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WORLD BANK / INTERNATIONAL FINANCE CORPORATION

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1068

OFFICE MEMORANDUM

TO: Mr. Frank Vogl

DATE: April 27, 1982

FROM: Peter Riddleberger PR

SUBJECT: House Panel Acts on African Development Fund

After hearing testimony from Treasury Assistant Secretary Marc Leland, the House Banking Subcommittee on Development today reported without amendment HR-6149, authorizing a $150 million U.S. contribution to the African Development Fund.

The hearing was short and sweet. Everyone felt this modest proposal was necessary. Repeated reference was made to the World Bank's report on Sub-Saharan Africa, and the need to direct concessional lending to this region. IBRD technical assistance to the AfDB was also praised.

Treasury pointed out that this was the first replenishment negotiated by this Administration; a 2% decrease in the U.S. share from the previous ADF replenishment.

Committee members also asked what might be done to "educate" the American public about the importance of economic development in Africa.

Comment:

This is one MDB bill that will probably pass Congress without controversy. Both the House Banking Committee and the Senate Foreign Relations Committee plan to move this legislation in early May without too much publicity.

Mention was also made during the hearing of the remarks made to Congress by Dutch Queen Beatrix on aid to development countries (see attached).

Attachments

cc: Messrs. Clausen, Qureshi, Stern,
Benjenk, Chenery, Golsong,
Paijmans, Thahane

Mr. Knox
Mr. Wapenhans

PR:sb

97TH CONGRESS
2D SESSION

H. R. 6149

To provide for increased participation by the United States in the African Development Fund.

IN THE HOUSE OF REPRESENTATIVES

APRIL 22, 1982

Mr. PATTERSON (for himself and Mr. EVANS of Delaware) introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

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A BILL

To provide for increased participation by the United States in the African Development Fund.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the African Development Fund Act (22 U.S.C. 290g et
4 seq.) is amended by adding at the end thereof the following
5 new section:

6 "SEC. 213. (a) The United States Governor of the Fund
7 is authorized to contribute on behalf of the United States
8 $150,000,000 to the Fund as the United States contribution
9 to the third replenishment of the resources of the Fund,

1 except that any commitment to make such contribution shall
2 be made subject to obtaining the necessary appropriations.
3 "(b) In order to pay for the United States contribution
4 provided for in this section, there is authorized to be appro-
5 priated, without fiscal year limitation, $150,000,000 for pay-
6 ment by the Secretary of the Treasury.".
7 SEC. 2. This Act shall take effect on the date of its
8 enactment, except that no funds authorized to be appropri-
9 ated by the amendment made by the first section of this Act
10 may be made available for use or obligation prior to October
11 1, 1982.

O

CHAIRMAN PATTERSON'S OPENING STATEMENT

WE ARE HERE TODAY TO DISCUSS CONTINUED U.S. PARTICIPATION IN THE AFRICAN DEVELOPMENT FUND. THE BILL SUBMITTED BY THE PRESIDENT WOULD AUTHORIZE THE U.S. GOVERNOR OF THE AFRICAN DEVELOPMENT FUND TO CONTRIBUTE, ON BEHALF OF THE UNITED STATES, 150 MILLION DOLLARS TO THE FUND'S THIRD REPLENISHMENT. THE 150 MILLION DOLLARS WOULD BE PAYABLE TO THE FUND IN THREE EQUAL ANNUAL INSTALLMENTS OF 50 MILLION DOLLARS. THE BILL PROVIDES THAT THE FUNDS AUTHORIZED CANNOT BE USED OR EXPENDED BEFORE OCTOBER 1, 1982.

THE COMMITMENT AUTHORITY OF THE FUND IS NOW EXHAUSTED AND THE BOARD OF GOVERNORS IS IN THE PROCESS OF APPROVING THE THIRD REPLENISHMENT OF THE AFDF. TOTAL CONTRIBUTIONS, WHICH WOULD FINANCE LENDING FOR THE 1982-84 PERIOD, AMOUNT TO APPROXIMATELY 1.06 BILLION DOLLARS, WITH THE PRESIDENT'S REQUESTED U.S. SHARE OF 150 MILLION REPRESENTING 14.2 PER CENT OF THE TOTAL. UNLIKE MANY OF THE OTHER MULTILATERAL INSTITUTIONS TO WHICH THE UNITED STATES CONTRIBUTES, THE AFRICAN DEVELOPMENT FUND DOES NOT RECEIVE ITS LARGEST DONATION FROM THE UNITED STATES. BOTH CANADA AND JAPAN HAVE GIVEN MORE.

