<u>Interest</u>
1. <u>New Money</u>			
(a) Direct Syndication	5.0 ^{1/}	12/5	LIBOR + 13/16
(b) World Bank Cofinancing ^{2/}	1.0	15/9	LIBOR + 13/16
2. <u>Contingency Facilities</u> ^{3/}			
(a) Investment Support Contingency	1.2	8/4	LIBOR + 13/16
(b) Growth Contingency ^{4/}	0.5	12/7	LIBOR + 13/16
3. <u>Modification in Payment Terms of Existing Debt</u>			
(a) Pre-1983 Debt (Previously Restructured)	43.7	20/7	LIBOR + 13/16
(b) Debt Contracted in 1983/84	8.55	No Change	LIBOR + 13/16
4. <u>Private Debt</u> (FICORCA)	11.2	(To be restructured on terms comparable to the restructuring of public debt).	
5. <u>Interbank Credit Lines</u>	5.2	(The minimum level to be maintained until June 30, 1989)	
 <u>B. Other 1986/87 Financing</u>			
1. <u>IMF</u>			
Stand-by Facility (18 months)	SDR 1.4 (about US\$1.7 bn)		
Oil Price Contingency	SDR 0.6 (about US\$0.7 bn)		
2. <u>World Bank</u> ^{5/}	2.3		
3. <u>IDB</u>	0.4		
4. <u>Japan</u> ^{6/}	1.0		
5. <u>Paris Club</u> ^{7/}	1.8	10/5	
6. <u>CCC</u>	0.6		

Note: Total net additional resources to be made available to Mexico under the package (including Paris Club rescheduling and contingencies) for 1986/87 amount to about US\$16.2 billion.

- ^{1/} To be reduced by amount saved by Mexico in 1987 as a result of lower spreads on old debt and shift from Prime to LIBOR, negotiated as part of the overall package (estimated at about US\$300 million).
- ^{2/} B-Loan cofinancing with World Bank transport sector loans. A non-accelerable World Bank guarantee for US\$500 million is being negotiated.
- ^{3/} In lieu of oil price contingency proposed by IMF.
- ^{4/} Has US\$250 million in World Bank guarantees.
- ^{5/} Includes net present value (NPV) of the two World Bank guarantees of about US\$180 million (face value of US\$750 million).
- ^{6/} US\$240 million in cofinancing with the Export Development Loan II, US\$260 million for steel projects and US\$500 million for the Pacific Petroleum Project.
- ^{7/} Rescheduling of 100% of the principal falling due through the first quarter of 1988 and 60% of the interest payments falling due through the end of 1987. Interest on rescheduled debt to be fixed bilaterally on the basis of "appropriate market rates."

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

February 4, 1988

Dear Mr. Johnston:

Thank you for your letter inviting me to the RIT campus to address the Graduate Management Association.

While I've done considerable public speaking in my past positions, my responsibilities as head of this international organization leave little time for such opportunities.

Mrs. Conable and I get up to our home in Western New York only about one weekend a month. Since my children and their families live within 10 miles of our home there, those weekends are consumed with family activities.

I appreciate your invitation but feel I must decline. I've enjoyed my past association with RIT and regret not being able to come to your campus at this time.

Sincerely,

Barber Conable

David R. Johnston
President
Graduate Management Association
College of Business
Graduate Programs
One Lomb Memorial Drive
Post Office Box 9887
Rochester, NY 14623-0887

GMA

GRADUATE MANAGEMENT ASSOCIATION

College of Business
Rochester Institute of Technology

January 14, 1988

Barber Conable, President
International Bank of Reconstruction and Development
1818 H Street NW
Washington, D.C. 20433

Dear President Conable,

As a part of a continuing series of lectures on business related topics, the Graduate Management Association of the Rochester Institute of Technology, cordially invites you to our campus to speak on your experiences as President of the World Bank. The GMA knows that the RIT student body, the faculty and others within the Rochester community would benefit greatly by listening to your talk. Your Congressional record and legislative efforts for the Western New York community are well respected.

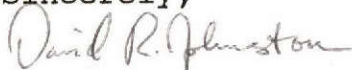
The Graduate Management Association is an integral part of the MBA program at RIT. It is an organization founded on basic educational ideals and its purpose is to offer alternative learning opportunities to the RIT graduate business student. Each year, the GMA sponsors various activities and events, including tours to local businesses and a diversity of guest lecturers. We are hoping to highlight our series this academic year with your visit.

The GMA has limited funding and we are hoping you could visit RIT during a trip you might be taking home early this year. If there is such an occasion please let me know and we will accommodate that date.

Best of luck in your business endeavors and congratulations on your continued success.

I graciously await your reply.

Sincerely,



David R. Johnston
President

cc: Dr. Rose
Dr. McCanna



Rochester Institute of Technology

College of Business
Graduate Programs
One Lomb Memorial Drive
Post Office Box 9887
Rochester, New York 14623-0887

PRESTIGE
FIRST CLASS



Barber Conable, President
International Bank of Reconstruction
and Development
1818 H Street NW
Washington, D.C. 20433





Record Removal Notice

File Title President Barber Conable - General Correspondence		Barcode No. 30012518		
Document Date Jan 4, 1988	Document Type Memorandum			
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Subject / Title Jury Duty				
Exception No(s). <input checked="" type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D <input type="checkbox"/> Prerogative to Restrict				
Reason for Removal Personal Information				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"> <tr> <td>Withdrawn by Chandra Kumar</td> <td>Date Aug 11, 2014</td> </tr> </table>	Withdrawn by Chandra Kumar	Date Aug 11, 2014
Withdrawn by Chandra Kumar	Date Aug 11, 2014			

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

December 23, 1987

Dear Mr. and Mrs. Rhee:

I want to thank you for your greeting and the very nice gifts which you left at my office. I'm glad you enjoyed your internship at the IFC last summer, and wish you well in your career and in your recent marriage. Please extend my thanks to your parents in Korea, as well.

Mrs. Conable joins me in sending best wishes for the Holidays and for your health and happiness in the New Year.

Sincerely,

(Signed) Barber B. Conable

Moon and Seung Sook Rhee
3534 N. Abingdon Street
Arlington, Virginia 22207



12/22/87.

Dear Mr. Conable.

I am a former MBA student of the University of Rochester. You were kind enough to write a recommendation for me

Thanks for always
making sure that I
was warm and loved!

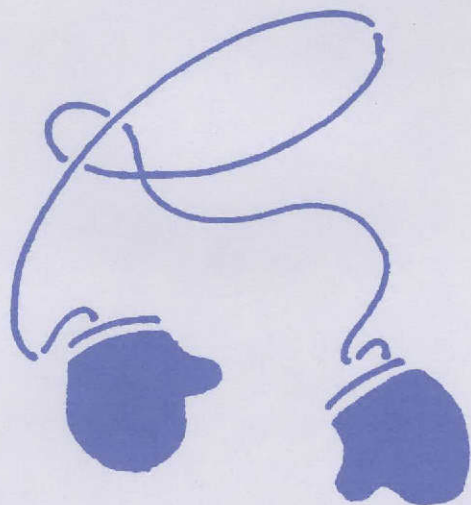
Merry Christmas

so that I could work at the IFC as a summer intern during summer, 1986.

I and my wife (I got married recently) are always grateful to you for bring me the valuable opportunity. We wish you and your family a Merry Christmas and the best of luck in the New Year.

Warmest Regards,

Moon & SeungSook

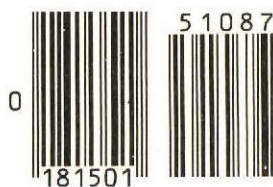


P.S. Enclosed is a small message that Dean MacAvoy asked me to deliver to you when I left for U. of Maryland (Ph.D in Finance) after finishing my final summer session at Rochester. (summer, 1987)

During my recent visit to Korea, my parents insisted on presenting a small gift to you. Please, take this as a small gesture to thank you.



AMERICAN GREETINGS



Reg 1/27

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

November 16, 1987

Dear Mr. Rachlin:

Thank you for your letter inviting me to be the principal speaker at a luncheon of the New York State Bar Association Section on International Law and Practice. I understand the luncheon is to be held in New York City on January 27th, 1988. As you know, Donald Day of Buffalo, an old friend and fellow Cornellian, has written me about this, as well.

As my assistant informed you, unfortunately it will not be possible for me to be in New York in late January. Since assuming the Presidency of the World Bank, I have done very little public speaking. This job has proven to be all-consuming, and my schedule is not my own. During the last week in January, I will be traveling to three of the Bank's member countries in Europe.

Your efforts to include are most appreciated. Best wishes for a successful meeting.

Sincerely,

Barber Conable

Lauren D. Rachlin, Esquire
Chair
New York State Bar Association
International Law and Practice Section
One Elk Street
Albany, New York 12207

cc: Donald S. Day, Esquire

LM
JWS

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDANCE DATE : 87/10/09 DUE DATE : 87/10/27
LOG NUMBER : 871014012 FROM : Lauren Rachlin
SUBJECT : On behalf of the NY State Bar Assoc., inv. BBC to be principal
speaker at a luncheon on January 27/88 in NYC.
OFFICE ASSIGNED TO FOR ACTION : External Affairs (E-8065)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR BBC'S SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

Im to regret

COMMENTS :

*called
regrets*

New York State Bar Association®

INTERNATIONAL LAW AND PRACTICE SECTION
STEERING COMMITTEE

October 9, 1987

The Honorable Barber Conable
President
World Bank
1818 Eighth Street, N.W.
Washington, D.C. 20433

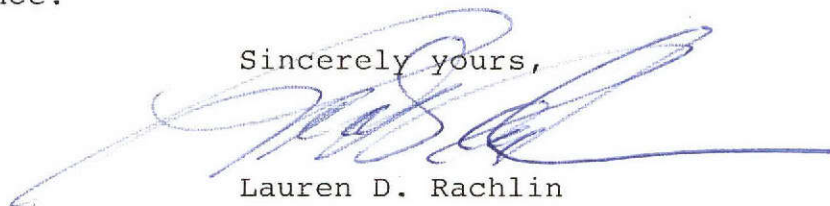
Dear Mr. Conable:

On behalf of the New York State Bar Association Section on International Law and Practice, I would like to invite you to be our principal speaker at a luncheon to be held on January 27, 1988 at the Marriott Marquis Hotel in New York City. We would estimate you would speak between 30 and 40 minutes on any subject of your choosing.

As you are aware, this meeting will take place during the annual meeting of the entire New York State Bar Association and therefore I would anticipate that the luncheon audience would be between 100 and 200 persons, although the actual number may exceed that. We will, of course, cover all of your expenses in connection with this speaking engagement.

I look forward to hearing from you at your very earliest convenience.

Sincerely yours,



Lauren D. Rachlin
Chair

LDR:vc



One Elk Street, Albany, New York 12207

518-463-3200

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

October 15, 1987

Mr. Sam Harris
Executive Director
Results
245 Second Street N.E.
Washington, D.C. 20002

Dear Mr. Harris:

Many thanks for your letter of October 7, 1987 and the very constructive role that you are playing to strengthen public awareness of the crucial issues of poverty.

I received the letters from politicians that you mentioned in your article and I responded directly with a press release welcoming this initiative and asserting that the Bank is determined to do more in the arena of poverty alleviation.

Those letters arrived on the eve of our most recent Annual Meetings and I used these meetings as an opportunity to underline our initiatives on this front. I enclose a copy of my speech.

In the speech, I stressed that there are no simple answers to arresting global poverty and that the challenge is one that will demand time and patience. But I also stressed that much more can be done by the international community and by the World Bank with its concessional lending affiliate, the International Development Association (more than 90 percent of all of IDA's credits go to nations with annual per capita incomes of less than \$400).

I have stressed that the Bank will not only increase its broad efforts at assisting nations to secure sustained economic growth - a vital requirement in the battle against poverty - but that we will increase lending aimed directly at improving the access of the poor to better food, shelter, health care and schooling. We will support policy and institutional changes to ensure that the public programs pursued by governments more efficiently direct their benefits to poor people.

In the new reorganization of the Bank, a special division has been established to ensure that our work pays far greater attention to the roles of women in development -- efforts to strengthen their educational, health care and income earning opportunities are a key element in effective programs to attack poverty. Further, another element in the reorganization involves the establishment of an Environment Department and the launching of a major new set of initiatives on this sectoral front. Poverty is a major cause of environmental degradation in the Third World and as we seek to directly assist the poorest of the poor with a variety of social initiatives, so we will also be acting to protect natural resources and curb pollution and waste.

Mr. S. Harris

- 2 -

October 15, 1987

No region of the globe will be given higher priority by the World Bank than Sub-Saharan Africa. In our current fiscal year to June 30, 1988, we intend to boost our lending to this region from \$2.1 billion to \$3.5 billion -- fully half of all of IDA's resources for the next three years, amounting to some \$6.2 billion, will be directed to this area. But our efforts should not be measured just in terms of dollars. We are placing our best people at the forefront of the African effort and our technical assistance work here is already at most significant level.

I think you will find the attached speech leaves no doubt about the scope and earnestness of our efforts in Africa. Nor does it leave doubt about our determination to directly assist the nations of Asia to meet the goal of poverty elimination by the end of the century. This is a tremendous challenge that will demand a series of direct poverty alleviation programs. In this context, the fight against malnutrition plays an important role and I am enclosing with this letter a new book by the Bank's Senior Advisor on Nutrition, Alan Beg, that provides some pragmatic insights into ways in which progress can be made on this front.

There can be no question that our efforts to heighten our own focus on poverty are going to require us to reach out to those institutions and organizations that have experience and comparative advantage in the areas of most immediate concern for the poorest of the poor. We plan to strengthen our cooperative efforts, not just with other official organizations, but also with non-governmental organizations.

Today, we ought to be talking much more about the elimination of global poverty and the work that you and "Results" are doing is bound to contribute to public awareness in this area, which is so important. We have also sought to directly strengthen such awareness and one initiative on this front has been the development of a series of films for public television, along with a major educational outreach effort to U.S. schools -- the series is called "Global Links" and for the next six weeks, it will be aired on W.E.T.A Channel 26 at 10:00p.m. on Mondays.

Yours sincerely,



enclosures

bcc: W.D. Hopper

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

Vogel
MH

RESPONDANCE DATE : 87/10/07 DUE DATE : 00/00/00
LOG NUMBER : 871009003 FROM : Sam Harris
SUBJECT : Enclosing an editorial which appeared in the Miami Herald on the
WB's involvement in reducing poverty.
OFFICE ASSIGNED TO FOR ACTION : External Affairs (E-8065)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS : cc: Mr. Hopper

Results

Generating Political Will to End Hunger

October 7, 1987

Barber Conable
President
World Bank
1818 H Street NW, E 1227
Washington, D.C. 20433

Dear Mr. Conable,

On September 23, identical letters signed by more than 560 federal legislators from Australia, Canada, the United Kingdom and the United States were sent to you. The letters encouraged you to focus more of the Bank's resources on reducing poverty. A copy of one of the letters is enclosed.

As you know, the lead signers in Australia were: Gordon Bilney, MP; Senator Nick Bolkus; David Charles, MP; Senator Robert Hill; Philip Ruddock, MP; and Robert Tickner, MP. Lead signers in the United Kingdom were the officers of the All Party Group on Overseas Development: Lord Bram; Jim Lester, MP; Bowen Wells, MP; and Tom Clarke, MP. Lead signers in the United States were Representative Tony Hall and Senator Robert Kasten. Grass roots support came from the World Development Movement in the U.K., Bread for the World in the U.S., and from RESULTS in all countries.

This mailing of editorial comment is going to more than 130 key political, World Bank and non-governmental organization (NGO) officials in four countries. A sample of the comment enclosed includes:

The responsible voice of these 500-plus elected officials of four industrialized nations very well represents the clamor of so many millions who every day die of malnutrition and poverty related diseases. Before it adjourns today, the World Bank should go beyond good intentions and adopt specific, economically sound programs to battle poverty and save so many unfortunate lives.

Promising Development

The Miami Herald, October 1, 1987

We will send additional editorials under separate cover.

Sincerely,

Sam Harris

Sam Harris
Executive Director

Thank you for your leadership!

The Miami Herald

Promising development

MORE THAN 500 congressional and parliamentary leaders of four large democratic nations have written to Barber Conable, president of the World Bank, urging him to use "considerable resources of the bank in the battle against world poverty." It's a sound request.

Created in 1945, the World Bank is the largest financial institution in the world. Its board of governors and that of the International Monetary Fund (IMF) are holding their annual meeting in Washington this week.

The U.S. letter has been signed by more than 190 members of Congress, including 40 senators — among them Florida's Reps. Claude Pepper, Larry Smith, and Dan Mica, and Sen. Bob Graham. Identical letters were signed by 235 British, 67 Australian, and 20 Canadian members of parliament.

The letters ask the World Bank to devote more of its operations and resources to women in development, primary health care, adjustment lending, indigenous nongovernmental organizations, the environment, and poverty lending. The two-page missive follows up on Mr. Conable's prior statements indicating the intention of the World

WORLD BANK AID

Bank to benefit the poorest people in developing countries. While congressional and parliamentary leaders commend the Bank's plans to increase its lending for primary health care and primary education, they point out that "it would still represent only 2 to 3 percent of the Bank's loan portfolio."

Another significant fact emphasized in the letter is that only 29 percent of the Bank's lending is directly poverty oriented. The letter suggests that the Bank should set as its goal to target "60 percent of its lending directly to projects whose primary purpose is to assist the poorest 40 percent of people."

The responsible voice of these 500-plus elected officials of four industrialized nations very well represents the clamor of so many millions who everyday die of malnutrition and poverty-related diseases. Before it adjourns today, the World Bank should go beyond good intentions and adopt specific, economically sound programs to battle poverty and save so many unfortunate lives.

LOS ANGELES HERALD

773 EXAMINER

Wednesday
September 30, 1987

Trickle-up theory

Among their other tasks, the leaders of the international banking community gathered in Washington, D.C., this week are struggling to deal with the staggering debt of developing nations. In the rush to balance books and mitigate damage, however, the world's financial giants should not ignore the welfare of millions of poverty-stricken people. Otherwise, any plan they devise will fail.

One dangerous tendency that could foster an all-too-familiar cycle of poverty, corruption and conflict is an over-reliance on proposed "debt-equity" exchanges. These allow a debtor nation to give the lender something of value — such as land, an industry or business facilities — in lieu of loan payments. This would seem to be a reasonable exchange.

But many Third World nations buried themselves in debt coddling generals and building public works and other projects of dubious value. Graft and embezzlement also collected a hefty share of loans. Many desperately poor people didn't benefit. Now they watch angrily as their leaders enact austerity measures and think about handing over to foreign investors the land and facilities needed to build healthy economies.

Strong nationalistic feelings are being raised against such practices. In Latin America, similar frustrations in the past caused revolts that led to

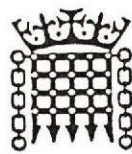
coups, repression and too much emphasis on military spending, a cycle nobody wants to repeat.

A way to avoid doing so might be found in policies that encourage building from the bottom up. Loans and projects aimed at the poor, including public health facilities and small-scale industrial and agricultural efforts, have shown promising results in Bolivia, Bangladesh, Indonesia and India, as well as other lands.

Despite good intentions, getting development aid to the poor is difficult because of political pressures and the larceny of some officials. But restricting lending to large businesses and governments in the hope of trickle-down benefits has for four decades been a woefully inadequate method of economic development.

More than 500 members of Congress and the parliaments of Australia, Canada and Great Britain recently sent a letter to Barber Conable, president of the World Bank. They asked that he consider various trickle-up ways to help poor nations.

Treasury Secretary James Baker, balky at such ideas, must realize that helping foster healthier economic lives for the poor in Third World nations will repay the U.S. and the other big democracies in healthier trade and international financial growth. Repeating conventional banking policies will not.



HOUSE OF COMMONS
LONDON SW1A 0AA

Mr Barber Conable
President
The World Bank
1818 H Street NW
WASHINGTON DC 20433
U.S.A.

Dear Mr Conable,

We join our colleagues from other countries to convey to you our concern for the growing numbers of people living in absolute poverty. As you know, the source of popular support for the World Bank is for its work in assisting the world's poor. Statements that you have made since becoming president of the Bank, and your establishment of the high level task force on poverty, make it clear that you share our concerns. We note particularly your comments in Nairobi earlier this year:

'In developing nations too many women are at the bottom. Their arms hold the family together. Their hands build the foundation of stable growing communities.

But development efforts have not lent enough strength to those arms, have not entrusted enough resources to those hands. And, along with women, development itself has suffered.'

We are pleased that the Bank intends to provide more support for the efforts of poor women. We note the proposed increase in the number of professional staff members devoted to the issue of women in development. However, the Bank's lending - in agricultural and rural development for example - does not yet adequately involve poor women in planning and implementation. As the Bank proceeds with restructuring, and attempts to focus more on women, it is important that it work with and through organizations that represent poor women.

We commend the Bank's plans to increase its lending for primary health care and for primary education. This type of lending certainly can benefit some of the poorest people in developing countries. However, even with the proposed doubling of funding for population, health and nutrition, it would still represent only 2 to 3% of the Bank's loan portfolio. Further increases in primary health lending are needed if we are to reach the World Health Assembly's goal of 'Health for All by the Year 2000'.

A crucial area in which the Bank could take steps to protect the interests of the poorest people is in adjustment lending. We do not believe that it is sufficient to merely cushion the impact of structural adjustment on the poor. The policies need to be re-thought. Recent studies sponsored



HOUSE OF COMMONS
LONDON SW1A 0AA

(2)

by the Bank and by UNICEF suggest a variety of ways in which policies could be tailored to the needs of the poor. For example, when government spending on health care is to be reduced, shifting spending from expensive curative health care, such as hospitals, to primary health care, can benefit more people at less cost. We also hope that the Bank will persevere with introducing adjustment lending in social sectors to improve the services most needed by the poor.

In developing adjustment lending policy, in working with poor women mentioned earlier and in many other areas, the input of the poor themselves is too often overlooked. While it would be impractical for bank staff to interview large numbers of very poor people prior to project identification, there are a rapidly growing number of non-governmental organizations (NGOs) in developing countries that can and do represent the poor. We consider it imperative that the Bank should involve these NGOs in the preplanning, execution and monitoring of projects to a much greater extent, as well as to involve them in discussions of policy and policy dialogue.

Another area where Bank-indigenous NGO involvement must expand includes the protection of the environment. Although there has been a considerable awakening in the Bank with regard to the importance of environmental issues, there is still a great deal that must be changed. The environmental quality and economic sustainability of specific Bank projects must be assured.

Finally, it concerns us that so little of the Bank's lending focuses on the needs of the poorest people. The 'Focus on Poverty' report (1986) states that currently only 29% of Bank lending is directly poverty oriented. We suggest that the Bank establish the goal of targeting 60% of its lending directly to projects whose primary purpose is to assist the poorest 40% of people. The Bank's own evaluations have shown that its poverty oriented projects have often shown the highest rates of return.

We wish you well as you seek to utilize the considerable resources of the Bank in the battle against world poverty. You can anticipate the continued support of the undersigned for the policies outlined above.

Sincerely yours

Lord Oram
Chair, All Party
Group on Overseas
Development

Jim Lester
Deputy Chairman
A.P.G.O.O.D.
M.P. for Broxtowe

Bowen Wells
Secretary
A.P.G.O.O.D.
M.P. Hertford
& Stortford

Tom Clarke
Treasurer
A.P.G.O.O.D.
M.P. for
Monklands W.



Record Removal Notice

File Title President Barber Conable - General Correspondence		Barcode No. 30012518		
Document Date Oct 15, 2014	Document Type Letter			
Correspondents / Participants To : Mr. David Rockefeller From : Barber B. Conable				
Subject / Title Dr. Aristobulo de Juan				
Exception No(s). <input checked="" type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D <input type="checkbox"/> Prerogative to Restrict				
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Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.		
		<table border="1"><tr><td>Withdrawn by Chandra Kumar</td><td>Date Aug 13, 2014</td></tr></table>	Withdrawn by Chandra Kumar	Date Aug 13, 2014
Withdrawn by Chandra Kumar	Date Aug 13, 2014			

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

August 3, 1987

Dear David:

Thank you for your letter of July 1, following my speech at the Trilateral Commission. I returned from my trip to West Africa just last week and apologize for not writing sooner.

In the speech I said that \$500 Million of capital had been repatriated for each of the first four months of this year by Mexican investors. When I received your letter, I thought I had better check the figures, and I find that I was somewhat inaccurate in this assessment. During each of the last two months of 1986, \$500 Million of capital was repatriated. In the first four months of 1987, capital repatriation continued, but at the rate of \$250 Million a month. Thus, \$2 Billion of capital was repatriated over a six-month period rather than a four-month period. I am sorry for the inaccuracy, but I don't know where you got the figure of \$1 Billion per month which was stated in your July 1 letter.

I understand now that Sid Yates, the Appropriations Committee Congressman from Chicago, has appropriated \$200,000 for a study of the "right" location for the collection of the Museum of the American Indian. As I told you, I hate to see you waste your money on another study which can only duplicate the Verner-Johnson study already completed for the Board of Trustees of the Museum. The Museum's troubles go on and on, and the uncertainties multiply, but you and I must think positively about it because we seem to be more objective than many of the other participants. I have been most grateful for your constructive attitude, and I still hope something will come of all our efforts.

Best personal wishes.

Sincerely,



Mr. David Rockefeller
North American Chairman
The Trilateral Commission
345 East 46th Street
New York, New York 10017

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

Hold for BBC's
return (7/27)

① BBC / JWS
MH

② LM

CORRESPONDANCE DATE : 87/07/01

DUE DATE : 00/00/00

LOG NUMBER : 870708017

FROM : David Rockefeller

SUBJECT : Thanking BBC for his speech at the Trilateral Commission dinner

OFFICE ASSIGNED TO FOR ACTION : External Affairs (E-823)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- ✓ _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- ✓ _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :

B - response?

W. R. O. D.
7/20/87
with
2-3

The Trilateral Commission

345 EAST 46th STREET, NEW YORK, N.Y. 10017 • (212) 661-1180

Cable: TRILACOM NEWYORK • Telex: 424787

David Rockefeller
North American Chairman

Isamu Yamashita
Japanese Chairman

Georges Berthoin
European Chairman

J. H. Warren
North American Deputy Chairman

Egidio Ortona
European Deputy Chairman

July 1, 1987

Charles B. Heck
North American Director

Paul Révay
European Director

Tadashi Yamamoto
Japanese Director

Michael M. Yoshitsu
North American Deputy Director

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Mr. Barber Conable
President
The World Bank
1818 H Street, N.W., Room T-400-38
Washington, D.C. 20433

Dear Barber:

I very much appreciated your taking the time in your busy life to talk to members of the Trilateral Commission Monday night and to some of the corporate leaders we had also assembled for the occasion. We had an exceptionally large percentage of acceptances, which was obviously a tribute to you, and also an indication of the interest of corporate America in the vital work you are doing. You have certainly had enough experience with audiences to tell how greatly this one was interested in what you had to tell them. I hated to cut off the questions at 9:30, because there were obviously a lot of eager questioners who would have liked to follow up further. However, I was particularly glad that Henry Owen got the chance to speak as he did.

I was struck by your outline of the Bank's changing role, continuing, of course, its concentration on project lending, but also putting a lot of emphasis on adjustment loans. Obviously this leaves you a delicate job in the reorientation of the staff.

The seven points you raised were very helpful. It is certainly important that our leaders in both the public and the private sectors realize that we simply have to sustain development; that we simply can't solve the debt problem without economic growth in the debtor countries. I also liked your statement that all countries are different and that one simply can't apply the same formula to all of them, which certainly makes your job all the more difficult.

I was also very much interested in what you said about repatriation of capital; that it tends to flow back rather quickly when some of the reasons why it fled are taken care of such as price fixing, and too much regulation. I had not fully realized the extent to which

.../2

EUROPEAN OFFICE: 35, avenue de Friedland, 75008 Paris, France

JAPANESE OFFICE: Japan Center for International Exchange, 4-9-17 Minami-Azabu, Minato-ku, Tokyo, Japan

Mr. Barber Conable

July 1, 1987

Page Two

repatriation of capital had already developed in Mexico -- \$1,000,000,000 of capital in each of the first four months of this year is impressive indeed. The evening was most worthwhile and I appreciate the care with which you obviously thought out just what you wanted to say to us.

I am also grateful for your perceptive comments on my debt article and for your taking time to talk with John Stremlau, Trix Smalley and me about our thinking for an Institute at Pocantico. On the debt article I readily made the change you suggested,* and on John's work, which is progressing well, your advice and consultation with your staff is extremely helpful. It was good to see you again.

With best wishes and warmest thanks,

Sincerely,

David

David Rockefeller

* I should have caught the point on Taxes myself. It was just a slip, but would have been embarrassing had I not been corrected.

or

The World Bank
Washington, D.C. 20433
U.S.A.

W. DAVID HOPPER
Senior Vice President
Policy, Planning and Research

July 14, 1987

Ref: GA AS 8713

Mr. Kenneth Prewitt
Vice President
The Rockefeller Foundation
1133 Avenue of the Americas
New York, New York 10036

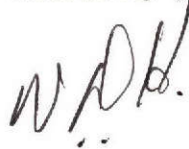
Dear Mr. Prewitt:

Mr. Conable is currently out of the country, but he has asked me to convey to you his appreciation for your letter of June 22, 1987 indicating that The Rockefeller Foundation has awarded a grant of \$100,000 to the World Bank to fund a study being undertaken by the African Task Force of the CGIAR Secretariat. This study of cassava and maize research needs and priorities in eleven coastal countries of West Africa, will provide essential information for the CGIAR's overall research program in Africa.

As stipulated by the conditions of the grant, when the study is completed, we will be happy to provide you with a substantive report on the findings of the Task Force. A financial report accounting for use of The Rockefeller Foundation funds will also be provided.

Once again, on behalf of Mr. Conable, let me express the World Bank's appreciation for your support of this important research effort.

Sincerely yours,



cc: ✓Mr. Conable (o/r)

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDANCE DATE : 87/06/22

DUE DATE : 87/07/08

LOG NUMBER : 870630002

FROM : Kenneth Prewitt

SUBJECT : Pleased to announce that the Rockefeller Foundation officers have
agreed to provide \$100,000 to WB for study by African Task Force.

OFFICE ASSIGNED TO FOR ACTION : Mr. Hopper (D-1202)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

HH
7/1-12
JDM
2) WDH - Info

RECEIVED
87 JUL - 1 PM 4:33

COMMENTS : Note: BBC's last day prior to overseas trip will be July 8th.
Please ensure response is received promptly for his signature.

***IMPORTANT**

*Check in the amount
of \$100,000 is also
attached.*

The Rockefeller Foundation

KENNETH PREWITT
VICE PRESIDENT

June 22, 1987

In reply please quote: GA AS 8713

Dear Mr. Conable:

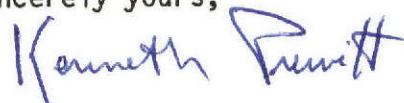
I am pleased to report that the officers of the Rockefeller Foundation have taken action to provide up to \$100,000 to The World Bank, to support a study by the African Task Force of the CGIAR Secretariat on cassava and maize research needs and priorities in eleven coastal countries of West Africa. This sum is available during the one-year period beginning June 15, 1987.

It is our understanding that the funds will be used in accordance with the budget submitted with Mr. Max Rives's letter of June 2, 1987. Enclosed is a check for \$100,000 in full payment of the grant. We shall appreciate receiving as soon as possible after the termination of the grant on June 14, 1988, an accounting of the use of the grant funds. Any funds unexpended at June 14, 1988, will revert to the Foundation. We shall also need to receive a report on the grant's substantive outcome as soon as possible after its termination. Please send all reports to the attention of the Director for Agricultural Sciences.

For your information, I am enclosing a statement of the Foundation's policy with respect to the announcement of grants.

It is a pleasure to report this action to you.

Sincerely yours,



Kenneth Prewitt

Mr. Barber B. Conable
President
The World Bank
Washington, DC 20433

KP:gtb
Enclosure

cc: Mr. Curtis Farrar
Mr. Max Rives

The Rockefeller Foundation

Policy with Respect to Announcement of Grants

The Foundation records its grants in its annual reports.

The Foundation encourages grantees to make their own announcements of grants, to increase public awareness of their work, and its Information Service will be glad to give advice or assistance in this connection. Only if an announcement involves interpretation of the Foundation's purpose in making the grant do the officers of the Foundation wish to see the announcement before its release to the press.

In publishing the results of their research, grantees are at liberty to acknowledge Foundation support if they wish to do so. They are asked, however, to avoid any implication that the Foundation had any control over the project or any responsibility for its results.

The name of the Foundation should not be used in advertising, nor, except with written permission, should it be used in designating projects toward which the Foundation has contributed.

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

1117
50

CORRESPONDANCE DATE : 87/08/21

DUE DATE : 00/00/00

LOG NUMBER : 870824018

FROM : Mr. T. Reed *IFC OFF. EA V.P.*

SUBJECT : David Yearwood - operating capital
to support his business.

OFFICE ASSIGNED TO FOR ACTION : Mr. Ryrie (I 12100)

ACTION:

- APPROVED
- PLEASE HANDLE *(by phone)*
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS : *Note to IFC: This should be handled by phone, referring to incoming letter to Mr. Conable from Mr. Reed.*
Note deadline of August 31, 1987. Please inform EXC of disposition.



Disposition

August 28, 1987

Mr. Reed was called yesterday and advised by the undersigned that he had spoken to Mr. Gerry Pemberton, Managing Director of the Trinidad and Tobago Development Finance Corporation about Mr. Yearwood's project; that Mr. Pemberton had expressed both interest and a willingness to try to help and; that he would expect a call from Mr. Yearwood upon his arrival in Port of Spain. Mr. Reed, who was also given Mr. Pemberton's telephone number, thanked the undersigned for his help and said he would let him know the outcome of the discussions between Messrs. Yearwood and Pemberton.

Noted in log. 9/2/87 C.P.

Hugh Henry-May *[Signature]*
Manager
Caribbean Project Development Facility
IFC

ROUTING SLIP		DATE: 8/25
OFFICE OF THE EXECUTIVE VICE PRESIDENT		
NAME		ROOM NO.
Mr Henry - Ray		
APPROPRIATE DISPOSITION		NOTE AND RETURN
APPROVAL		NOTE AND SEND ON
CLEARANCE		PER OUR CONVERSATION
COMMENT		PER YOUR REQUEST
FOR ACTION		PREPARE REPLY
INFORMATION		RECOMMENDATION
INITIAL		SIGNATURE
NOTE AND FILE		URGENT
REMARKS: Hugh, we talked about this one. let me know what you were able to do so that I can let Conables office know in turn. Thanks		
FROM: Damian	ROOM NO.:	EXTENSION:

Priest General Agency

Building 2
Tobey Village Office Park
Pittsford, New York 14534
(716) 385-4350



Anthony D. Reed
Marketing Representative

August 21st, 1987

Honorable Barber J. Conable
President
International Bank for
Reconstruction and Development
1818 H Street North West
Washington, District of Columbia 20433

Dear Barber,

Enclosed you will find a copy of a letter I received from a client of mine, David Yearwood, regarding his request for a prompt referral to an International Bank which can handle his immediate needs. I am forwarding this request to you because his father was a former employee of the World Bank.