THE CONGRESS, FOR ITS PART, MUST WORK TO PASS BOTH THE PRESIDENT'S AUTHORIZATION AND APPROPRIATION REQUESTS IN A TIMELY MANNER. DELIQUENT PAYMENTS BY THE UNITED STATES IN THE PAST HAVE REDUCED OUR RELATIVE VOTING SHARE WITHIN THE FUND. ONLY BY MAINTAINING OUR FULL VOTING SHARE CAN THE UNITED STATES HOPE TO INFLUENCE REFORM WITHIN THE FUND.

FURTHER, THE PROPOSED U.S. CONTRIBUTION REFLECTS A PERCENTAGE DECLINE RELATIVE TO THE SUBSCRIPTION LEVELS OF THE OTHER DONOR COUNTRIES. THIS INDICATES THAT THE FUND, AS WITH MANY OTHER EXPENDITURES, HAS FELT THE PRESSURE OF SEVERE U.S. BUDGET CONSTRAINTS.

THE NEED FOR DEVELOPMENT ASSISTANCE IN AFRICA IS CLEAR TO US ALL. LET US WORK TOGETHER TO ENSURE THAT THE FINITE RESOURCES AVAILABLE ARE DISTRIBUTED IN THE MOST EFFICIENT MANNER POSSIBLE.

STATEMENT OF THE HONORABLE MARC E. LELAND
ASSISTANT SECRETARY OF THE TREASURY FOR INTERNATIONAL AFFAIRS
BEFORE THE SUBCOMMITTEE ON INTERNATIONAL DEVELOPMENT
INSTITUTIONS AND FINANCE
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
HOUSE OF REPRESENTATIVES
APRIL 27, 1982

MR. CHAIRMAN. I AM PLEASED TO TESTIFY TODAY IN SUPPORT OF AUTHORIZATION LEGISLATION FOR U.S. PARTICIPATION IN THE THIRD REPLENISHMENT OF THE AFRICAN DEVELOPMENT FUND (AFDF). AS YOU KNOW, FINAL NEGOTIATIONS FOR THE REPLENISHMENT AGREEMENT WERE COMPLETED IN FEBRUARY THIS YEAR. THIS IS THE FIRST MULTILATERAL DEVELOPMENT BANK REPLENISHMENT TO BE NEGOTIATED BY THIS ADMINISTRATION.

THE PROVISIONS OF THE AGREEMENT FIT WITHIN THE BUDGETARY PLANNING PARAMETERS ESTABLISHED FOR THE MULTILATERAL DEVELOPMENT BANKS. THE AGREEMENT ALSO FITS WITHIN THE FRAMEWORK OF THE ASSESSMENT ON U.S. PARTICIPATION IN THE BANKS WHICH WE HAVE RECENTLY COMPLETED. ONE OF THE CARDINAL PRINCIPLES OF THE ASSESSMENT IS THAT CONCESSIONAL ASSISTANCE SHOULD BE TARGETED TOWARD THE POOREST AND LEAST DEVELOPED COUNTRIES. THAT IS CERTAINLY THE CASE WITH REGARD TO AFRICA, WHICH CONTAINS TWO-THIRDS OF THE COUNTRIES CURRENTLY CLASSIFIED AS "LOW INCOME." THE ADMINISTRATION HAS CONSULTED WITH CONGRESS DURING THE COURSE OF NEGOTIATIONS FOR THIS PARTICULAR REPLENISHMENT OVER THE PAST YEAR.

WE ARE REQUESTING AUTHORIZATION FOR $150 MILLION. THIS IS A RELATIVELY MODEST SUM IN TERMS OF U.S. SUBSCRIPTIONS AND CONTRIBUTIONS WHICH HAVE BEEN MADE TO OTHER MULTILATERAL DEVELOPMENT BANKS. IT REPRESENTS A SMALL INCREASE IN NOMINAL TERMS OVER THE $125 MILLION WHICH WAS AUTHORIZED BY CONGRESS IN JUNE, 1980 FOR OUR CONTRIBUTION TO THE SECOND REPLENISHMENT OF THE AFDF, BUT

CONSTITUTES LITTLE IF ANY INCREASE IN REAL TERMS WHEN CONSIDERING THE RATE OF INFLATION IN THE YEARS BETWEEN THE LAST REPLENISHMENT AND THIS ONE.

THE FUNDS TO BE AUTHORIZED UNDER THIS LEGISLATION WOULD BE APPROPRIATED IN THREE EQUAL ANNUAL INSTALLMENTS OF $50 MILLION EACH IN FY 1983-85. ACTUAL EXPENDITURES OF FUNDS WOULD LAG THAT SCHEDULE BY SEVERAL YEARS BECAUSE DRAWDOWNS ARE TIED TO DISBURSEMENTS REQUIRED FOR IMPLEMENTATION OF SPECIFIC PROJECTS. PRIOR EXPERIENCE WITH AFRICAN DEVELOPMENT FUND DRAWDOWNS SUGGESTS THAT BUDGETARY OUTLAYS ARISING FROM THIS REQUEST WILL BE MINIMAL OVER THE NEXT SEVERAL YEARS. OUR CURRENT ESTIMATE IS THAT ONLY ABOUT $40 MILLION OF THE $150 MILLION TOTAL WILL HAVE BEEN EXPENDED THROUGH THE END OF FY 1987.