I would appreciate your office referring Mr. Yearwood to a bank or banker in Trinidad who could handle this financial matter for him.

I have known Mr. Yearwood for the past seven years and know him to be a very honorable businessman, worthy of your support.

Mr. President, having known you personally for the last fifteen years while I served in the Monroe County Legislature and you were my Congressman; I have always been aware and admired your sincere and aggressive activities on behalf of the minority business community in the City of Rochester.

We need an immediate response to this request, hopefully before August 31st. We may be reached at the following Rochester numbers: Mr. David Yearwood, DIVA Techniques Corp., Area code 716-442-2210 or I may be reached at 716-338-1904. Between September 4th and 14th, David may be reached in Trinidad at 1-809-676-8549. If we have not heard from a member of your staff before August 26th, we will be calling your office because of the urgency of this matter.

Thank you in advance for your assistance. I look forward to seeing you when you are next at home in Rochester.

Sincerely yours,


Tony Reed

Enclosures
AR/HBR

DIVA TECHNIQUES CORP.

871 MONROE AVENUE
ROCHESTER, N.Y. 14620
TELEPHONE (716) 442-2210

August 20th, 1987

Mr. Anthony Reed
Marketing Representative
John Hancock Life Ins.
2 Toby Village Office Park
Pittsford NY., 14534

Dear Mr. Reed:

This letter is written in response to our conversation on August 19th, concerning leveraging my property in Trinidad W.I., to secure operating capital to support my Rochester based, minority owned, computer consulting corporation. It is my desire to acquire immediate access to international banking sources to make this task possible. A copy of Diva's Corporate Capability Statement is attached for your review.

I intend to establish a branch of Diva Techniques Corp. in Trinidad W.I. providing software and hardware services to businesses in that region. Diva will be providing jobs for its employees and computer installation, training and services to both governments and corporations in need of our technical expertise.

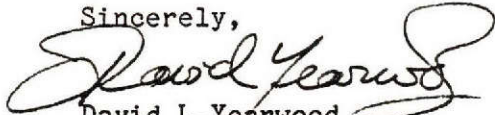
We represent IBM and a number of other US based Computer corporations. Leveraging my existing property, which is valued at approximately \$ 200,000.00 in Trinidad currency; establish an extension in Trinidad and acquire funds for use by my company in Rochester, is an immediate priority.

I will be in Trinidad from September 2nd to Sept 14th and will need the appropriate international contacts during that period. As we discussed, it would be my extreme pleasure to establish this banking relationship through the World Bank. My father, De Coursey Yearwood, was employed by the bank for five years.

If you consider this approach a workable venture, I am requesting your assistance in helping me quickly achieve this goal. I will be leaving Rochester on August 31st.

Thank you in advance for your assistance in this matter.

Sincerely,


David L. Yearwood
President and CEO



DIVA TECHNIQUES CORP.

871 MONROE AVENUE
ROCHESTER, N.Y. 14620
TELEPHONE (716) 442-2210

CORPORATE CAPABILITY STATEMENT

DIVA Techniques Corporation, a computer consulting group, offers customized computer services to companies of all sizes in Western New York. As authorized representatives for IBM, as well as a significant number of other vendors, DIVA customizes business and management systems reflecting the researched needs of our client in manufacturing (MAPICS), distribution (DMAS), construction (CMAS), general accounting software, customer/client data base, data communication, point of sale and inventory control. Rather than simply selling products from computer manufacturers or software houses, DIVA designs applications and recommends software which incorporate the way your business should operate to be most productive and cost effective. To insure that the correct and most economical choices are made, Diva Consultants work with clients to identify both their current and projected business needs prior to either customizing or selecting systems for installation. As your consultants, we oversee every aspect of the process including system installation and staff training.

DIVA Techniques Corp. has set high standards for professionalism, excellence, responsiveness and commitment to client's needs. Based on these standards of performance, 90% of our business is word of mouth and referrals from satisfied customers. Our consultants provide your business with custom programming, PC training and documentation, system hardware and software recommendations; allowing you to maximize your computer investment and rapidly achieve high benefits from the computer system you select. DIVA is committed to providing our clients with total satisfaction in the management of their data processing needs and to creating solutions to their Electronic Data Processing problems.



STAFF DEVELOPMENT & TRAINING

An energetic, qualified, service organization, DIVA offers economical, quality training and support to business users of computers. Providing in-house training at your site, your staff benefits from our personalized teaching methods which quickly reduce staff resistance by rapidly increasing their computer comfort level. Our research has revealed that this increase tends to shorten learning time and also improves staff efficiency and productivity. DIVA Techniques Corp. currently has available PC software training for:

- | | |
|--|---|
| <input type="checkbox"/> Enable | <input type="checkbox"/> Alpha 3 |
| <input type="checkbox"/> Lotus 1-2-3 TM | <input type="checkbox"/> BPI Accounting |
| <input type="checkbox"/> DBase II & III TM | <input type="checkbox"/> WordStar & WordPerfect |
| <input type="checkbox"/> Multimate | <input type="checkbox"/> Prodesign II |
| <input type="checkbox"/> Leading Edge | <input type="checkbox"/> AutoCad |

DOCUMENTATION

Federal and State laws and regulations demand that computer and software operations be fully documented. Documentation is an organized series of descriptive notations, which relates to all aspects of data processing systems, and functions as a source for historical reference providing a permanent record of work performed. Records which may be required by IRS, EEOC or OSHA regulations. DIVA provides complete technical writing and documentation services for all clients.

RESULTS

Clients have found our services and approaches to increase productivity and be cost-effective. However, they speak for themselves:....

"Providing consulting and brokering services for a major manufacturing project, they delivered all the necessary contacts for hardware and software for our production needs and were very good about ongoing updates and progress reports. Created highly customized computer applications and as compared to available commercial products; we found DIVA's services very cost-effective."

Don Ksiazek
General Manager
Griffin Technology, Inc.

"We were very pleased with the service. DIVA identified programs which worked on the equipment that we already had and resulted in economies for the store."

Gary O. Jones
Jamestown Furniture showroom

"They have the follow-through and stayed with us until it was done."

John McNall
McNall's Furniture Gallery

THE COMPANY

Founded in 1985 by David Yearwood, this minority owned corporation was established to provide custom programming, software consultation, systems installation and documentation services primarily for the IBM System/36. The needs of the original clients, coupled with the increased capabilities of mini/micro computer systems, mandated entry into the field of hardware/software sales and support. The principal brings an excess of sixteen years of experience in various aspects of the computer industry. The staff and consultants collectively contribute decades of experience in the sales and programming of a variety of computer systems.

FEE STRUCTURE

DIVA works on a retainer from clients who are in need of its specialized, cost effective services. Generally, the cost of our services are quickly recovered in the savings and improvements which we generate for your company.

Call David, Peggy, or Ross at (716)442-2210 to discuss your computer services/needs.

1) SWS (info)

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDANCE DATE : 87/08/20 DUE DATE : 00/00/00
LOG NUMBER : 870821013 FROM : Mr. D. Rockefeller
SUBJECT : BBC's Speech to the Trilateral
Commission Group.
OFFICE ASSIGNED TO FOR ACTION : 2) Mr. B. Conable (E-1227)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS :

*logged out
8/25/87
c.n.*

The Trilateral Commission

345 EAST 46th STREET, NEW YORK, N.Y. 10017 • (212) 661-1180

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August 20, 1987

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Mr. Barber B. Conable
President
The World Bank
Washington, D.C. 20433

Dear Barber:

You certainly should not apologize for not answering sooner my letter of July 1st about your speech to the Trilateral Commission group. In fact you needn't have bothered to answer it at all, but I appreciate your doing so.

I am embarrassed that in my letter I so grossly overstated the amount of capital repatriated to Mexico in the first four months of this year. I had not been quite sure of the figure you had mentioned, so I asked one of my colleagues. Unfortunately he got it wrong; and I am glad to be put right.

I much appreciate having your thoughts about the Museum of the American Indian. They are very helpful, and I hope we shall be able to make our way through all the complexities and achieve something constructive.

With best wishes,

Sincerely,



David Rockefeller

:rhm

P.S. Since dictating this letter the good news has come out that both the mayor and all D'Amato are now supporting the Custom House site for the museum. This should help quite a bit. oz.

EUROPEAN OFFICE: 35, avenue de Friedland, 75008 Paris, France

JAPANESE OFFICE: Japan Center for International Exchange, 4-9-17 Minami-Azabu, Minato-ku, Tokyo, Japan

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

June 19, 1987

Dear David,

I have been advised of your very supportive remarks at the Pan American Economic Leadership Conference, and I want you to know of my appreciation. We're in the middle of a reorganization here, sorely testing the self-confidence of this complicated international bureaucracy. Of course, some question the need of such an exercise and vent their doubts on me, making supportive comments doubly treasured at this time. You're a good friend.

I'm looking forward to the Trilateral Commission meeting, hoping I can stimulate a spirited discussion about development.

Best wishes.

Sincerely,

Buba

Mr. David Rockefeller
North American Chairman
The Trilateral Commission
345 East 46th Street
New York, NY 10017

LP1H

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDANCE DATE : 87/06/18

DUE DATE : 00/00/00

LOG NUMBER : 870618009

FROM : Carlos Quijano (thru

SUBJECT : Memo on: Pan American Economic Leadership Conference.

OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH BBC
- _____ PLEASE PREPARE RESPONSE FOR _____
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

*I am sure
the Trilateral
Commission
is good opportunity*

SIGNATURE

*BBC sent letter
on 6/29/87.
C.P.*

COMMENTS :

*Logged out
6/22/87.
C.P.*

OFFICE MEMORANDUM

DATE: June 18, 1987

TO: Mr. Barber B. Conable

THROUGH: Mr. S. Shahid Husain, RVP, LAC

FROM: Carlos Quijano, Special Adviser, LCNVP

SUBJECT: Pan American Economic Leadership Conference

On June 16, in his address, "Strategies for Economic Growth in the Americas," on occasion of the Pan American Economic Leadership Conference, held in Indianapolis, Mr. David Rockefeller expressed his strong support for the World Bank, the forthcoming capital increase and your leadership.

The main thrust of his remarks was as follows:
"It is critical that the US Congress shows some support to the World Bank by providing additional funds. Mr. Conable is a wise and distinguished ex-Congressman. He has taken his new job as President of the World Bank with great dedication. If anybody deserves to get the necessary support from Congress to approve the capital increase, it would be him."

I personally expressed our appreciation to Mr. Rockefeller for his remarks and support. However, you may also want to contact him and thank him for his remarks.

cc: Mr. Qureshi

OB
MH

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDANCE DATE : 87/05/28 DUE DATE : 87/06/12
LOG NUMBER : 870603009 FROM : David Rockefeller
SUBJECT : Re: the upcoming dinner on Monday, June 29 at the National
Portrait Gallery.
OFFICE ASSIGNED TO FOR ACTION : Mr. Hopper (D-1202)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- ✓ _____ # PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS : Copies to: Mr. Stanton/Mr. Botafogo. Mr. Hopper is preparing speech.
Jenny - original for follow file and to prepare brief acknowledgement.

For Roy - VIP parking is available
at F Street Mall entrance

Christina Hanopky was told BBC would
be coming alone. If otherwise, we should
let her know. 212-661-1180

The Trilateral Commission

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António Vasco de Mello
Otto Wolf von Amerongen

May 28, 1987

Mr. Barber Conable
President
The World Bank
1818 "H" Street, N.W.
Room T-400-38
Washington, D.C. 20433

Dear Barber:

I am looking forward very much to the Trilateral Commission dinner for you on Monday, June 29, at the National Portrait Gallery. I am enclosing a list of the acceptances we have received. The group is shaping up well -- composed of current and former North American members and corporate chairmen and presidents -- and they will certainly be much interested in what you have to tell them.

I won't try to outline what you might talk on, as I am sure you will know far better than I what will be most appropriate at that moment. I mentioned in my invitation letter to participants that the World Bank, along with its traditional project lending, is gradually assuming a larger role in overall adjustment problems of developing countries, particularly those so heavily burdened with debt; and I am sure those present would like to hear your thoughts about how the Bank fits into this picture and the kind of initiatives you plan.

I am not sure I understand fully the new Japanese initiative to funnel tens of billions of additional dollars to developing countries, partly through the Bank. You might want to say something about Bank support from various Trilateral countries, including the United States of course. I know the decline of the dollar has added to the pressure on the Bank's financial resources.

Mr. Barber Conable
May 28, 1987
Page II

I believe Christina Hanophy has been in touch with Linda McLaughlin about the place and timing of the dinner. We will be in the Hall of Presidents of the National Portrait Gallery (use F Street Mall entrance), with drinks at 6:45, dinner at 7:15, and adjournment by 9:30. I would suggest that your opening comments take 20-25 minutes* which would then leave us about 30 minutes for questions and answers. I am sure you will give us a stimulating evening -- and an extremely useful one, too.

As I mentioned to you in my letter of April 30, I would be glad to meet with you -- or appropriate members of your staff -- late in the afternoon of the same day to discuss the ideas for a possible institute at Pocantico. I will ask my office to contact your staff next week to see about the possibility of such a meeting and to answer any questions you may have regarding the Trilateral dinner.

on calendar
6/29
4:30

With much appreciation,

Very sincerely,



David Rockefeller

DR/pw
Enclosure

* This can be as informal as you wish to make it.

THE TRILATERAL COMMISSION

dinner with

BARBER B. CONABLE
President, The World Bank

June 29, 1987
Washington, D.C.

DAVID ROCKEFELLER, North American Chairman, The Trilateral Commission

JOHN B. ANDERSON, Former Member of Congress
ROBERT ANDERSON, Chairman and Chief Executive Officer, Rockwell International Corporation
DWAYNE O. ANDREAS, Chairman and Chief Executive Officer, Archer Daniels Midland Company
J. PATRICK BARRETT, Chairman and Chief Executive Officer, Avis, Inc.
LUCY WILSON BENSON, Dunnells, Duval, Bennett & Porter; Former U.S. Under Secretary of State for Security Assistance, Science and Technology
WALTER R.F. BODACK, President, Mercedes-Benz of North America, Incorporated
JOHN F. BOOKOUT, President and Chief Executive Officer, Shell Oil Company
J.A. BOYD, Chairman of the Board, Harris Corporation
ANDREW F. BRIMMER, President, Brimmer and Company, Incorporated
THEODORE F. BROPHY, Chairman and Chief Executive Officer, GTE Corporation
M. ANTHONY BURNS, Chairman, President and Chief Executive Officer, Ryder Systems, Incorporated
JOHN J. BURNS, President, Alleghany Corporation
ALBERT BUSH-BROWN, Chairman, Barclays Bank of New York
LOUIS W. CABOT, Director, Cabot Corporation
FRANK CARLUCCI, Assistant to the President for National Security Affairs
JOHN S. CHAMBERLIN, President, Avon Products, Incorporated
JOHN GILRAY CHRISTY, Chairman and Chief Executive Officer, IU International Corporation
WILLIAM S. COHEN, Member of United States Senate
WILLIAM T. COLEMAN, JR., Senior Partner, O'Melveny & Myers
FURIO COLOMBO, President, Fiat USA, Inc.
JOHN C. CULVER, Partner, Arent, Fox, Kintner, Plotkin and Kahn
LLOYD N. CUTLER, Senior Partner, Wilmer, Cutler & Pickering; former Counsel to the President of the United States
ROBERT L. DILENSCHNEIDER, President and Chief Executive Officer, Hill and Knowlton, Incorporated
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PAUL H. ELICKER, Chairman, SCM Corporation
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CHARLES E. EXLEY, JR., Chairman and President, NCR Corporation
HARRIE E. FIGGIE, JR., Chairman and Chief Executive Officer, Figgie International
RICHARD Y. FISHER, President, The Diana Corporation
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 JIM LEACH, Congressman, United States Congress
 W. E. LEONHARD, Chairman and Chief Executive Officer, The Parsons Corporation
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 PHILIP L. SMITH, President and Chief Executive Officer, General Foods Corporation
 JAMES R. STOVER, Chairman and Chief Executive Officer, Eaton Corporation
 ROBERT TAFT, JR., Partner, Taft, Stettinius and Hollister

D.S. TAPPAN, JR., Chairman and Chief Executive Officer, Fluor Corporation
JOHN W. TEETS, Chairman and Chief Executive Officer, The Greyhound Corporation
FRANKLIN A. THOMAS, President, The Ford Foundation
PHILIP H. TREZISE, Senior Fellow, The Brookings Institution
MARTHA REDFIELD WALLACE, President, Redfield Associates
GLENN E. WATTS, President Emeritus, Communications Workers of America
JOHN C. WHITEHEAD, Deputy Secretary of State
MARINA V.N. WHITMAN, Group Vice President, General Motors Corporation
JOSEPH H. WILLIAMS, Chairman and Chief Executive Officer, The Williams Companies
KAREN HASTIE WILLIAMS, ESQ., Partner, Crowell and Moring

TOTAL PARTICIPANTS: 99

Jan-Fry

The Trilateral Commission

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May 1, 1987

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Ms. Linda McLaughlin
Office of the President
The World Bank
1818 "H" Street, N.W.
Washington, D.C. 20433

Charles B. Heck
North American Director
Paul Révay
European Director
Tadashi Yamamoto
Japanese Director

Dear Linda:

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Antônio Vasco de Mello
Otto Wolf von Amerongen

I thought you would like to know that we have now reserved the Hall of Presidents of the National Portrait Gallery for the Trilateral Commission dinner with Mr. Conable on Monday, June 29. Our format is to start with cocktails at 6:45 and sit down to dinner at 7:15 -- adjourning by 9:30. I will be in touch with you as details develop.

Best regards,

Sincerely,

Christina

Christina Hanophy
Administrative Officer

*110-130 TC members
Comp. reps.*

6/29.

① BBC
② JM JV
③ Chitra
④ JV.

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDANCE DATE : 87/04/30 DUE DATE : 87/05/15
LOG NUMBER : 870506005 FROM : David Rockefeller
SUBJECT : Looking forward to meeting BBC on June 29. He is establishing an
Institute for Science & Technology. Would like you to discuss.
OFFICE ASSIGNED TO FOR ACTION : ③ Mr. J. Botafogo E823

BBC

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- ✓ _____ PLEASE PREPARE RESPONSE FOR ~~_____~~ SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :

logged out and noted.
Cly 5/17/87

30 Rockefeller Plaza
New York, N. Y. 10112

Room 5600

247-3700

April 30, 1987

Dear Barber:

I am very much looking forward to the dinner meeting with the Trilateral Commission on Monday evening, June 29. We are fortunate to have you as our speaker, and the response is considerable. I am confident you will find it a good audience.

As you may recall from our last conversation, at which time I gave you a copy of the January 1987 background report, I am exploring the feasibility of establishing an international Institute for Science and Technology in International Affairs that would be located on our family's property in Pocantico, New York. Recently, I enlisted the help of John Strelau, formerly with The Rockefeller Foundation, who is devising an implementation strategy in cooperation with Harvard's Kennedy School. Priorities for the Institute are being set, emphasizing the needs of developing countries for improved national and international policies to enhance the probability that science and technology will be applied effectively.

If you or appropriate members of your staff could spare a little time to discuss this on June 29 before the Trilateral meeting, I would be most grateful. I think I could be in Washington by 4 p.m. if that is convenient for you, or perhaps we could arrange to talk at another time if that works better. I know you are in the process of effecting important changes in the Bank's programs, and it would be helpful to know more about this as the Pocantico Institute takes shape.

BBC agrees.

With best wishes,

Sincerely,

David

David Rockefeller

The Honorable Barber Conable
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20437

*P.S. I believe David Hamburg
has discussed, or I least mentioned,
the Pocantico Institute to you.*

orz.

The Trilateral Commission

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Japanese Director

February 23, 1987

Michael M. Yoshitsu
North American Deputy Director

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Henri Simonet
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Otto Grieg Tidemand
António Vasco de Mello
Otto Wolf von Amerongen

Dear Barber:

The best news I received on returning from a ten-day trip to Ecuador was your letter indicating that you would speak at a Trilateral Commission dinner in Washington in June and I am glad this is now set for Monday, June 29. I shall ask George Franklin, Vice Chairman of the Trilateral Commission, North America, to be in touch with your office about the details.

I much appreciate your adding this to your busy life. I look forward to it.

My thanks also for arranging meetings for my daughters Abby and Peggy. They were both very grateful. - as was my nephew Rod.

With best wishes,

Sincerely,

David

David Rockefeller

Mr. Barber B. Conable
President
The World Bank
Washington, D.C. 20433

P.S. I had good talks last week with both Pat Mayne and Don Ryan regarding the museum of the American Indian. Both of them seem quite optimistic about the way things are going.

EUROPEAN OFFICE: 35, avenue de Friedland, 75008 Paris, France

JAPANESE OFFICE: Japan Center for International Exchange, 4-9-17 Minami-Azabu, Minato-ku, Tokyo, Japan

June 29

February 5, 1987

Dear David:

Thank you for your kind letter inviting me to be a speaker at a Trilateral dinner to be held in Washington in June.

I am happy to accept. May we have our respective offices coordinate the precise date and details for the event?

I very much appreciate your offer to include me as a speaker and look forward to the upcoming Dinner.

With best wishes,

Sincerely,

(Signed) Barber B. Conable
Barber B. Conable

Mr. David Rockefeller
North American Chairman
The Trilateral Commission
345 East 46th Street
New York, NY 10017

cc: Messrs. Botafogo o/r, Vogl o/r, Stanton
Mesdames Maguire, Blobel

J.Grenfell/avs 02/04/87

EXC 870202010

*logged mt
2/5/87
CS*

A. G. ...

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

RECEIVED DATE : 87/02/02

DUE DATE : 87/02/23

LOG NUMBER : EXC870202010

SUBJECT : (DROCKFELLER) INV. BBC TO SPEAK AT WASH. OR NY TRILATERAL
DINNER TO BE HELD IN LATE SPRING, AROUND MONTH OF JUNE.

OFFICE ASSIGNED TO FOR ACTION : MR. J. BOTAFOGO E823

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- ✓ _____ PLEASE PREPARE RESPONSE FOR BBC SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :

B is interested to do this unless there is a problem from the Bank's point of view. In Wash.

The Trilateral Commission

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Isamu Yamashita
Japanese Chairman

Georges Berthoin
European Chairman

J. H. Warren
North American Deputy Chairman

Yoshio Okawara
Japanese Deputy Chairman

Egidio Ortona
European Deputy Chairman

January 27, 1987

Charles B. Heck
North American Director

Paul Révay
European Director

Tadashi Yamamoto
Japanese Director

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Otto Wolff von Amerongen

Mr. Barber Conable
President
The World Bank
1818 "H" Street, N.W.
Room T-400-38
Washington, D.C. 20433

Dear Barber:

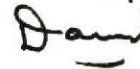
Thank you for your letter of January 7. I enjoyed our December discussion as well.

I am sorry you will not be able to speak to the Trilateral San Francisco meeting in March. I can understand that it would be difficult to fit a trip all the way to the West Coast into your schedule at a very busy time of the year. I hope I can still interest you at some point in speaking in Washington or New York to a Trilateral dinner. We are beginning to think about such a dinner in New York or Washington in the late spring, and it would be marvelous if it were convenient for you to be with us then. A good time for me would be in the second, third or fourth weeks of June, when my evenings are fairly clear — except for June 15 and 17. In contrast to the San Francisco audience, the New York or Washington dinner audience would be largely North American — composed of Trilateral members and Chairmen and Presidents of a range of mostly American corporations.

I greatly appreciate the help you are giving Abby and Peggy and Rodman.

With best regards,

Sincerely,



David Rockefeller

:pw

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

February 27, 1987

Dear Bob:

I am very reluctant to push Bob McNamara to go to Deep Springs, but I will raise the subject with him when I see him next week.

I have currently become deeply indebted to Bob because of his willingness to serve on the Steering Committee of the reorganization effort I am making here at the World Bank. He has been so responsive that I am reluctant to ask him to do anything further. I will mention Deep Springs to him and let you know if he is interested, but I am not in a position to push him at all. He continues to follow a very hectic personal schedule with many business and philanthropic interests, and I am quite dubious that he would be able to set aside the amount of time involved in going to Deep Springs.

Sincerely,

Barber

Mr. Robert F. Gatje
Richard Meier & Partners
475 Tenth Avenue
New York, New York 10018

(Done by Linda)

February 25, 1987

Dear Mr. Rourk:

I read your letter of February 3, 1987, with much interest upon returning from my recent trip abroad. I share your concern for finding a permanent resolution of the debt crisis and I would encourage you to explore your proposal with key commercial banks, particularly those that play a leading role in the debt crisis through their participation in various commercial banks steering committees.

There are some similarities, I notice, between your proposal and others currently being investigated by the Capital Markets Department of the International Finance Corporation. Some of these ideas, for example, involve the promotion of portfolio investment and debt conversion through investment trusts. I have given a copy of your letter to Mr. David Gill, Director of the Capital Markets Department, in the event you may want to exchange views with IFC.

Thank you for sharing your ideas with me.

Sincerely,

(Signed) Barber B. Conable

Mr. Phillip W. Rourk
Director, Latin America
Robert R. Nathan Associates, Inc.
1301 Pennsylvania Avenue, NW
Washington, DC 20004

Cleared with Mr. Stern, SVPOP

cc: Mr. Gill, IFC

CLudvik:mo

*logged net
2/27/87
cbv*

30 Rockefeller Plaza
New York, N. Y. 10112

Room 5600

247-3700

December 5, 1986

Dear Barber:

I am sorry you were not free to have dinner with me when I will be in Washington on December 16, but I am grateful to you for agreeing to see me at 4:00 that afternoon. I understand you will be returning from a trip overseas that very day and, therefore, can readily understand your not wishing to be tied up for dinner. If you do not feel like going through with the proposed meeting in the afternoon, we certainly can get together another time.

My reason for asking to see you was three-fold. First, we have not had a chance really to talk since you have been in your new post; and I would love to hear a little more about some of the things you are doing. From everything I hear, there are some important and far-reaching changes which are taking place under your leadership. Second, I wanted to have a word about the present status of the Museum of the American Indian.

Finally, I heard from David Hamburg that he had talked with you about a proposal for an Institute for Science, Technology and International Affairs which was made by the National Trust for Historic Preservation, the present owner of our Family homestead at Pocantico Hills. It is a rather daring proposal, but one which I think could be of significance if it is properly done. David Hamburg indicated that you had expressed an interest in the proposal and I should very much like to talk with you briefly about it.

In order that you may have a background, I enclose a copy of the report prepared by the National Trust together with a covering letter from Lew Branscomb, formerly chief scientist at IBM and now a professor at the Kennedy School at Harvard, who chaired a committee to review the National Trust's proposal. If you have time to glance through these two documents before we meet, this would give you a clearer idea of what we have in mind and what I would like to discuss with you. I have no clear vision of how such an

institute could work with the World Bank, but I would have to believe that there would be a number of areas of mutual interest where cooperation might be advantageous.

If you are feeling up to it on the 16th, I look forward to seeing you then. If not, hopefully we could get together sometime later when I am in Washington.

With best regards,

Sincerely,

A handwritten signature in blue ink, appearing to read "David", with a stylized flourish underneath.

David Rockefeller

The Honorable Barber B. Conable, Jr.
President
World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear David:

We appreciate the opportunity to study the concept of a Pocantico Institute for Science, Technology, and International Affairs located on the Rockefeller estate. In this letter we try to answer what we believe are the principal issues you will want to think about as you draw your own conclusions.

Is the idea as proposed sound and compelling?

The changes wrought by science and technology are high on public agendas. Many institutions manage the day-to-day effects of technological activities, achieving higher standards of living through applications of science. But the struggle to achieve longer range improvements with the power of science, especially in third world countries, still receives surprisingly little coherent attention.

Nowhere on the globe is there a sufficiently strong center dedicated exclusively to understanding how best to deal with the transformations caused by the accelerating capabilities of science and technology. In the United States, federal agencies, private companies, and universities have all made important contributions. But all have had great difficulty institutionalizing the study of science as a global change agent. The more structured planning organs of other governments have had no more success.

Our committee has reviewed Dr. Minor's proposal and consulted with many others having a broad range of experience. We are convinced that the need is both urgent and timely for a private institution of highest quality devoted to the international development and application of science for the benefit of mankind.

The Institute of the size, scope, and mission described in Appendix A, our Concept Paper, would, we believe, be unique. If well established and staffed, it could have lasting, beneficial effects that would be felt from Washington to Colombo. Devoted to action as well as analysis, the Institute's staff, while of modest size, could multiply its effectiveness many fold by its leadership of and collaboration with a variety of institutions -- universities, businesses, and other public and private entities.

The new Institute would respect three underlying premises for its work:

First, the international ethos is powerfully constructive in science and technology -- and this tradition can be extended to other realms of international affairs. Talent may emerge anywhere; the laws of science are valid everywhere; and educated people may apply technology whenever and wherever they organize to do so. Moreover, many major technical issues require for their resolution greater international cooperation and freely shared knowledge in ways that scientists have always favored. The Institute will be committed to shared knowledge at the highest level of scientific professionalism.

Second, cultural traditions and economic and political circumstances are often the crucial forces determining the pace at which political changes can take advantage of opportunities presented by new technology. Thus, the social and human sciences, along with demographic facts and natural resources in each specific situation, must be included in the Institute's scope.

Third, the Rockefeller family's leadership over many decades in long-range projects with an international perspective, together with the historic, beautiful, easily accessible, and secure property in Tarrytown, will give the Pocantico Institute the resilience, stability, and visibility required for its effectiveness.

Is Pocantico the right place for it?

Pocantico is not the only place such an Institute could be established successfully, given an equal level of interest, talent, and resources. But Pocantico is an excellent place for it.

An association with the Rockefeller philanthropic family tradition and estate increases the proposed Institute's "convening power," the ability to bring high level officials and executives to the Institute for short visits, to participate with specialists and the Institute staff in projects dedicated to intellectual excellence and pragmatic results.

Such an association will ensure also that the Institute's roots are in the American tradition, committed to democratic values, to an innovative spirit, and to the belief that appropriate economic incentives help fulfill human needs and social purposes.

Isolation from the intellectual excitement that characterizes the best universities was the drawback of the Pocantico site most frequently mentioned to the Committee. The planned collaborative relationships with leading scholars in key

institutions around the world will go far to reduce any isolation.

Ease of doing so from the site at Pocantico is facilitated by modern information technology, and the site is within easy reach of a number of major universities, whose presidents have expressed great interest in the project.

How should the Institute be governed?

The Institute's structure of governance needs to ensure the quality of program and management of the Institute, its permanence, independence, fiscal integrity, future evolution, and linkage to other institutions and family interests. Four alternatives are discussed in the Appendix B. The choice will ultimately rest on considerations that reach beyond the requirements of the Institute itself. Thus, we draw attention to the two alternatives we believe would be most promising:

- (a) an independent and self-perpetuating board, designed to have strong linkage to supporting institutions, or
- (b) a subsidiary unit of the Rockefeller University, designed to have the needed independence and visibility.

In our discussion of the second alternative, we see some potential disadvantages in governance through a university board of trustees, but the case of Rockefeller University is unique. Its superb quality, its leaders' active roles in national and international science policy, the strength of its biological sciences, its unique form of internal structure, its relationship to the family, and the precedent of effective governance of the largely independent Archive Center all suggest that this possibility should be taken seriously.

The problems that must be addressed are: (1) the stature and independence of the governing body of the Institute, and (2) the multiple accountability of the Institute's president to the Institute's board, the Rockefeller University's president, and the Rockefeller University's board of trustees.

The free-standing institution would need a governing board that also provides needed linkage with Rockefeller interests and collaborating institutions. This could be left to the initial board to assure or could be structured through ex-officio participation by designated institutional executives. In this case, the problems to be addressed are: (1) linkage to strong institutions of high quality that will ensure that standards are kept at the highest level, and (2) disposition of residual assets if the Institute came to an end.

In either case, the stewardship of the Institute should be the unambiguous if not exclusive responsibility of a distinguished and interested group of qualified individuals. Prospects for success will be enormously enhanced if you would agree to serve as the Institute's chairman of the board during the formative years.

In addition, we recognize that provision must be made for maintaining and allocating shared facilities among the three proposed purposes of the Pocantico Project (visitation, the Institute, and family uses). We assume that the Institute's governing board would oversee policies concerning the use of conference rooms and overnight guest facilities in the Coach Barn and that Greenrock, or a similar institution, would continue to schedule usage of the Playhouse. It would not be necessary for the Institute to own any facilities if it had an appropriate lease.

What are the staffing and financial requirements?

We have considered the issue of resources from several points of view. To begin with, we evaluated the planned program and then estimated the number of staff required to carry it out. Although this criterion is reasonably clear, there are several combinations of permanent staff vis-a-vis rotating staff that could lead to viable programs with differing needs for resources. Second, we discussed the choices with respect to numbers for a minimal staff or an optimal staff; obviously, this choice spans a considerable range and affects the estimate of required funding.

Third, we assessed the interactions between mission, scale, and governance. For example, a free-standing Institute probably would need more resources than an entity associated with another enterprise; and a consortium governed Institute probably would approach its goals for linkages to other centers in a different way than an entity organized without links inherent in its governance.

Finally, we discussed the projections of the degree to which the proposed Institute could count upon "soft" funding for short-term projects as a regular supplement to its core income from endowment. Frankly, on this last point there are many uncertainties. We believe it is important to be conservative in our projections because of the chronic shortage (and, at least, erratic nature) of funds for difficult, interdisciplinary policy-oriented projects, especially those aimed at global rather than national benefits. We have concluded that the proposed Institute would need a staff of about 30 individuals. Of these, about 13 would be senior professionals -- the core of the staff on a long-term basis -- and this would include the president, 2 vice-presidents, and 10 top-level individuals. In addition we foresee a need for approximately 10 Visiting Fellows working full-time on a 1-2

year rotational pattern, coming to the Institute to pursue specific projects or to fulfill the general inter-organizational links essential for the vitality of the mission.

Finally, there would be about 7 supporting administrative staff. It is possible that the first president of the Institute may prefer some variation of this sketch. But we believe this model is sound and feasible. Over the long-term, with this staff, the Institute would possess the "critical mass" sufficient to make major contributions to the global challenges we have presented.

Given our estimates of a reasonable salary structure and of rock-bottom operating expenses for the program, the annual budget would be about \$3 million (in 1986 dollars). If an index of spending 6 percent of the market value of the endowment were applied to the total program, an endowment of about \$50 million would be needed. We believe that the program could be initiated with good confidence of success if two-thirds of the budget is assured from endowment income and no more than one third from year-to-year project funding. Hence, we recommend a decision to proceed when an endowment of \$35 million (in 1986 dollars) is committed and is expected to produce (at 6 percent) about \$2 million with the remaining \$1 million coming from various public and private sponsors. We believe this formulation reflects an appropriate balance among various perspectives about the purposes, activities, and financial exigencies of the Institute.