THIS REQUEST WOULD PROVIDE FUNDS FOR THE U.S. SHARE OF A REPLENISHMENT TOTALLING ABOUT $1060 MILLION. THE U.S. SHARE OF THE REPLENISHMENT WOULD BE 14.2 PERCENT. THIS IS A

DECREASE FROM OUR 16.5 PERCENT SHARE OF THE CURRENT REPLENISHMENT. THE UNITED STATES WOULD BE THE LARGEST SINGLE CONTRIBUTOR OF NEW RESOURCES, CLOSELY FOLLOWED BY JAPAN WHICH IS CONTRIBUTING $140 MILLION, OR 13.3 PERCENT OF THE TOTAL. ON A CUMULATIVE BASIS, HOWEVER, JAPAN WOULD REMAIN THE LARGEST SINGLE CONTRIBUTOR OF FUND RESOURCES, TAKING ACCOUNT OF CONTRIBUTIONS MADE UNDER THE INITIAL MOBILIZATION AND THE FIRST TWO REPLENISHMENTS. OTHER SIGNIFICANT CONTRIBUTORS TO THE REPLENISHMENT INCLUDE THE MEMBERS OF THE EUROPEAN ECONOMIC COMMUNITY, WHO ARE TOGETHER PROVIDING 34.5 PERCENT OF THE TOTAL, AND CANADA, WHICH IS PROVIDING NEARLY 8 PERCENT OF THE TOTAL. IN ADDITION, A NUMBER OF OPEC COUNTRIES AND SOME DEVELOPING COUNTRIES FROM OUTSIDE THE REGION, INCLUDING ARGENTINA, BRAZIL, KOREA, AND INDIA ARE MAKING CONTRIBUTIONS TO THE REPLENISHMENT. ALTOGETHER THERE ARE 24 DONOR COUNTRIES IN ADDITION TO THE AFRICAN DEVELOPMENT BANK, ITSELF, WHICH WILL BE CONTRIBUTING $26.3 MILLION TO THE REPLENISHMENT.

THE RESOURCES TO BE PROVIDED UNDER THE REPLENISHMENT WILL BE USED TO FINANCE AFRICAN DEVELOPMENT FUND PROJECTS OVER THE PERIOD 1982-84. LENDING BY THE FUND DURING THE PERIOD WILL CONTINUE TO EMPHASIZE PROJECTS DESIGNED TO INCREASE FOOD PRODUCTION FOR DOMESTIC CONSUMPTION AND THE PRODUCTION OF AGRICULTURAL COMMODITIES FOR EXPORT. OTHER SECTORS WHICH WILL RECEIVE EMPHASIS ARE TRANSPORTATION (PRIMARILY THE UPGRADING OF RURAL ROADS AND TRACKS); PUBLIC UTILITIES (PRIMARILY POTABLE WATER SUPPLIES AND SEWERAGE); AND HEALTH AND EDUCATION.

AFRICAN COUNTRIES CONFRONT SOME OF THE MOST BASIC DEVELOPMENTAL PROBLEMS AND THE LENDING PROGRAM OF THE FUND IS ORIENTED TOWARD MAKING A SIGNIFICANT CONTRIBUTION IN SUCH AREAS. FOR EXAMPLE, IN SOME PARTS OF THE SAHEL, FINANCIAL HELP IS NEEDED TO BUILD DEEPER WELLS WITH CONCRETE LINERS AND COVERS IN RURAL VILLAGES SO THAT A SUPPLY OF WATER WILL BE AVAILABLE ON A RELIABLE BASIS THROUGH THE DRY SEASON AND BE KEPT REASONABLY CLEAN FROM INFESTATION BY RODENTS AND CONTAMINATION BY TRASH.

EDUCATION AND VOCATIONAL TRAINING PROGRAMS ARE BADLY NEEDED TO RELIEVE SHORTAGES OF PERSONNEL WHO ARE QUALIFIED TO IMPLEMENT DEVELOPMENT PROGRAMS. THIS SHORTAGE OF TRAINED INDIVIDUALS HAS BEEN A VERY SERIOUS BOTTLENECK TO FURTHER ECONOMIC PROGRESS IN THAT AREA. IN ADDITION, MORE PROGRAMS ARE NEEDED TO REDUCE ENDEMIC DISEASES AND TO RAISE THE LEVEL OF HEALTH CARE IN BOTH URBAN AND RURAL AREAS.

U.S. SUPPORT FOR THE AFRICAN DEVELOPMENT FUND IS BASED ON A WIDE AND RAPIDLY EXPANDING SPECTRUM OF INTERESTS WHICH THIS COUNTRY HAS ON THAT CONTINENT.