An optimal budget, with a salary plan more assuredly competitive, a better margin of operating expense and administrative support and more scope for initiating collaborative activities would require \$4M per year. With one third of this from "soft" funding, an endowment of \$45M would be required. If the Institute is launched with only \$35M assured, we anticipate that within 3-4 years, the Institute's governing body would initiate a development program for an additional \$10M in capital.

An important implicit consideration in our review is that maintenance of the Institute's facilities should be provided without charge to the Institute's operating funds and the Institute would pay the marginal or incremental costs of its use of the shared facilities. This would: (a) ensure the freedom to make Pocantico's shared facilities available to other family uses from time to time, and (b) assure sponsors of the Institute's programs that their funds are not being used to support the recreational or aesthetic assets of the estate. On this assumption, the Institute should enjoy a low overhead rate and would be a more attractive recipient for project funding.

The endowment funds would not be needed at once. Commitments could be payable over a period of, say, 5 years. But we are convinced that to attract the caliber of leadership required for success, firm commitments for the endowment must be in hand when staff recruiting begins.

Most U.S. foundations and corporations are reluctant to give endowment. There are institutions such as the World Bank, certain domestic and foreign foundations, and some individuals with personal foundations, who might be willing to consider grants in the million dollar range for a project of this importance.

Additional details about illustrative plans for staff, funding, and related institutional linkages are provided in Appendix C. We are keenly aware of many alternatives with respect to such estimates. So we would be pleased to discuss fully with you this critical matter.

If the Institute were successful, would it grow in size?

The most effective way to ensure the success of the Institute is through collaborative activity with the other institutions in its cooperative network. By linking the Institute in specific ways (including some shared funding and shared projects) with groups off-site, the optimal impacts on both scholarship and action will be obtained. The "critical mass" of the on-site staff and longer term visitors, defined above, is sufficient to support a vital and growing network of activity.

Facilities such as the proposed renovations of Kykuit and the Coach Barn, together with occasional access to other guest facilities, can accommodate the Institute we envision. These arrangements also provide adequate office space for the National Trust, sufficient conference rooms, and ample guest facilities for all projects.

How does the Institute relate to family interests?

Our primary responsibility has been to study the feasibility of the proposed Pocantico Institute. Nonetheless, we appreciate that some family members wonder whether any such project might limit their future flexibility with respect to their activities at Pocantico. These serious concerns do not reflect directly on the merits of the Institute we have proposed, but rather on the diversity and visibility of philanthropic interests of family members.

The proposed Institute's contributions over time may be as great as the 1901 Rockefeller innovation: The Rockefeller Institute for Medical Research. While family members may not take a personal interest immediately in the work of the Institute, we believe that many might discover strong overlaps

of interest and be proud to have the Institute associated with the Rockefeller name and share the family homestead. We hope, of course, that some family members will be positively interested in participation from the outset, either in the Institute's advisory committees or directly with its projects. We are optimistic about the suitability of the Institute as an expression of philanthropic values compatible with the values of the family. Our vision for the Institute is humanistic and idealistic, as well as practical, all in the Rockefeller philanthropic tradition.

In conclusion, we thank you for your vision in pursuing this project and giving us the chance to help paint the picture of a timely idea of enormous potential value to mankind. Many choices remain. We hope they will be resolved so that the Institute becomes a reality. We would be delighted to elaborate on these ideas with you in personal discussion if you wish.

We also recognize that if a positive decision were made to proceed, there will be a period of time prior to the selection of a leader for the Institute when members of our committee may be able to be helpful to you. We could, for example, support your approach or act in your behalf in discussions with potential sources of initial capital support such as the World Bank and the several foundations well known to us. We might also make a confidential canvass of potential leaders and senior staff.

Please let us know how we can be of further help.

Sincerely,

L. Branscomb
T. Bradshaw
D. Hamburg
H. Minor, Jr.
R. Nichols
D. Rockefeller, Jr.

29 September 1986

**REPORT ON THE POCANTICO INSTITUTE FOR SCIENCE, TECHNOLOGY, AND
INTERNATIONAL AFFAIRS**

NOVEMBER 1986

POCANTICO INSTITUTE FOR SCIENCE, TECHNOLOGY, AND
INTERNATIONAL AFFAIRS

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Background

In 1976, the Rockefeller family's Pocantico Hills estate was designated by the U.S. Department of the Interior as a "National Historic Landmark." Three years later, Nelson A. Rockefeller bequeathed his interest in the estate to the National Trust for Historic Preservation.

Most recently, in 1983 the National Trust for Historic Preservation entered into an agreement with Laurance and David Rockefeller to develop a plan for the ultimate use of the historic area. The Pocantico Project staff was asked to consider possible uses for the historical area, in addition to visitation, that would be consistent with the overall plan for the Rockefeller estate and would fulfill the National Trust's goal of providing an authentic benefit to the public.

The staff began with two inquiries. The first looked at the cumulative trajectory of Rockefeller philanthropy, and the second reviewed the work of major foundations and policy institutes. Guiding this effort was the assumption that a successful proposal required identifying a significant unmet need appropriate for the property and that any new initiative should bear some contextual relationship to previous family efforts.

In the review of previous Rockefeller efforts, it was apparent that the improvement of international relations is a recurring theme. The Rockefeller family has supported international study programs at several universities, as well as the international projects of the Rockefeller Foundation, the One World Program of the Rockefeller Brothers Fund, the United Nations, the Asia Society, the Japan Society, the Center for Inter-American Relations, the Council on Foreign Relations, International House, Memorial Sloan Kettering, the Population Council, Winrock, the Institute for the Advancement of Health, and the International Physicians for the Prevention of Nuclear War.

Unfortunately, this focus on internationalism is not widely shared. For example, of the 36 largest foundations (each with assets of at least a quarter of a billion dollars), three community foundations -- Cleveland, New York, and San Francisco -- work in a single urban area; eight -- Brown, Houston Endowment, Irvine, Lilly, Moody, Mott, Penn, and Weingart -- concentrate almost exclusively in a single city or state; six -- Bush, Duke, Kaiser, McKnight, R. Mellon, and Surdna -- are in a particular region. Only eleven -- Gannett, Hearst, Hewlett, Johnson, Keck, Kresge, Mabee, A. Mellon, Noble, Pew, and Sloan -- are national in their program outlook, and only four have international programs -- Carnegie, Ford, Kellogg, and Rockefeller.

The Rockefeller family's support of efforts in international affairs and the scarcity of philanthropic endeavors in the field provided initial definition for the proposed institute.

The second part of the study focused on defining a major unmet need to be addressed by the proposed use of the property. The intersection between technology and international affairs derived as a possible focus from conversations with members of the Council on Foreign Relations, many of whom have scientific and technological backgrounds. This is an area of enormous importance where virtually nothing systematic is being done. This is also an area which represents a unique opportunity to make a continuing contribution to public policy. Modern science and technology have a profound influence on the nature of our economies, the values of our societies, and the effectiveness of our international relations.

The study resulted in a proposal for the establishment of the Pocantico Institute for Science, Technology, and International Affairs.

Pocantico Institute Committee

As a result of these findings and several meetings with a number of individuals, David Rockefeller asked Dr. Lewis Branscomb,

then Chief Scientist, IBM, to head a committee that included Thornton Bradshaw, Chairman, RCA; Dr. David Hamburg, President, Carnegie Corporation; Rodney Nichols, Executive Vice-President, Rockefeller University; David Rockefeller, Jr., Manager of Human Resources, Rockefeller Family & Associates; and Dr. Hassan Minor, Jr., Special Counsel, Pocantico Project.

The principal charge of the Committee was to determine if the proposed idea for a Pocantico Institute for Science, Technology, and International Affairs was sound and compelling, and to assess whether Pocantico was the right place for it.

The Committee determined that the need for a private institution of the highest quality devoted to the international development and application of science and technology for the benefit of mankind is both urgent and timely, and that Pocantico is an excellent, perhaps even an ideal place for such an institute.

The Need for a New Institution

There is a critical need for a significant institution devoted exclusively to understanding how best to bring together the worlds of scientific capability and of human affairs.

As a leading historian said in 1986, "The last three centuries have seen dazzling revolutions in scientific theory and dazzling

advances in the translation of theory into technology. This cumulative increase in the rate of change has been the decisive factor in the making of the modern world. The world has moved faster than ever before and until recently it has moved fastest of all in the United States."

Why should we be optimistic about the contributions that global cooperation, based partly upon science, can make to human development and environmental preservation? There exists today a number of potential technical alternatives for solving human problems, and basic and applied research are powerful tools for finding new ones. These tools are available to all, for science is, of all human resources, truly the "common heritage of mankind." The laws of nature are the same everywhere; any society that educates its people and provides them with the universally known tools of research can discover this heritage and make it its own.

What are the obstacles to enhancing the power of science and technology to contribute more effectively to the betterment of the human condition and to the preservation of the planet's life and resources? Those experienced in addressing these problems of global equity, security, human and natural resources are well aware that political and social factors, rooted in tumultuous history, are the primary barriers to the better life we all know is possible. From this perspective, what the world needs is not

more science or technology, but a new value system and new political institutions rooted in the awareness that social behavior must change if even greater destruction of one another and our habitat is to be avoided.

Indeed, those more pessimistically inclined might argue that until those values change and new political institutions arise capable of propagating those values and creating social arrangements on the basis of them, mankind will continue to apply the power of science and technology to accelerate the negative consequences of conflict and exploitation as well as the positive values of economic and social development.

Political leaders who understand the cultural and institutional barriers to technical progress will resist the siren song of the technological "quick fix". Focusing as they must on political problems, they are generally not well acquainted with what science and technology might contribute if progress were made on political issues or on how scientific knowledge, properly applied, might even reduce the difficulties of managing social change.

Many scientists and political leaders alike find this set of circumstances frustrating, motivating, and challenging.

Scientists and engineers who have experienced the power of science to address major issues of world development are eager

to join with political leaders who want to harness the power of science to the resolution of the economic and social problems faced by their constituencies.

Socio-political factors do limit the ability of societies to take advantage of what human knowledge can contribute. But science is itself an agent of change, and scientists should join with leaders of world societies in building the new institutions that can focus these changes in the most constructive directions. Unfortunately, most institutions that could make a contribution are today scattered, poorly supported, narrowly focused, or politically constrained.

Existing centers devoted to the collaboration of science and world affairs tend to be small, driven by the rapidly changing priorities of their sponsors, often either oriented primarily to scholarship or to holding conferences rather than to committed, focused effort on major issues. Available sources of funding tend to be concentrated on single issue programs -- in energy, health, environment, or security affairs -- rather than the underlying themes of science and socio-economic processes. Many are isolated from one another and would benefit from encouragement by a center with a global view, engaging the worlds of both scholarship and of action.

Interviews on the Proposed Institute

The idea of an Institute for Science, Technology, and International Affairs was the principal topic of discussion in a series of meetings with the following individuals:

David Baltimore:

Director of the Whitehead Institute for Biomedical Research since 1982; Professor of Biology at the Massachusetts Institute of Technology; Professor of Microbiology at the American Cancer Society; Nobel Prize for Physiology and Medicine, 1975.

Daniel Boorstin:

Author of several books and Librarian of Congress since 1975. Formerly Director of the National Museum of History and Technology of the Smithsonian Institution; Distinguished Service Professor at the University of Chicago.

Lewis Branscomb:

Professor of Technology Policy, Kennedy School of Government, Harvard University. Formerly Vice President and Chief Scientist of International Business Machines Corporation; Director of the National Bureau of Standards.

Harold Brown:

Chairman, Foreign Policy Institute, Johns Hopkins School of Advanced International Studies. Formerly Secretary of the U.S. Department of Defense under President Carter; appointed by President Nixon in 1969 to a five-man commission to prepare for the Strategic Arms Limitation Talks (SALT) with the Soviet Union.

Theodore Greenwood:

Associate Professor of Political Science and Coordinator of the International Security Policy Specialization, School of International and Public Affairs, Columbia University. Formerly Professor of Political Science at MIT; Senior Policy Analyst, Office of Science and Technology Policy, Executive Office of the President.

John Holmfeld:

Science Consultant, Committee on Science and Technology, U.S. House of Representatives. Formerly Engineering Trainee, Chrysler Corporation, Missile Division; Senior Flight

Engineer, Atlas Covair Astronautics; F-1 Engine Project Engineer, NASA; Science Policy Analyst, Congressional Research Service.

John Hunt:

Chairman and Chief Executive Officer, BioTechnica International, since 1981. Formerly Executive Vice President, the Salk Institute for Biological Studies; Vice President, Aspen Institute of Humanistic Studies; Assistant Director, Institute for Advanced Study, Princeton, New Jersey.

Admiral Bobby Inman:

Chairman, President, and Chief Executive Officer of Microelectronics and Computer Technology Corporation, since 1983. Formerly Deputy Director, the Central Intelligence Agency; Director, National Security Agency.

Anne Keatley:

Director, Office of Special Programs and Development, National Academy of Sciences. Formerly Senior Policy Analyst for International Affairs, White House Office of Science and Technology Policy.

Henry Kissinger:

Kissinger Associates, Inc. Visiting Professor of Diplomacy, Georgetown School of Foreign Service. Formerly U.S. Secretary of State; Special Assistant to President for National Security Affairs; Chairman of National Bipartisan Commission on Central America. Recipient of Nobel Peace Prize, 1973.

Paul Kreisberg:

Director of Studies, Council on Foreign Relations. Formerly Career Foreign Service Officer, State Department; Director, Office of Asian Communist Affairs; Senior Advisor to U.S.-China Ambassadorial Talks in Warsaw.

Peter Krogh:

Dean, School of Foreign Studies, Georgetown University. Formerly, Associate Dean, Fletcher School of Law and Diplomacy; White House Fellow assigned as Special Assistant to Secretary of State.

Winston Lord:

U.S. Ambassador to China since 1985. Formerly President, Council on Foreign Relations; Director, Policy Planning Staff, U.S. Department of State; Special Assistant to the President for National Security Affairs; staff member, National Security Council.

Stephen Low:

Career Minister in the U.S. Foreign Service. Director, Foreign Service Institute since 1982. Former U.S. Ambassador to Zambia, U.S. Ambassador to Nigeria; Senior Staff Member for Latin America on National Security Council.

Donald McHenry:

President, International Relations Consultants, Inc.; Research Professor of Diplomacy and International Relations, Georgetown University. Former U.S. permanent representative to the United Nations.

Theodore Moran:

Landegger Professor and Director of the Program in International Business Diplomacy, Georgetown University since 1978. Formerly member of the Policy Planning Staff of the U.S. Department of State.

Nicholas Negroponte:

Professor, Media Technology; Director, Media Laboratory; and Chairman, Visual Studies Degree Programs, MIT. Consultant, MacArthur Foundation. Formerly Executive Director, World Center for Personal Computation and Human Development, Paris, France; founder and director, Architecture Machine Group, MIT.

David Newsom:

Foreign Service Officer; Director, Institute for the Study of Diplomacy, Georgetown University since 1980. Formerly U.S. Ambassador to Libya, Indonesia, and Philippines; Under Secretary for Political Affairs.

Rodney Nichols:

Executive Vice President, The Rockefeller University since 1978. Formerly Special Assistant to the President and Vice President of The Rockefeller University; Special Assistant for Research and Technology, Office of the Secretary of Defense.

Waldemar Nielsen:

Rhodes Scholar; Naval Officer; foreign affairs writer for the New Yorker and Harper's; author of Africa, The Big Foundations, and The Golden Donors.

Joseph Nye:

Associate, Center for Science and Technology Affairs, Harvard University. Formerly Deputy to the Under Secretary of State for Security Assistance, Science, and Technology; chaired the National Security Council Group on Non-Proliferation of Nuclear Weapons. Senior Fellow of the Aspen Institute and directs the Aspen Strategy Group; adjunct fellow of the

Georgetown Center for Strategic and International Studies.

Anthony Oettinger:

Chairman of the Program on Information Resources Policy and Center for Information Policy Research at Harvard. Formerly Chairman of the CATV Commission of the Commonwealth of Massachusetts; consultant to the National Security Council and to the Office of Science and Technology.

Frank Press:

President, National Academy of Sciences. Formerly Senior Advisor to the President; Director of the Office of Science and Technology Policy; Professor, MIT.

Victor Rabinowitch:

Executive Director, Office of International Affairs, National Research Council, since 1981. Director, Committee on International Security and Arms Control, National Academy of Sciences since 1985. Formerly Director, Center for Study of Science and Society, State University of New York at Albany.

Elliot Richardson:

Senior Resident Partner, Milbank, Tweed, and McCloy, Washington, D.C. Formerly ambassador-at-large and special representative of the President to the Law of the Seas Conference; Secretary of Commerce; Ambassador to the Court of St. James; U.S. Attorney General; Secretary of Defense; Secretary of Health, Education, and Welfare; Under Secretary of State; Attorney General of Massachusetts; Lieutenant Governor of Massachusetts.

Walter Rosenblith:

Professor of Communications and Biophysics, MIT, since 1951. Member of Committee on Scholarly Communication with People's Republic of China.

William Salmon:

Executive Officer of the National Academy of Engineering. Foreign Service Officer with specialized experience in nuclear non-proliferation, oceanography, and bilateral cooperation programs, communications, and information policy. Formerly with U.S. State Department, Security Assistance, Science and Technology; Science Counselor at the American Embassy in Paris.

Eugene Skolnikoff:

Director, Center for International Studies, MIT, since 1972. Formerly, Special Assistant to the President for Science and Technology; Systems Analyst, Institute for Defense Analyses.