U.S. ECONOMIC INTERESTS IN AFRICA HAVE INCREASED AT A RAPID RATE IN RECENT YEARS. PRIVATE INVESTMENT BY U.S. FIRMS AND INDIVIDUALS IN SUB-SAHARAN AFRICA IS NOW APPROACHING THE $6 BILLION LEVEL. OUR EXPORTS TO ALL OF AFRICA IN 1981 TOTALED $11 BILLION AND OUR IMPORTS WERE $27 BILLION. ALTHOUGH THE MAJORITY OF THIS TRADE HAS BEEN WITH SOUTH AFRICA AND NIGERIA,

THERE IS A LARGE POTENTIAL FOR FURTHER GROWTH IN TRADE WITH A NUMBER OF OTHER AFRICAN COUNTRIES.

I SHOULD ALSO POINT OUT, ON THE SUPPLY SIDE, THAT SUB-SAHARAN AFRICAN COUNTRIES ARE A SOURCE OF MINERALS CONSIDERED ESSENTIAL FOR OUR OWN NATIONAL DEVELOPMENT AND DEFENSE. THESE MINERALS INCLUDE CRITICAL QUANTITES OF CHROME FOR OUR AUTOMOBILE AND DEFENSE INDUSTRIES, MANGANESE FOR STEEL, COBALT FOR JET ENGINES AND MINING EQUIPMENT, AS WELL AS COPPER, INDUSTRIAL DIAMONDS, AND MICA. I BELIEVE IT IS ALSO IMPORTANT TO REMEMBER THAT NIGERIA, WHICH BECAME OUR PRINCIPAL SUPPLIER OF FOREIGN OIL DURING THE 1973 OIL EMBARGO, REMAINS THE SECOND LARGEST FOREIGN SOURCE FOR US TODAY AND THAT ANGOLA AND GABON HAVE ALSO BEGUN TO EXPORT OIL IN GREATER QUANTITIES.

THE U.S. INTEREST IN AFRICA IS VERY MUCH A HUMANITARIAN ONE. MOST OF THE COUNTRIES IN SUB-SAHARAN AFRICA HAVE EXTREMELY LOW PER CAPITA INCOMES AND VERY LIMITED ABILITY TO PROVIDE

EVEN THE MOST BASIC SERVICES FOR THEIR PEOPLE. PROGRESS HAS BEEN MADE IN ALL ECONOMIC SECTORS OVER THE PAST TWO DECADES THROUGHOUT THE CONTINENT. HOWEVER, THAT PROGRESS HAS BEEN PAINFULLY SLOW AND MOST COUNTRIES IN THE REGION HAVE BEEN EXTREMELY HARD HIT BY ECONOMIC REVERSALS IN RECENT YEARS AS A RESULT OF INTERNATIONAL ECONOMIC DEVELOPMENTS. THESE INCLUDE SLOWER GROWTH IN DEVELOPED COUNTRIES, HIGHER ENERGY PRICES, THE RELATIVELY SMALL INCREASE IN TRADE IN PRIMARY PRODUCTS, AND ADVERSE TERMS OF TRADE FOR COPPER AND IRON ORE EXPORTERS. IN 1979, PER CAPITA INCOME IN THE REGION WAS $411 ($329 IF NIGERIA IS EXCLUDED). DEATH RATES IN AFRICA ARE THE HIGHEST IN THE WORLD AND THE LIFE EXPECTANCY OF 47 YEARS IS THE LOWEST. FIFTEEN TO TWENTY PERCENT OF ALL CHILDREN DIE BY THEIR FIRST BIRTHDAY AND ONLY 25 PERCENT OF THE PEOPLE ARE ABLE TO HAVE CLEAN WATER.

THERE IS A LONG-STANDING AND WIDELY-ACCEPTED TRADITION IN OUR COUNTRY OF PROVIDING ASSISTANCE TO THOSE MOST IN NEED

AND OUR PARTICIPATION IN THE AFRICAN DEVELOPMENT FUND IS AN IMPORTANT MEANS OF HELPING TO ALLEVIATE THE DESTITUTION WHICH PREVAILS IN MOST OF AFRICA.

U.S. PARTICIPATION IN THE AFRICAN DEVELOPMENT FUND IS NOT THE ONLY WAY FOR US TO ADVANCE U.S. INTERESTS IN AFRICA. OUR PARTICIPATION IS, HOWEVER, A HIGHLY VISIBLE WAY FOR US TO DEMONSTRATE OUR WILLINGNESS TO WORK COOPERATIVELY WITH OTHER DONOR COUNTRIES AND WITH AFRICAN COUNTRIES TOWARD THE SOLUTION OF THEIR ECONOMIC PROBLEMS. THE AFRICAN DEVELOPMENT BANK GROUP, OF WHICH THE FUND IS PART, IS THE LARGEST OF THE REGIONAL ECONOMIC INSTITUTIONS ON THE CONTINENT AND IT HAS ACTIVE LENDING PROGRAMS IN MORE THAN 40 OF ITS MEMBER COUNTRIES.

FROM AN ADMINISTRATIVE AND OPERATIONAL VIEWPOINT, THE AFRICAN DEVELOPMENT BANK GROUP IS LESS EFFECTIVE AND EFFICIENT THAN THE OTHER MULTILATERAL DEVELOPMENT BANKS. HOWEVER, ITS MANAGEMENT HAS RECOGNIZED THE PROBLEMS IT HAS IN THESE TWO AREAS AND IS TAKING A NUMBER OF STEPS TO IMPROVE THE SITUATION. THEY HAVE, FOR

EXAMPLE, MADE A CONCERTED EFFORT TO RECRUIT MORE HIGHLY QUALIFIED STAFF AND TO INCREASE TRAINING OPPORTUNITIES FOR STAFF MEMBERS WHO ARE ALREADY ON BOARD. UPGRADING OF STAFF HAS BEEN CARRIED OUT THROUGH OVERSEAS TRAINING ASSIGNMENTS WITH THE WORLD BANK AND THE ASIAN DEVELOPMENT BANK AS WELL AS THROUGH ON-THE-JOB TRAINING WHICH IS SUPERVISED BY TECHNICAL EXPERTS FROM DEVELOPED COUNTRIES. WE WILL CONTINUE TO MONITOR THE PROGRESS MADE BY THE BANK GROUP IN THIS AREA AS WELL AS IN THE AREA OF OPERATIONS AND ENCOURAGE THEM TO MAKE FURTHER IMPROVEMENTS.

I SHOULD ALSO EMPHASIZE OUR BELIEF THAT GOVERNMENT ECONOMIC POLICIES IN SOME AFRICAN COUNTRIES HAVE HAD THE EFFECT OF IMPEDING ECONOMIC GROWTH. THE WORLD BANK'S <u>ACCELERATED DEVELOPMENT IN SUB-SAHARAN AFRICA: AGENDA FOR ACTION</u> MAKES THIS POINT ABUNDANTLY CLEAR. IT INDICATES THAT INAPPROPRIATE TRADE AND EXCHANGE RATE POLICIES HAVE OVER PROTECTED INDUSTRIES, HELD

BACK AGRICULTURE, AND ABSORBED TOO MUCH OF THE LIMITED ADMINISTRATIVE CAPACITY. THE REPORT POINTS OUT THAT TOO LITTLE ATTENTION HAS BEEN PAID TO ADMINISTRATIVE CONSTRAINTS IN MOBILIZING AND MANAGING RESOURCES FOR DEVELOPMENT PROGRAMS AND THAT THERE HAS BEEN A CONSISTENT BIAS AGAINST AGRICULTURE IN TERMS OF PRICE, TAX, AND EXCHANGE RATE POLICIES. WE AGREE WITH THIS ASSESSMENT AND WE ALSO BELIEVE THAT GREATER EMPHASIS SHOULD BE PLACED ON THE ROLE OF THE PRIVATE SECTOR IN THE DEVELOPMENT PROCESS IN AFRICA.

CLEARLY, THE AFRICAN DEVELOPMENT BANK GROUP CANNOT PLAY THE PRIMARY ROLE IN ENCOURAGING THE AFRICAN COUNTRIES TO MOVE AWAY FROM INAPPROPRIATE ECONOMIC POLICIES WHICH THEY ARE NOW FOLLOWING. THAT ROLE BELONGS TO THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND. HOWEVER, WE BELIEVE THE AFRICAN DEVELOPMENT BANK GROUP CAN BE AN IMPORTANT ACTOR IN THIS PROCESS AND WE WILL BE ENCOURAGING THEM TO TAKE A LARGER ROLE.

TO SUM UP, THE ECONOMIC CONDITIONS WHICH EXIST IN MOST AFRICAN COUNTRIES ARE A COMPELLING ARGUMENT FOR U.S. PARTICIPATION IN THIS REPLENISHMENT OF THE AFRICAN DEVELOPMENT FUND. WE BELIEVE THAT WE CAN MAKE A USEFUL CONTRIBUTION, NOT ONLY IN FINANCIAL TERMS BUT ALSO IN TERMS OF IMPROVING THE ADMINISTRATION AND OPERATION OF THE FUND AND IN MAKING IT A MORE VIABLE FORCE FOR DEVELOPMENT. WE ARE ALSO CONFIDENT THAT WE CAN WORK WITHIN THE AFRICAN DEVELOPMENT FUND TO ENCOURAGE AFRICAN COUNTRIES IN THE DIRECTION OF SOUND MARKET-BASED STRATEGIES FOR DEVELOPMENT. WE HOPE THAT CONGRESSIONAL APPROVAL OF THIS REPLENISHMENT REQUEST WILL BE FORTHCOMING IN ORDER TO ASSURE THE CONTINUED WORK OF THE AFRICAN DEVELOPMENT FUND TO IMPROVE THE CONDITIONS OF LIFE IN AFRICA.