S. Frederick Starr:

President, Oberlin College. Scholar in Residence, The Historic New Orleans Collection. Formerly Vice President for Academic Affairs, Tulane University; founder and secretary, Kennan Institute for Advanced Russian Studies, the Wilson Center, Smithsonian Institution.

Lewis Thomas:

Chancellor, President Emeritus, Memorial Sloan-Kettering Cancer Center since 1984. University professor, SUNY-Stony Brook Health Sciences Center, since 1984. Formerly President and Chief Executive Officer of Memorial Sloan-Kettering.

Cyrus Vance:

Managing Partner, Simpson, Thacher & Barlett, New York. Former U.S. Secretary of State; General Counsel to U.S. Department of Defense.

Jerome Wiesner:

President Emeritus, Institute Professor, and Life Member of the Corporation, Massachusetts Institute of Technology. Formerly President of MIT; consultant and advisor to Department of Defense and Department of Health, Education, and Welfare; Special Assistant to President Kennedy for Science and Technology; Chairman of the President's Science Advisory Committee.

Although one person felt that such an institute should only be housed in a university and another felt that there were already too many institutes in existence, there was overwhelming agreement that the role that technology plays in international affairs was not receiving the kind of concerted and continuous attention it needed.

Institutions exist that devote attention to segments of the issues the Pocantico Institute would address. The most effective of these organizations would, in fact, be complementary to the Institute rather than competitive with it. That category would include: universities, university policy institutes, the Council on Foreign Relations, conference

centers, and the National Academies of Science and Engineering.

o Universities:

A number of excellent universities in the United States and abroad offer science policy studies. Unlike the proposed Institute, however, university programs can rarely provide the facilities, the interdisciplinary approach and the application of scholarship to an active problem-solving process that involves business and government leaders.

The Pocantico Institute could generate collaborative university relationships, especially with Brown, Columbia, Harvard, Massachusetts Institute of Technology, and New York University, all of which have centers for the study of related problems or interested senior faculty. In addition, the Institute could complement the Association of Professional Schools of International Affairs which includes The American University, Columbia University, University of Denver, Georgetown University, Johns Hopkins University, University of Pittsburgh, Princeton University, University of Southern California, Tufts University and University of Washington. The Institute would offer an attractive common ground for collaboration, a facility that would permit faculty and graduate students to tackle real world problems and provide a source of stimulation for the university curriculum.

o University Policy Institutes:

The MIT Center for International Studies had an excellent program in the general area described in this paper, but its leading scholar, Professor Ithiel Pool, died in 1985. Professor Eugene Skolnikoff, the current director, is retiring, and it is unclear whether tenured positions will be made available to continue the program.

At the John F. Kennedy School for Government at Harvard, the Center for Science and International Affairs offers major programs on arms control and energy studies. However, the study of policy development for science and the study of the relationship between technical capability and economic competitiveness at the Kennedy School program has been largely dependent on Professor Harvey Brooks who will also retire this year.

Both the MIT and Harvard programs and similar ones at George Washington University, University of Texas at Austin, the University of Washington, and Stanford University provide major intellectual support for a comprehensive analysis of technology and international affairs. Unlike the proposed Institute, however, universities face resource and facilities constraints in their ability to bring together government, science, and

business leaders to systematically address particular issues. The Institute would not attempt to compete with the universities, but would offer stimulation and assistance through the participation of academicians in the Institute's programs.

o Council on Foreign Relations:

There are several institutions not affiliated with universities that are devoted to fostering dialogue between scholars and active world leaders in foreign affairs. Chief among these is the Council on Foreign Relations which might offer the Institute a particularly interesting opportunity for collaboration.

The Council has the power to convene influential groups and maintains a permanent staff of both mature and younger scholars. Its focus is primarily on international political affairs, but CFR members like Winston Lord and Peter Peterson, along with others with technical backgrounds, have long sought to strengthen the Council's capability to provide a scientific perspective on political matters.

The CFR, however, rarely tackles the technical substance of its issues. Nor has it expressed much interest in matters of technical infrastructure like the State Department's science attache program. Its interests in international trade, for example, are primarily economic and political. Nor would the CFR

be able to accommodate the in-residence workshop projects or continuing commitment of a senior professional staff that the Pocantico Institute would make possible.

The Institute, by focusing on critical problems of science and technology through cooperative activity, could draw on the great strength of the Council in politics and macroeconomics. The well-established influence of the CFR could be used to leverage the effectiveness of the Pocantico Institute. Indeed, many of the people who might be invited to comprise the senior staff of the Institute are among the small number of Council members who are experienced in science.

o Conference Centers:

A variety of independent and university affiliated conference facilities exist in the United States and abroad. None of these would duplicate what the Institute could accomplish, for none of them have full-time staffs of experienced experts. Many are simply very attractive conferencing facilities, responding to a highly diverse set of external requests for their use. The Pocantico Project seeks to have a more focused and significant impact than the useful but very limited role of existing conference sites.

Arden House, Wingspread, Seven Springs, and Wye Plantation are

conference centers covering a broad range of policy topics that occasionally include science and foreign affairs. Arden House is near Pocantico and is operated by Columbia University, which conducts a significant seminar program in science policy on campus. An Institute at Pocantico might find Arden House somewhat competitive as a conference facility, at least for the collaboration of groups at Columbia University, but Arden House has no program focus, no scholarly staff, and is obligated to respond to external requests for its use. By contrast, Pocantico would be highly selective and would undertake only projects of highest priority that fit its focused mission. In terms of involving Columbia faculty, however, it might be noted that the location of Pocantico is much more accessible to New York City than is Arden House.

Seven Springs Center, recently transferred from Yale to Rockefeller University, is another conference facility, located in Westchester County, but much less developed than Arden House. Like Arden House, Seven Springs does not possess its own program focus.

Wingspread, the former home of the Johnson family in Racine, Wisconsin, is an excellent facility endowed generously enough to permit conferences and workshops to be conducted with groups paying only transportation and any participant honoraria. Like the others, it does not have a core staff or research focus of

its own. But Wingspread's mode of operation is a model for how a quality conference activity can be operated.

The Aspen Institute for Humanistic Studies has a residential study center in Wye Plantation, on the Eastern Shore of Maryland, not unlike Pocantico, and is able to convene scholars and persons of affairs in workshop projects. However, Aspen traditionally does not go beyond discussions in the "thought leading to action" mode. There is no core staff and little scientific focus to its program. In recent years, the Aspen Institute has been criticized for this absence of focus and lack of follow-through, features that are intended to be strong aspects of the design for the Pocantico Institute.

There are similar conference facilities abroad. One of the most attractive anywhere is the Rockefeller Foundation's facility at Bellagio on Lake Como in Italy. It too is designed to respond to the needs of its host institution and considers external requests for use by scholars. It does not have its own scholarly staff or a sharp program focus.

Some of the other European programs do have mechanisms for the construction of coherent projects and should be considered as potential collaborators with the Pocantico Institute. Ditchley, Cour Chevelle, Salzburg Seminar, and Aspen Berlin do not have continuing study programs, but offer valuable complementary

facilities for convening working groups and discussions. In the spirit of its international mandate, the Institute might well wish to cooperate with these existing centers to encourage some of the activities to take place abroad.

Because of mutual interests, the Third World Academy of Science is another example of a center for possible association with the Pocantico Institute. Founded four years ago by Nobel physicist Abdus Salam, the Third World Academy, now headquartered in Trieste, involves talented people from the developing countries who address problems of special concern. Their current emphasis is on strengthening agricultural research in Africa.

o National Academies of Science and of Engineering:

The National Academies of Science and of Engineering are the most important scientific and technical institutions with a focus similar in some respects to the proposed Institute. These Academies are, of course, comprehensively representative of the scientific and engineering communities, and they are deeply interested and well informed in many of the issues the Institute might select. The Academies have a study center in Woods Hole, Massachusetts, which convenes working groups of the type proposed by the Institute.

The Academies' programs, however, are driven by the needs of

U.S. government agencies which the National Research Council (the Academies' vehicle for policy studies) is mandated to advise. The NRC projects are staffed by volunteer scientists and are largely dependent upon government agency initiation and support. The Academies would provide an important source of collaboration for the proposed Institute.

Mission of the Institute

Many people in the world enjoy a high quality of life and improving prospects for their children, aware that science and technology have made this possible. This realization only heightens the aspirations of the much larger numbers who are afflicted with poverty, ignorance, disease, injustice, and conflict. It heightens the frustrations of all those who aim to change the circumstances that deny to most of the people on earth the fruits of what human knowledge and skill can provide.

The Institute at Pocantico shall pursue two intimately related purposes: first, advance the understanding and analysis of issues connecting science and technology with international affairs; second, promote effective action in collaboration with other institutions responsible for the wise development of the scientific and technological capabilities needed to improve the social and economic conditions of people throughout the world.

The Institute would consider topics from any of the significant frontiers in science, engineering, and medicine. These topics derive from the activities of both the public and private sectors, in all regions of the world and usually call for expertise in a number of disciplines and fields of experience. Thus, the Institute would be international, interdisciplinary, and inter-sectoral. It would seek a steady flow of contributions to analysis and action over many years; it would foster a dynamic interplay between the scientific community, policy-makers, and the users of technology -- all in the context of humanitarian and democratic values.

In pursuing this broad mission, the Institute will select periodically a small number of priority themes. Within these priorities, the Institute will seek and support the active collaboration of experts in complementary programs elsewhere. In this way, it will improve capacity in and foster interaction among the leaders of the science policy community.

The programs of the Institute will include long-term studies, conducted with highly professional standards. Specific mid-range problems, amenable to constructive action, would also be approached as a pragmatic way of testing results from the longer-range conceptual program, as a means of keeping close contact with the field in order to guide the Institute's

priorities, and in response to specific circumstances calling for the Institute's resources to focus on practical problems of importance. Timely public and private conferences would be held, and publications would periodically report on programs and results.

In a great many other countries with which the Institute would work, national leaders devote substantial time and attention to scientific and technological development, perhaps more than the corresponding officials in the United States. Nevertheless, American talents in science, engineering, and innovation have been the wellspring of technical/professional development in scores of countries around the world, and our universities are still the most sought-after world resource for acquiring these skills. Thus, it is very appropriate that a Pocantico Institute would address world problems from a United States location.

The Institute would be an independent, American institution that takes a global perspective in collaboration with scholars and leaders from around the world. It necessarily would be rooted in American values. Its staff would be well aware of U.S. foreign and domestic policy, but need not accept either as immutable or necessarily optimal.

Mode of Operation

To fulfill these aspirations, the Institute's board and senior staff should seek a balance between the goals of advancing understanding and promoting constructive action. Similarly, they should address opportunities created by new scientific knowledge (science/technology "push") and requirements for technological solutions arising out of social needs (science/technology "pull").

The Institute would stimulate careful studies of critical issues by international scholars of the highest quality. These studies would benefit from and contribute to the convening functions of the Institute. The diversity of thoughtful participants in Institute-sponsored meetings would stimulate studies under Institute and other auspices, and it would foster effective dissemination of information and ideas emerging from the studies.

The convening function of the Institute would continue Rockefeller family leadership in initiating long-range projects with an international perspective. The Institute would have an advantage in drawing together leaders of government, business, science, and technology to address difficult problems in a constructive and, when necessary, discreet way. The beauty of Pocantico as well as its accessibility, its privacy, and its traditions would contribute greatly to this part of the mission.

Affiliation with Other Institutions

Something more is required to ensure the success of the Institute beyond the convening functions, important as they are. The Institute can make its greatest contribution if it has mechanisms for strong scientific and technological links to universities. By the same token, the Institute will require ties that ensure deep knowledge of international relations and practical experience in coping with international problems. In this view, the Institute would be the focal point for a network of cooperating institutions concerned with science, technology, and international affairs.

Affiliated institutions might well include broad-based universities such as Harvard, MIT, Georgetown, and Columbia, more sharply focused institutions such as Rockefeller University and the Council on Foreign Relations, and internationally oriented institutions covering the entire gamut of world science and technology such as the National Academies of Science and Engineering; and their foreign counterparts. Institutions outside the United States also need to be considered, for example, the Third World Academy, the Trilateral Commission, and the InterAction Council.

The proposed Pocantico Institute is one whose contribution to improve prospects for mankind can, in time, be as great as an

earlier Rockefeller innovation: the Rockefeller Institute.

For the Pocantico Institute to facilitate meaningful action, it would require durable and trusted affiliations with the leaders of major agencies that carry out the substantial programs that the Institute's studies are designed to appraise and influence. The Institute must have the capability for continuing reconnaissance of politically salient topics and novel and significant intellectual concerns, efforts that will require active dialogue with the leaders in diverse fields. These goals may be met through arrangements with individuals and through friendly collaborations on specific events with organizations (such as the CFR).

The cooperating institutions (or at least the primary ones) might plan a project each year in concert with Pocantico. Thus, there would be variable year-to-year involvement of faculty, staff, and students in Pocantico-related projects. Over time this cadre of experienced people would become identified with Pocantico and its issues and would help to guide its future development.

Staffing

The proposed Institute would need a staff of about thirty individuals of whom ten would be administrative. The core staff

of twenty scientists, science policy scholars, and people experienced in technology and international affairs would have several functions:

- o To conduct, coordinate, and stimulate in-depth studies of critical issues;
- o In concert with experts and decision-makers convened for collaborative projects, to seek constructive action nationally and internationally on selected problems; and
- o To encourage systematic cooperation with related institutions.

Of course, the staff will not be highly specialized researchers. Instead, most of them will have had extensive research experience while maintaining a policy-oriented, generalist outlook. They should be quick to see the possibility for action using science and technology, and equally alert to identify the gaps in knowledge that must be filled before making recommendations to policy-makers. Many will have had field and managerial experience and/or substantial research accomplishments. All will be of the caliber sought after in both for-profit and not-for-profit organizations.

Although it is hazardous at this time to specify all the categories of experience and expertise, possibilities include the following:

1. Science, Technology and their Management --

Expertise in information technology and telecommunications; biological and medical sciences; materials technology and engineering; experience in managing research and development in industry, government, and in international corporations.

2. Behavioral Science, Institutional and Human Resources -- Such as in issues concerned with: understanding cultural limitations in transfers of technology and the impact of technological change; political understanding of multilateral institutes dealing with science; training diplomats to manage science issues; evaluating cultural barriers to the uses of ostensibly appropriate technology; promoting international technical cooperation; assessing world-wide flows of technical personnel.
3. Law and Economics -- Analysis of the technically based competitions within the international division of labor among DCs, NICs, and LDCs; the specific economic incentives that promote applicable research for industrial and agricultural growth; technical implications and requirements of international financial flows and services; tracking key areas of new technology that may have large economic consequences; the flow of intellectual property and the issue of legal rights.
4. Population and Natural Resources -- Health; agriculture; environmental consequences of development; atmosphere; oceans; water supply; energy; minerals; space exploration -- all seen in international terms.
5. Geographical Concerns -- Africa; Asia; North and South American cooperation; trilateral regions; East and West Europe -- paying attention to both important long-term trends and any urgent problems as they arise.

Covering such a range of skill and experience requires that senior staff have multiple capabilities drawn from these areas. Most of the Institute's projects would involve a matrix of the staff, drawn from several (or all) of the units, each person often working only part-time on a given project for some months. Of course, the Institute would also have long-range projects and

certain members of the staff would devote a large fraction of their time for several years to such projects.

Staff recruiting probably should begin at the earliest possible time after a firm decision has been made to establish the Institute. Soundings have already been taken with a number of senior professionals who would be excellent choices to constitute the top tier of full-time staff. The comparatively few plausible candidates would be attracted by the Institute if the prospects are good for a robust program after its formation. New research opportunities and the continuing professional challenge would be strong inducements.

Two sets of affiliated groups from other institutions would be appropriate: a primary collaborating set and a secondary participating set. The former would be more deeply engaged with and supported by the Institute than the latter who would include those who participate, from time to time, in Pocantico projects.

Funds should be available to the Institute for initiating work with the collaborating institutions and for financing visiting fellows from those groups. They would have a direct and visible stake in the work of the Institute and receive a tangible benefit from its existence. These visitors might divide their time in a variety of ways between Pocantico and cooperating institutions. The leaders of the most active collaborating

groups would receive joint appointments at Pocantico and their home institutions.

The small staff estimated for the Pocantico Institute would only be able to tackle a fraction of the many conceptual problems within the Institute's domain. The Institute would depend, in part, on specialists (for each project) whose main work is at universities or private firms.

Finally, it should be noted that the Institute may be able to engage, as visiting senior staff, experienced individuals drawn from a variety of firms in the private sector. These visitors would participate actively in projects, in conferences and through publications with the Institute's staff, governmental officials, and university participants. For example, in the tentatively stated objective of training career officers from the Foreign Service and foreign ministries of various countries, the Institute could pull together an interesting faculty involving participants from the private sector.

One of the Institute's most important lines of connection should be with field units of various kinds. For example, it would be helpful for the Institute to establish communication lines to the field representatives of the UNDP and World Bank's staff, the U.S. Science Counsels and the AID units abroad, the field

staff of the Population Council, the CGIAR, the WHO, et.al. Indeed, bringing together at Pocantico the senior technical staff from these various governmental and intergovernmental groups would be an excellent annual or biennial activity.

With the private sector, the Institute probably should arrange for first-hand acquaintance with representative R&D, production, and service activities in every major region of the world. This will be feasible with the caliber and scope of staff recommended. These links will enable the Institute staff to conduct more substantive analysis and the Institute to exert more influence in a wider range of projects.