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ADDRESS BY HER MAJESTY, THE QUEEN OF THE NETHERLANDS

Her Majesty, Queen BEATRIX of the Netherlands. Mr. Speaker, Mr. President, Members of Congress, 40 years ago, in 1942, during one of the darkest periods of the Second World War, my grandmother, Queen Wilhelmina, became the first reigning sovereign to address a joint meeting of the Senate and the House of Representatives in this Hall. Thirty years ago, my mother, Queen Juliana, was also invited to address Congress. She spoke at a time when, thanks also to your sacrifices in the military struggle, the Netherlands had regained its freedom, and when, thanks to your substantial aid, our country was reconstituting its economy, disarrayed as it was by war and enemy occupation.

I regard it as a great privilege, for which I thank you, to be allowed to perpetuate the tradition and speak to you at this significant juncture in the history of our two countries. Two hundred years ago, on the 19th of April 1782, the Netherlands decided to acknowledge your young Republic, which was still struggling for independence. We were in close sympathy with your cause from the outset. Indeed, it was probably not by mere chance that, in 1776, for the first time, a salute was fired from the island of St. Eustatius in the Netherlands Antilles as an official greeting to an American ship sailing under the new flag of your Republic.

We felt at one with you. Two centuries before, we ourselves had been engaged in a protracted struggle to secure our own independence. In the 16th century during that conflict, parts of our county that had been accustomed to standing up only for themselves joined forces for the first time. William the Silent, my forefather, who became the founder of our nation, wrote to Queen Elizabeth the First of England: "The Netherlands Provinces are a union, not in name, title or on paper, but in courage, will, means and ability."

We recognized that same courage, will, means and ability 200 years later in the generation of Americans that went to war for freedom in 1776.

The ideals that had inspired us in our difficult struggle echoed in your Declaration of Independence. Yet the resemblance between our two young nations went deeper. We were linked by the same love of freedom and tolerance. Since we were both mercantile powers, we were preeminently open to the outside world and supported the principle of the freedom of the seas. We were both eager to provide refuge for all who suffered elsewhere under political or religious persecution. John Adams, your first Ambassador to the Netherlands, drew attention to our like-mindedness when he was negotiating for diplomatic recognition, negotiations that were crowned with success and that ushered in two centuries of harmonious relations. They were harmonious relations especially because both our peoples were imbued with the spirit of liberty and justice.

In those two centuries the Netherlands has been one of the European nations that has never become involved in a war with you or that ever had any major conflict with you. That has been the basis on which we have rendered each other valuable services. I will not dwell on the contributions the Netherlands and the Dutch made towards the establishment of your commonwealth; particularly the Dutch who have ventured forth to build up a new future in the New World, since the days of the Founding Fathers. What I would like to stress is, how very much we have owed to you. I am thinking of two main points: The part you played in the Second World War and Marshall aid.

As regards the Second World War, you made an essential contribution to terminating the oppression and occupation of Dutch territory in Europe: A new future unfolded itself for our territories in Asia as a result of your historic victories in the Pacific. For all the sacrifices you made, we are eternally grateful.

Americans and Europeans have fought shoulder to shoulder twice in this century. Both know what war means. Yet the trials and tribulations which the peoples of Europe went through in numerous wars differed fundamentally from those which you suffered. Hardly any European family escaped the profoundly shocking experiences occasioned by the armed violence and enemy occupation which afflicted our continent. The recollection of those experiences in many respects affects our reactions today, when it comes to matters of peace and security.

A recollection of quite a different nature is the memory of Marshall aid. It was vital to the reconstitution of our shattered economy. The Marshall plan sprang from an extremely constructive combination of genuine generosity and well-understood self-interest. I call the combination "constructive" because it showed that this type of assistance can be one of the most effective forms of self-help. It underscored the fact that such aid to others is only meaningful in the long term if it helps fundamentally to strengthen sound economic and social structures. It is also the only way in which both national and international stability can be fostered.

Mutual interests were also at the root of the North Atlantic Treaty Organization, which was created 4 years after World War II. The Netherlands has always been a faithful member. We have always exerted ourselves in the interests of our common defense and have also contributed manpower through conscription. The horrors of the Second World War have convinced us too, that as long as strength prevails over justice in international relations, we should join forces to secure our independence and freedom. But there is more to it than that. The paradox that only by the threat of direct destruction can we hope to deter war, is weighing ever more heavily on the minds of many in my country, and also elsewhere.

Nothing would seem to us more desirable than achieving a balanced, con-

trolled reduction of arms on all sides, particularly a reduction in all those weapons that threaten to destroy civilization itself, indeed all life on this planet.

Concerned as we are at the worsening situation in the world, we regard it as essential that the transatlantic dialog be intensified. You in America and we in our much more vulnerable Europe—together we must consider the questions confronting us, together seek the answers. This implies that we on either side of the ocean should take one another's opinions and interests into account and that we should involve one another in every decision that might affect both. Only if we do this will close cooperation be assured between the United States and a Europe uniting; cooperation that is vital to the stability of world relationships.

Our cooperation is not merely founded on the mustering of military forces; it also has an economic basis. Especially in view of the alarming rise in unemployment, we should all seek by every possible means to reinforce and revitalize our productive systems. It is more important than ever that the United States should not keep her foresight and energy to herself, but should direct them towards global interests and help the Western economic systems to overcome the present serious recession. Personally I am convinced that you will eventually serve your own interests best if you also heed Europe's economic requirements. Perhaps the Netherlands is preeminently entitled to call your attention to that approach because our economy and yours have become so very closely interwoven. Each of our countries is the largest single direct investor in the other. It is plain that the prosperity, not only of the Netherlands but also of every country in Europe, depends on the economic and financial policies pursued by the United States of America. The furtherance of that prosperity, which means the furtherance of social stability in our countries, is another of the goals of our affiliation.

That affiliation, aimed as it is, at the defense and internal reinforcement of a free, democratic, civilized society, brings other commitments with it. I am thinking especially of development aid and of defending human rights.

Aid to developing countries is something we have for years considered primarily as a moral obligation. Whoever regards dire poverty as unacceptable in his own country and wishes to alleviate it through a fairer distribution of wealth cannot possibly accept the fact that the masses in most developing countries are probably condemned to protracted suffering under the same dire poverty. In addition, more generous aid adapted to each recipient country's level of development and channeled to the goals which those countries themselves have opted for could broaden the entire basis of world economy.

The United Nations Organization has rightly stated that it is essential that the rich industrialized countries adhere to the minimum norm of 0.7 percent of their gross national product for Official Development Assistance. The Netherlands has in the last 5 years exceeded this minimum norm, attaining 0.99 percent. This simple figure could constitute an appeal to two of the characteristics which we value in the people of your great country: Your generosity and your inclination to tackle problems on a grand scale. We wholeheartedly applaud the part you play when you put yourselves forward as champions of free world trade, in which you include the developing countries and would have them participate on an equal footing in the global economic system. One cannot regard aid to the destitute as charity and certainly not as a luxury; on the contrary, it is a human duty and discerning policy.

We can extend this line of thought and also regard it as a human duty and discerning policy to defend human rights. "Life, liberty, and the pursuit of happiness" was the goal set and proclaimed to the world at the birth of your commonwealth two centuries ago. Those words in your Constitution are unique, though the spirit also pervades our legislation.

Consequently, our governments seek to protect life, particularly the lives of the weak and the poor; they constantly seek to offer the people new opportunities of expressing their democratic liberty and, as far as it is within their power, they constantly seek to increase the people's opportunities of attaining happiness.

Ought we then not to protest when we see human rights trampled under foot in other places, no matter where? I say "no matter where," advisedly, for if we were to restrict our defense of human rights to those countries which we regard as a threat to our democratic way of life, and if we were to fail to protest when those very same rights were violated in other countries, we would be judging by two standards. That would not only weaken our protest—worse than that, it would make us unfaithful to ourselves. We would thereby impair the credibility of our international cooperation.

I would like to make a special point of the concept of credibility. It is solely by virtue of credibility that a democratic system is able to function. Maintaining credibility is by no means and easy matter. Democracy is a never-ending process of regeneration. It must be forever testing itself against all the changes in society. Democracy must be aware of the danger of people no longer feeling they are participating in the democratic decisionmaking process. How can we strengthen, and if necessary restore, the people's faith in their own decisionmakers? How can we improve the delimitation of responsibilities? These are questions on which all of us should most earnestly reflect. Those who are elected to represent the people will regard this as their primary duty. We live in an era of tremendous challenges.

It is a tremendous challenge to protect our democratic heritage effectively and at the same time find a stable foundation for the preservation of world peace.

It is a tremendous challenge to foster prosperity in our respective countries and at the same time prevent our environment and that of all living creatures from being irretrievably harmed.

It is a tremendous challenge to expand our mutual economic relations and at the same time help the poor countries in their laborous efforts to escape from the depths of misery.

It is a tremendous challenge to protect against external erosion the values we cherish and believe in and at the same time infuse them with a new significance from within that will give fresh inspiration to young and old alike.