For example, some governmental and inter-governmental programs are all the more difficult to manage, from the standpoint of career public servants, because the private sector is reluctant to share (in any potentially public ways) the details of a firm's or an industrial sector's operations abroad. The Pocantico Institute may be able to approach selected topics from the stance of aiming to reconcile such competing interests with respect to sensitive information and the controversial policy choices affecting the public/private sectors. The Institute could collect and process such information so that broad trends can be identified without compromising any firm's particular interests. As another example, patent-related problems in various countries are occasionally explosive; they could be

discussed at Pocantico with a neutral, off-the-record, high-level, and professionally constructive staff.

There will remain, however, an indispensable need for the Pocantico Institute to have its own independent priorities. It must avoid becoming a "job shop" that simply reflects the frequent fluctuations in public and private opinions about science and technology in international affairs.

To stretch a point that applies more to individuals than institutions, the Institute should have the capacity and the fiber to display the courage of its convictions. In short, there is great merit in the Institute's thinking of itself as essentially an independent operation, neither hobbled by a chronic need to gain contract/grant support for its priorities nor slowed by delay and caveat on every proposal for action.

Two other points are relevant to linkages. The shared activities of sister institutions often enhance their individual goals. For example, to the extent that the Rockefeller Archive Center could provide information resources and specialized services to the Pocantico Institute, both institutions would benefit. As another, more ambitious example, the Rockefeller Foundation's new five year program regarding science and technology in developing countries could be tapped for a five year (and presumably renewable) grant; perhaps the Pocantico

Institute could be a chief strategic advisor with respect to the Foundation's expanded programs. Finally, in considering the advantages of the site, there are opportunities for a special emphasis on the strategic concerns of New York City and New York state. New York ports, financial services, and information technologies, for example, may generate issues for the Institute. Specific institutions, such as International Business Machines, General Electric, and the Council on Foreign Relations might contribute to the Institute's mission while themselves benefitting from its proximity.

Outputs and Timetables for Projects

In discussions about the Institute during the past six months, we have proposed a mix of activities that will determine the appropriate timetables to assess the impact of the Institute's work.

First, if the Institute's mission were mainly scholarship and studies, the timetables would be long, possibly decades. If the mission were mainly action-oriented, the timetables would be set in months and years. We favor roughly a 50/50 mix. Half of the activities would be directed to understanding the difficult issues within the Institute's domain. The other half would address political, social, or economic concerns in the field or in grassroots issues to promote action on urgent human needs.

We believe such a mix is healthy for the proposed Institute.

If the mix of activities summarized above existed, the following timeframes might be adopted:

- o Weekly and monthly: informal meetings with specialized consultants, field-leaders, policy-makers, young people; and several times each year, major conferences of varying size with formal organization and, as appropriate, with press announcements.
- o Every 1-2 years: several short, publicly released documents summarizing a key issue or trend, and/or publicizing the Institute's findings or recommendations.
- o Every 5 years: conclude all (or a significant part) of a major project with aims for impacts on central public policies, large funding of programs, and/or public awareness.
- o Every 5-10 years: as in universities, this is the timeframe for achieving significant advance in a conceptual effort, in scholarship on a complex problem, or in orchestrating a major new interdisciplinary attack (or a new inter-institutional organizational mechanism).

The theory-research-concepts wing of the Institute (50% of the effort) would operate on one to ten year timeframes -- and the action-field-publicity wing of the Institute (50% of effort) would operate on one week to five year timeframes. These schedules reflect the necessary integration of the staff's efforts in an applied science enterprise that emphasizes excellence and the frequent participation by other institutions.

Examples of Possible Projects

Two broad guidelines should be stated at the outset. First, the Institute will adopt global viewpoints. If, for example a project examined the uses and impacts of computer-assisted manufacturing in a specific industrial sector in one South American country, the Institute would consider the project in a comparative, international context. This might mean, for instance, developing related case studies in other regions and/or testing the results against analyses that refer to other socio-economic systems.

Second, the Institute will be results oriented, rather than directed toward conceptual work destined to sit on a shelf. Conclusions and recommendations will be transmitted to senior leaders in the public and private sectors or developed in partnership with them, then followed up by every available means. Conversely, the results of implementing specific actions suggested by the Institute -- whether successes or failures -- will be evaluated objectively. Thus, a growing base of empirical evidence will help to resolve the worldwide conceptual problems posed by science and technology in international affairs.

Should both of these points seem obvious, or even superficial as merely good intentions, we reemphasize here that few centers have the combination of scope, depth, and persistence of the planned Institute, which will distinguish its role and its

potential for accumulating achievements.

Technical issues often complicate political and diplomatic ones. How will choices among these issues be made? For example, will arms control, and other crucial U.S.-U.S.S.R. "security themes" become part of the Institute's program? Tension between the super powers colors international relations in every corner of the globe, diverts scientific talent and other resources into military activity, and affects government policies toward international trade in technology. The Institute must be competent in such international security issues. Its senior staff should include defense experts as well as those experienced in civil technology policy. However, the Institute would probably not undertake major efforts in the highly specialized field of East-West arms control. The emphasis will instead be on the beneficial applications of science to human needs around the globe.

An important part of the Institute's work will concern developing countries and North-South relations in science and technology. Many scientific questions of international importance have, by their nature, global impact. In areas such as ecology, international communications, trade in intellectual property, and the mobility of scientific personnel, the Institute would engage the interests of many nations. Finally, the focus on effective support for and application of science

for national economic development must be considered in the context of global development needs to avoid excessively nationalistic approaches.

The following examples are organized around six broad sets of questions:

A. How can science be nurtured and technology be developed and applied most effectively in all nations for beneficial purposes?

B. How can societies, especially developing countries, better anticipate, understand and manage technological change?

C. How can developed and developing countries facilitate technical cooperation and human resource development via governmental and private channels?

D. What might contribute most to the specific applications of emerging sciences and technologies to meet the needs of developing countries and how might more rapid progress be achieved?

E. What can be done to strengthen international institutions, especially the United Nations and its

agencies, to deal with highly technical problems in the international security, resource management, and economic development areas?

F. How can the diplomatic and foreign affairs functions of governments (especially the U.S. government) be improved to deal effectively with scientific and technical issues?

The first governing body of the Institute, the president and the senior staff, will of course frame their own agenda. Their experiences and vision will be guided by world needs and the agendas of other institutions concerned with these issues. With this caveat we offer the following menu of ambitious examples.

A. How can science be nurtured, technology be developed and applied most effectively in all nations for beneficial purposes?

1. How can the interests of nations be better balanced with global interests? What international or multilateral arrangements best serve the management of technologies with trans-border impact?

The governance of technology: satellites in geosynchronous orbit, patents, standards and other aspects of intellectual property, atomic energy, etc., has evolved piecemeal over the past 40 years. A research project would explore the generic questions that arise in international governance of technologies: for example, whether domestic and international

institutions are likely to have the resources to deal with these technologies and how various regimes might achieve more equitable, reliable, and productive worldwide utilization of the technologies.

Once that work was complete, one or two specific test cases might be undertaken as proof of principle, such as the issue of allocating orbit space for satellites by the World Administrative Radio Conference (WARC) or the protection of computer software by copyright, patent, or other means.

2. How can U.S. technical resources more effectively contribute to the eradication of poverty and economic modernization in underdeveloped countries?

The U.S. scientific and technical community represents an enormous potential asset for developing countries -- if ways can be found to educate it more deeply about the problems and opportunities that exist in the developing world and if mechanisms can be devised or strengthened for ensuring effective collaboration over the long term.

In the decades following World War II, there was a gradual though irregular decline of interest by the U.S. scientific community in the problems of developing countries and a concomitant decline of funding for cooperative research on such problems. Recently, however, there have been encouraging signs

of change.

For example, the Institute of Medicine, National Academy of Sciences (NAS), is strengthening its research and education efforts regarding health issues in developing countries. The NAS Board on Science and Technology in Developing Countries has also strengthened its work in several fields. Similarly, the MacArthur Foundation is following the initiative of the Rockefeller Foundation in applying modern molecular and cellular biology to parasitic diseases with great potential for the development of preventive measures for malaria and other serious diseases in the next decade. The Carnegie Corporation is focusing on the health of women and children in developing countries.

A few years ago the NAS brought together a number of scientific study groups to address the United States' role in science and technology for development. This effort reflected an emerging consensus on ways that science and technology in the United States can make an important and appropriate contribution to dealing with the problems of developing countries. Scientific effort is likely to be focused on two crucial goals: 1) the eradication of extreme poverty by meeting the most basic needs for food, shelter, health, and education, and 2) economic modernization to increase national output for domestic consumption and for income from exports.

A number of initiatives for the Pocantico Institute can be envisaged:

a) Helping a developing country establish or strengthen a national research council (or similar university-based body) to be a focal point for development of its own scientific capability; linking such a research council or similar body to the U.S. National Research Council (of the NAS) and to similar scientific bodies in this country;

b) Identifying outstanding models of applied science in developing countries, understanding the reasons for their effectiveness, and disseminating the models widely. Such models might involve, for instance, the linkage of research and education through agricultural extension services or the elucidation of a significant health problem in a developing country through clinical and epidemiological research;

c) Fostering linkages of some scientific and science-based professional societies in the United States with similar organizations in developing countries; fostering similar linkages between the United States universities and their counterparts in developing countries.

3. In the area of national security, what is the economic effect of defense R&D as an indirect contribution to or deterrent to competitiveness? What study can be done of dual use technologies?

There are strongly held convictions but very little analytical data to test the assertion that those nations that tax themselves for heavy expenditures in defense R&D gain a substantial benefit in commercial competitiveness through the generation of "dual use" technologies. MITI has used this common conviction as justification for its targeted investments in specific commercial technologies. But there are others who believe the opportunity cost of the defense R&D and its distortion of the technical labor market produce instead a net negative effect on competitiveness.

A serious effort, looking at dual use technologies, should be made to illuminate this issue and provide a factual basis for governmental policies. The balance of national investments in human resources and in research in all major nations (with the notable exception of the United States' primary commercial competitors, Japan and Germany) is probably more heavily influenced by this issue than any other. Unfortunately, this is often true in developing countries (such as Indonesia) to an extreme degree.

4. What are the effects of military priorities on the

capabilities of developing countries to enhance their own scientific and technological skills and apply these to civil purposes?

Many developing countries do not have the educational and research infrastructure or the management experience to support the technical capability necessary for economic and social development. In some cases, military priorities result in technical training and an acquisition of foreign technology upon which future civil capability can be built. On the other hand, military technology exacts great opportunity costs while biasing the skill areas that are developed, with potentially negative consequences for social development.

The Institute might seek the cooperation of a developing country that faces this problem and undertake a joint study, whose results could be compared with the experience of other countries in a similar situation. For example, the cooperation of Indonesia's Minister for Science and Technology, Dr. Habibe, might be invited, for he has major responsibility for the industrial development of a number of dual-use industrial technologies.

5. What policies for protecting, valuing, and exchanging useful knowledge internationally are most appropriate for future economies, especially in the developing world?

Major markets have emerged for information. The changing character of industrial engineering (automated specification,

design, production and testing) allows the linking of geographically distributed operations by digital data and software whose value represents the value of the goods produced. In the United States software revenues are rising at double the rate of hardware and at consistently higher profitability.

Developing countries that attempt to compete by lowering the cost of hardware have tended to avoid adopting in national law the requirements of the copyright convention. Instead, these countries often raise protectionist barriers against software imports or choose to copy the products of others without permission. Are these countries well served by these policies? How should an economically emerging nation view the policies needed to develop their own knowledge industry and assets? Would such policies be compatible with the requirements of the world marketplace? The Institute might study the issue of assigning value to information as a commodity.

6. How can the tension between the proprietary value of information, the security requirements for export controls on technology, and the value of encouraging an unregulated world market in proprietary information and an open exchange of basic knowledge be better managed?

This is a central issue of our time. Much of current policy is based on good theory but ignorance of practical realities. The traditional means of controlling traffic in arms and hardware can be extended to knowledge products and data only with a great

deal of difficulty. Ten years after the Defense Science Board's "Bucy Report", the theory is still accepted but implementation has not yet proved practical. The concerns of the United States government impede full exploitation of the nation's greatest economic asset: its knowledge capability.

One possible solution would be for the CEOs of American, European, and Japanese high tech companies to meet with high level national security authorities and university leaders. In off-the-record workshops, these groups could address these issues, reach consensus, and develop politically acceptable policies for implementation.

7. How can developing countries balance the requirements for nurturing scientific capability with the urgency of gaining economic benefit from national investments in research and development?

Every small or poor nation has at least a few outstanding scientists with world class training, and they struggle to build on this base a research and teaching capability for their country's economic and social future. National priorities, however, always focus on employment, inflation, and debt, from month to month or day to day. The national technical community is usually asked to perform now and develop later. In addition, as a practical matter the scientists are often eager to be in the mainstream of national development, tending to gravitate to applied research with an apparently quicker payoff.

The Institute could explore the patterns of scientific development in poor or small countries that seem to make the best of this dilemma. How should assistance be structured? Is the International Science Foundation a successful model for research and education? Would establishing a network for these scientists help?

8. How well does the traditional partition of responsibility for scientific and technological capability between public and private sectors serve the industrial democracies? Are there direct interventions (ESPRIT, ICOT, etc.) in commercial development by governments that are both economically and technically effective?

This is the central issue for national economic development based on technological competitiveness. What is the role of the central government, the states, provincial governments, or the business sector? Are the efforts of governments to short-cut market forces and guide priorities for technological development productive or harmful, or are they irrelevant (except politically)? To what extent are these projects aimed not so much at national development but at redressing perceived imbalances between the technological resources of multinational enterprises operating in their markets with those of locally owned enterprises? In what societies and under what economic systems do such efforts pay off? What lessons should other countries learn?

9. To what extent can the industrial democracy's strategies for technological development be adopted by states which traditionally rely on centralized economic planning? What are the political as well as economic outcomes likely to be?

A fascinating illustration of this issue is the industrialization strategy of the People's Republic of China for its eastern regions. If their plan of using economic liberalization to increase modernization and push their technical community to more effective contributions proves successful, the consequences are significant for China and the world. If modern science and economic liberalization can be practiced without giving up the formal trappings of socialist ideology, other socialist states may try to follow the same path. The Institute could be involved with this issue. Many of the concerns China has today have relevance for the United States and would be an appropriate study topic for the Institute.

10. In the interest of industrial safety and environmental and consumer protection, (given Bhopal and Chernobyl) how can regulatory standards, technical practice, and economic goals and realities be better accommodated?

Bhopal and Chernobyl demonstrate that industrial hazards in one country may threaten serious environmental or economic harm to neighboring countries and to the country that originally applied the technology. The original design assumptions built into technology may not adapt well to local regulatory and social policy. There is a need to reconsider business and government

practices concerning project design and technology transfer in potentially hazardous industrial installations -- in both capitalist and socialist countries. The Institute could facilitate the development of a research agenda, provide a forum for periodic meetings of researchers and their clients in business and government, and address the balance between technological practice and adaptation to local situations.

B. How can societies, especially developing countries, better anticipate, understand, and manage technological change?

1. What are the effects of technology and employment shifts on life-long education in industrialized societies and on displacement, disparities in income, and migration in developing countries?

When technology is introduced to increase productivity and quality, production and revenue per worker rises. The effectiveness of worker education and mobility and of income redistribution, as well as the reinvestment of some of the profits into economic expansion in other sectors, will affect the degree to which social stress accompanies economic and technical progress. This is a difficult area to study, but it has been tackled in Britain, Sweden, and the United States and it needs to be understood both here and in the rapidly industrializing countries. In developing countries, these shifts are also accompanied by migration from the countryside to the city, even as manufacturing employment may be shrinking.

Yet decentralization strategies are difficult to carry out.

The basic dilemma, for all countries, is how much social and economic homogeneity is acceptable as the price for having islands of economic efficiency -- competing at the world level -- surrounded by lower level economic activity. This is commonplace in countries like Brazil; it may become so in the United States. The study of Singapore, Malaysia, and Indonesia in the last 15 years might be especially instructive.

2. What are the political effects and opportunities of information technologies and governance?

George Orwell's characterization of the role of information technology in political life has, mercifully, not been realized, at least by 1984. Indeed there is speculation that these technologies (telephones, copiers, computer networks, VCRs, television, short-wave radio, telex, etc.) would, if available to the public, encourage independent thought and action and put stress on authoritarian regimes. It is true that those regimes do strictly control public access to such facilities. But what economic price do those governments -- especially the Soviet Union -- pay for doing so?

In addition, the general availability of these technologies in the West gives rise to many information systems and services that are optimized to world economic realities, not to national

borders. Thus, national sovereignty is diminished to the extent that nations cannot control their financial markets, money supply, etc.

There has been little systematic analysis of these issues. A sound study would guide policy in many countries regarding the deregulation of state-owned telecommunications services or the promotion of new information technologies.

3. How is science itself being changed by technology? As science becomes more capital intensive, more technological, and more interdisciplinary, what are the implications for small nations? For international sharing of facilities?

It will be increasingly hard for small or poor countries to compete in science as the necessary equipment becomes ever more complex and expensive. The Institute might analyze what will be the impact of this trend, considering the entry price for new high technology businesses and how facilities might be shared internationally.

C. How can developed and developing countries facilitate technical cooperation and human resource development via governmental and private channels?

1. Linking scientists, especially those in university and not-for-profit laboratories world wide, through new communications networks, such as WUNET.

While concerns about the security of exports and the protection of intellectual property have motivated tighter controls on international exchanges in technical information, computer networks facilitate communication among technical people all over the globe. In the industrialized democracies, 1000 computers link over 350 universities, their number growing at 40% per year. The Institute could research ways of increasing the participation of developing countries in this network.

M. D'Avignon is convening an international group in Berlin to create a non-profit institution called the World University Network (WUNET) in the hope it can facilitate expansion to the third world. But to make this a reality, officials of AID agencies, universitites, and Third World countries and information technology companies need to develop a strategy and secure private and public commitments. The result could be a dramatic help to more isolated institutions and greatly increase the productivity of universities everywhere.

2. Strengthening institutions for scientific cooperation (ICSU, IFIAS, CGIAR, Academies of Science, including the Third World Academy, UN University).

At a time when the world requires scientific cooperation to address global issues, the international institutions of science are not systematically connected to government decision-making in most countries. Ministers of science and leaders of the

International Scientific Unions and the Academies of Science should examine how to increase the effectiveness of ICSU, especially in view of its historical dependence on UNESCO. The Institute might also examine how the Third World could be brought into these institutions when they are poorly represented in the Unions and many do not have effective academies or national science councils. Such a project should be undertaken in concert with the foreign secretaries of the U.S. Academies of Science and Engineering.

3. The role of national professional societies in global cooperation.

ICSU brings together the International Scientific Unions, which have important roles at the international level, but do not represent the mainstream of scientific activity around the world. This is done by national (and in Europe, multilateral) professional societies. Only recently have they begun to take an active part in the international dimension of their disciplines; in the United States, for example, primarily in the human rights area. As the aggregation of national expertise, professional societies might serve much more effectively than most organizations do in international issues. The Institute might examine the role of these scientific associations in global cooperation.

4. Evaluating the impact of new information technologies on

the gap between technically advanced and isolated or backward nations.

Information technology can provide isolated researchers access to their peers and scientific knowledge as with WUNET, described above. Other activities, however, may increase scientific isolation, such as journals that request manuscripts in machine readable form and the replacement of terminal access for paper distribution of information. The Institute could assess changing practices in knowledge generation and application. How should poorer countries manage these changes? To what extent do restrictive telecommunication practices prevent technical people in developing nations from participating in global information transfer services?

5. Technical literacy: How can the effectiveness of education in sciences and engineering and other problem solving fields be rapidly increased, especially in poor countries?

In a world economy in which information is increasingly substituted for energy and materials, education is emerging as the most important industry. However, all over the world, education shows little success in using information technology to increase its effectiveness and productivity. How can technology help education in less developed societies? Is there a technical strategy for improving educational productivity in Third World countries?

The United States should take this issue very seriously, for virtually all our population growth over the next thirty years will come from minority groups, a large number of whom are educationally disadvantaged today. Can political and financial support be found for an educational technology strategy aimed specifically at populations here and abroad who cannot afford high costs?

6. East-West relations in science: what course contributes most to world stability and progress?

East-West scientific contacts, which blossomed under official encouragement in the early 1970s, have withered almost to the vanishing point. The western lead in science, while extensive, is not uniformly present. Few western scientists feel that the benefits of personal contacts with eastern bloc scientists justify the accompanying obstacles.

Official attitudes in Europe and the United States differ on the merits of greater interchange. The United States' fears of Japanese-Soviet relationships are particularly sensitive. Nevertheless, in the interests of broadening communications, stability and understanding, political problems could be addressed openly at the Institute in a trilateral dialogue (perhaps under the Trilateral Commission's auspices). Business, university, and government leaders would be involved in the discussion. As in the case of export controls (see below), it

is very important to generate a consensus of non-governmental leaders across the Atlantic and Pacific on this matter.

7. What is happening to the mobility and flow of students and technical people internationally? What are the consequences for national policies?

Does the dominance of foreign enrollments in United States' graduate engineering programs constitute a threat to our interests or a vital investment in good relations and market development in other nations? For example, the new and growing relationship (15,000 students in the U.S.) with the People's Republic of China is a particularly important development. Have United States' students stopped going abroad for study while students of other countries are being less chauvinistic?

An Institute project might develop a global perspective on student mobility, emphasizing universal development and the rights of individuals as well as national interests.

D. What might contribute most to the specific applications of emerging sciences and technologies to meet the needs of developing countries, and how might more rapid progress be achieved?

1. Primary health care

The principal strategy for reducing infant mortality is education of the mother. All other techniques -- hygiene, oral rehydration, immunization, etc. -- depend on improving female education.

Modern audio-visual techniques are portable and self-contained so that the educational materials designed for unique social and cultural conditions can be made and shown throughout Africa and Asia. Commitments from local governments are necessary to develop regional centers for the production of equipment and materials. The Institute could serve as a location for the development of the initial plans, including obtaining foreign government commitments or private sector funds and equipment.

2. Biotechnologies in Agriculture

The consequences of increased agricultural productivity and the adaptability of genetically engineered crops and methods of plant protection are likely to be especially significant for countries that have experienced food deficits and unfavorable trade balances in agricultural products. Much of the research in agricultural biotechnologies is on enhancing production in countries like the United States and Japan where productivity is already very high. An Institute project would seek to encourage innovation in biotechnology in regions that would not readily benefit from new scientific opportunities.

3. How do national farm policies affect competitiveness in agricultural biotechnology?

American agricultural policies, like those of Europe and Japan, encourage intensive use of land and thus indirectly promote the development of the biotechnology that makes this intensive use possible. They do this by setting limits on the amount of land for farming, encouraging maximum yield by guaranteeing high domestic prices, and by subsidizing exports. Additionally, government policies provide access to research and to extension services and encourage collaboration between universities and innovative private firms. Similar policies are in effect in Europe and Japan.

These policies are very expensive. Within a few years, half of the non-farm income of America's farmers will derive from government subsidy. These policies may also have the unintended effect of shifting the emphasis of biotechnological innovation away from the reduction of economic and environmental costs and toward a high-yield, high-cost agriculture dependent on subsidies for its competitiveness.

Currently, intermittent political pressure occurs to increase the reliance on market forces. An Institute project could assess the effect of biotechnological advances on American agricultural competitiveness. How would changes in policy

affect the level of investment in research and the selection of innovative projects in agricultural biotechnology in the public and private sector? Pocantico staff would commission research and develop conferences to establish common ground between farm policy and the biotechnology industry.

4. Registration policies and procedures for new drugs and agricultural chemicals.

There is widespread dissatisfaction with current U.S. procedures for registering new chemicals and drugs, on the grounds that these practices often inhibit technological innovation that is profitable and beneficial to public health.

Pocantico staff will design and commission a research project reviewing regulatory practice in advanced countries. The research will provide recommendations for simplified procedures that could expedite approvals without compromising considerations of public participation and environment and public health.

E. What can be done to strengthen international institutions, especially the United Nations and its agencies, to deal with highly technical problems in the international security, resource management, and economic development areas?

1. A study of the Antarctic Treaty's special arrangements,

and its evolution given the interest from the Third World might offer a model for resource management in other subject areas.

2. How can the UN (through the UNDP, the special science program, and other agencies) bridge the differences between rich and poor nations and make a practical contribution to resolving global inequities over time?

The efforts of the UN to generate an international consensus on the role of science and technology in development has been disappointing when addressed at the global level, although the specialized agencies have accomplished a great deal. The Institute might consider what can be done to improve the UN's performance on global concerns about science and technology. Bradford Morse and Martin Lees, who have worked with UNDP and the special science program, perhaps with the help of the former heads of state on the InterAction Council, could be very helpful in an examination of this difficult issue.

F. How can the diplomatic and foreign affairs functions of governments (especially the U.S. government) be improved to deal effectively with scientific and technical issues.

1. How does the technical competence and usefulness of the U.S. foreign service, the science attache program, and the State Department staff capabilities in science compare with that of other countries? How can ours be improved?

With encouragement from the Secretary of State, the Institute might examine a long-standing problem: the capacity of the Department of State to deal professionally with matters of

science and technology. The State Department's weakness in this area makes it vulnerable to challenge from the Department of Defense, whose massive technical resources have enabled it to assert that Defense is the only credible source of technology policy.

The central issue for the Institute would be definition of the role the Department of State sees for itself in science and technology. If the outcome is a recommendation that State must strengthen its capability, then its professional resources and the way they are deployed must be addressed.

The Science Attache program, initiated by Jerry Wiesner when he was science advisor to President Kennedy, should be reviewed to see how it could be strengthened to serve both private and public sector needs under new conditions of world economics and political relationships. At the same time, the technical components of Foreign Service recruitment and training should be examined, perhaps in collaboration with leading universities, like Georgetown, which have programs aimed at Foreign Service careers. Internships at the Institute for attaches or Foreign Service officers might be a result of a successful project.

2. What can be done to integrate the policies and actions of the agencies with substantial technical capability and legislated responsibilities in scientific areas into a coherent policy toward international affairs? What should be the role of the OSTP and its Director?

The current role of the President's Science Advisor and Director, OSTP, is very important in interagency coordination of international science matters, but it falls far short of the role played by ministers of science and technology in many other governments. Many agencies rely primarily on their statutory charters and a congressional committee to protect their freedom of action. Could a stronger role be defined that would not contribute still further to the derogation of the State Department's role? If not, how might this leadership be provided? The Institute could undertake a study to strengthen coordination, perhaps involving former presidential science advisors and secretaries of state.

Conclusion

The changes wrought by science and technology are high on public agendas. Many institutions manage the day-to-day effects of technological activities, achieving higher standards of living through applications of science. But the struggle to achieve longer range improvements with the power of science, especially in Third World countries, still receives surprisingly little coherent attention.

Nowhere on the globe is there a sufficiently strong center dedicated exclusively to understanding how best to deal with the

transformations caused by the accelerating capabilities of science and technology. In the United States, federal agencies, private companies, and universities have made important contributions. But all have had great difficulty institutionalizing the study of science as a global change agent. The more structured planning organs of other governments have had no more success.

The Pocantico Institute Committee has reviewed Dr. Minor's proposal and consulted with many others having a broad range of experience. We are convinced that the need is both urgent and timely for a private institution of highest quality devoted to the international development and application of science for the benefit of mankind.

An Institute of the size, scope, and mission described in this paper, would, we believe, be unique. If well established and staffed, it could have lasting, beneficial effects that would be felt from Washington to Colombo. Devoted to action as well as analysis, the Institute's staff, while of modest size, could multiply its effectiveness many times through its leadership and collaboration with a variety of institutions -- universities, businesses, and other public and private entities.

Pocantico is not the only place such an Institute could be established successfully, given an equal level of interest,

talent, and resources. But Pocantico is an excellent place for it.

An association with the Rockefeller philanthropic family tradition and estate increases the proposed Institute's "convening power," the ability to bring high level officials and executives to the Institute for short visits, to participate with specialists and the Institute staff in projects dedicated to intellectual excellence and pragmatic results. Such an association will ensure also that the Institute's roots are in the American tradition, committed to democratic values, to an innovative spirit, and to the belief that appropriate economic incentives help fulfill human needs and social purposes.

Isolation from the intellectual excitement that characterizes the best universities was the drawback of the Pocantico site most frequently mentioned to the Committee. The planned collaborative relationships with leading scholars in key institutions around the world will go far to reduce any isolation. Collaboration from Pocantico is facilitated by modern information technology, and the site is within easy reach of a number of major universities, whose presidents have expressed great interest in the project.

Most of the institutions with roles similar to the proposed Pocantico Institute are complementary in function. The proposed

Pocantico Institute would fulfill a unique, needed role. No existing institution combines all of the following important characteristics:

- o A focus on the scientific and technical dimensions of foreign affairs, with particular emphasis on strategies and policies for development, world stability, and economic growth.
- o A plan of action for addressing selected problems that involves those with the capacity to influence decision-making.
- o An expert staff of experienced scientists and executives with the technical and policy backgrounds to provide depth of analysis and originality of thought to the problems addressed by the Institute.
- o Internships and fellowships for younger professionals, including those from Third World countries who would participate in Institute projects.
- o The active engagement of business leadership in setting Institute priorities and in carrying out its work.
- o An active program of collaboration with universities and other institutions whose missions are complementary to the Institute.
- o An unique facility that will enhance the Institute's attractiveness to key individuals and organizations.

The new Institute would respect several underlying premises for its work:

First, the international ethos is powerfully constructive in

science and technology -- and this tradition can be extended to other realms of international affairs. Talent may emerge anywhere; the laws of science are valid everywhere; and educated people may apply technology whenever and wherever they organize to do so. Moreover, many major technical issues require for their resolution greater international cooperation and freely shared knowledge in ways that scientists have always favored. The Institute will be committed to shared knowledge at the highest level of scientific professionalism.

Second, cultural traditions and economic and political circumstances are often the crucial forces determining the pace at which political changes can take advantage of opportunities presented by new technology. Thus, the social and human sciences, along with demographic facts and natural resources in each specific situation, must be included in the Institute's scope.

Finally, the Rockefeller family's leadership over many decades in long-range projects with an international perspective, together with the historic, beautiful, easily accessible, and secure property in Tarrytown, will give the Pocantico Institute the resilience, stability, and visibility required for its effectiveness.

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

December 15, 1986

Dear Jim:

Thank you for sending me a copy of the op-ed article, "A New Chance for Open Trade," which you and Ed Pratt wrote for the New York Times. Well said.

I'm looking forward to continuing our contact on this and other issues of mutual concern.

Best personal wishes.

Sincerely,

Barber Conable

Mr. James D. Robinson, III
Chairman
American Express Company
American Express Tower
World Financial Center
New York, New York 10285-5100

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OFFICE ASSIGNED TO FOR ACTION : Mr. Barber Conable E1227

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JAMES D. ROBINSON, III
CHAIRMAN

November 18, 1986

Dear Barber:

I thought you might be interested in the enclosed op-ed piece that Ed Pratt and I wrote for the New York Times. It stresses the significance of the Uruguay Round for the future of world trade and highlights the urgent need for the Administration, Congress, and the private sector to cooperate on developing national trade policy.

As we discovered at Punta del Este, a strong public/private sector team can be an unbeatable combination. I look forward to continuing our partnership over the difficult months ahead, as the national debate on trade policy enters a critical new phase.

With best wishes,

Sincerely,

A handwritten signature in blue ink, appearing to read "Jim Robinson".

Mr. Barber Conable
President
World Bank
1818 H Street, N.W., Room E1227
Washington, D.C. 20043



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A New Chance for Open Trade

By Edmund T. Pratt Jr.
and James D. Robinson 3d

In the midst of continued hand-wringing over the United States' trade deficit, a relatively unnoticed event offers this country at least one last chance to keep alive the goal of an open trading system. The event was the September agreement of 74 trade ministers at Punta del Este, Uruguay, to launch a new four-year round of multilateral trade negotiations — only the third in the last quarter century.

Today's trading system is actually closer to managed trade than to free trade. But now even this system is being rocked to its foundations by an outbreak of global protectionism. Thus, cynics have dismissed the importance of the new round, saying that it will achieve nothing, that the best the United States can expect is a papering over of fundamental national differences. This is not true. If the United States plays its cards correctly, this trade round, known as the Uruguay Round, may well prove to be the most important multilateral trade negotiation in recent memory, equating the achievements of the Kennedy Round and the Tokyo Round.

Launching the negotiations was a major achievement in itself. At the end of them, much of the credit belonged to the American trade negotiators, whose tenacity and ingenuity were pivotal to the successful outcome of the meeting. Thanks to them and to our allies, the world's principal trade ministers have agreed to an ambitious and comprehensive agenda that seeks to overhaul the multilateral trading system, reforming existing rules and developing new ones to cover trade in services, investment and intellectual property.

The most important new agenda items include agricultural subsidies, intellectual-property rights, services, "trade-related" investment, improving dispute-settlement procedures and safeguards practices, and revisiting the issue of subsidies. The negotiators will also address more traditional concerns such as tariffs, non-tariff barriers and textiles. Finally, they have called for a standstill on new protectionist measures and the rollback of existing ones.

Edmund T. Pratt Jr. is chairman of Pfizer Inc. James D. Robinson 3d is chairman of the American Express Company. Both are members of the advisory group to the U.S. Trade Representative.

If these goals can be even partly achieved, the Uruguay Round will be historic. Launching a trade round and reaching an agreement are very different things, however.

To negotiate an agreement that effectively addresses the United States' trade problems, cooperation between the Administration, the private sector and Congress is absolutely essential. Today, there is dangerous degree of dissension on trade policy, not just between the Administration and the Congress but also within the private sector.

The Administration has done a good job so far of reaching out to the private sector for advice and support on trade policy. Now it should be the private sector's turn. It needs to take these negotiations seriously and treat them with the urgency they deserve, making every effort to let our legislators and our negotiators know exactly what we want. The results in the gen-

eral election and the forthcoming debate over trade legislation only underscore this need for private sector action.

This is not to say that America should sit back and wait to see where the trade round leaves us at the end of four years. We must continue to take aggressive action when necessary to open foreign markets to American goods and services. Nor should the importance of the multilateral negotiations blind us to the market-opening role of bilateral negotiations such as those to establish a free-trade agreement with Canada. The liberalization of trade in any sphere is a step in the right direction.

Can an open trading system survive in today's complex world? The new trade round is our opportunity to find out, for, in the long run, the success or failure of the Uruguay Round will determine the shape of things to come. □

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August 22, 1986

Mr. Barber Conable
President
World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Conable:

Thank you for taking time yesterday to become acquainted with me and my perspectives on the Bank.

I was pleased to have the opportunity to talk with you at such an important time in the Bank's life and at the beginning of your Presidency.

As you may have been able to tell, I have invested a great deal of energy and time in trying to help the Bank and its managers and staff fulfill its vital role in the world. I am dedicated to its purpose and believe that its future direction will be critical for all of us.

You stand at the edge of a unique opportunity to serve the world, and I would be pleased to assist in any way I can.

Sincerely,



Stephen H. Rhinesmith

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