Mr. Speaker, 200 years ago alongside the budding United States stood the Republic of the United Netherlands, whose fleets had ruled the seas in the 17th century. Our strength now is modest compared with yours and the responsibilities that rest on us are fewer in number and less burdensome.

Nevertheless, the Netherlands, tested and hardened by a long past, has established her position in a continent which, while closely linked with you, is working at its own unification.

It may therefore be said of you, and of us, as part of Western Europe, that, on the basis of equality of goals and with a sincere desire to heed and consider one another we are gradually forming a union such as William the Silent described when he called the Netherlands Provinces: "* * * a union, not in name, title or on paper, but in courage, will, means and ability."

Thank you.

[Applause, the Members rising.]

At 3 o'clock and 50 minutes p.m. Her Majesty the Queen of the Netherlands, accompanied by the Committee of Escort, retired from the Hall of the House of Representatives.

The Doorkeeper escorted the invited guests from the Chamber in the following order:

The members of the President's Cabinet.

The ambassadors, ministers, and charges d'affairés of foreign governments.

April 27, 1982

Dear Mr. Dixon:

I read with interest your remarks in the Congressional Record accompanying the text of a speech I recently gave in Lagos, Nigeria. I am most grateful to you for bringing my views on economic development in Africa to the attention of your colleagues in Congress.

I consider investment in Africa, both public and private, to be of the utmost importance during the next decade, and we are now strengthening our own capabilities in this region. Accordingly, your support for our efforts is especially welcome.

Sincerely,

TC

A. W. Clausen

The Honorable Julian Dixon
423 Cannon House Office Bldg.
U.S. House of Representatives
Washington, D.C. 20515

PR:sb

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. A.W. Clausen

DATE: April 26, 1982

FROM: M.P. Benjenk

SUBJECT: Congressional Correspondence

I suggest you sign the attached letter to Rep. Julian Dixon (D. Cal.) a member of the House Appropriations Subcommittee on Foreign Aid. He recently placed your Nigeria speech in the Congressional Record.

Attachment

PR:hmm

OK

This news item appeared on page E1627 of the April 20, 1982 issue of:

CONGRESSIONAL RECORD - Extensions and Remarks (Excerpt)

WORLD BANK PRESIDENT ADDRESSES NEED FOR MORE AID TO AFRICA

HON. JULIAN C. DIXON

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, April 20, 1982

• Mr. DIXON. Mr. Speaker, last week, the President of the World Bank, Mr. A. W. Clausen, spoke in Lagos before the Nigerian Institute of International Affairs.

His remarks focused needed attention on the serious problems facing Africa—the legacy of two decades of declining food production, and projections of scant growth in per capita income during the 1980's.

Under his leadership, the World Bank has called for the doubling of assistance to sub-Saharan Africa in this decade. I share his view that greater commitment is necessary, as the developed world has not directed an equitable share of foreign assistance, resources, or technology to African nations. Less than 10 percent of U.S. aid last year was directed to the enormous problems in Africa, and this amount is clearly insufficient in consideration of our extensive national security, mineral, and trade interests with the continent.

Mr. Clausen's remarks present a frank, yet hopeful assessment of Africa's problems and potential. I would like to share the text of his remarks which address what the World Bank and nations, such as ours, must do to meet our responsibilities in this important effort.

THE CHALLENGE OF DEVELOPMENT IN SUB-SAHARAN AFRICA

(By A. W. Clausen, President The World Bank)

Mr. Minister, Mr. Director General, distinguished guests, ladies and gentlemen.

It is a great pleasure to be invited here, and to have the opportunity of exploring with you this evening some of the facets of our close partnership in The World Bank with our developing member countries here in Sub-Saharan Africa.

It is important to stress at the very outset that the Bank is determined to become a still more effective development agency. A key and central aim for the Bank is the alleviation of poverty. Our objective in any developing country—anywhere in the world—is precisely the same: to assist the country both to accelerate its economic growth and to reduce its level of domestic poverty by enhancing the productivity of its poor, and thus making possible a better standard of living for all its people.

The challenge that you are facing are thorny and difficult, and we in the Bank have make it a top priority to do all that we can to assist you in your effort to solve them.

Nigeria is a major factor in the region. It accounts for roughly a quarter of the total population of Sub-Saharan Africa, and for an investment level that represents more than 60 percent of the regional total.

The Bank is concerned about development in Sub-Saharan Africa. We are determined to do everything we can to assist Sub-Sharan countries in their development plans—on a priority basis—because this is the one major region in the developing world in which almost all of the countries therein (18 to be exact), actually suffered a decline in income per capita during the 1970s. That decline—and all the hardship it involves for the peoples of the region—is obviously unacceptable to the countries involved. It's also unacceptable to the Bank, and, indeed, ought to be equally unacceptable to the international community as a whole.

But more disquieting still—are projections by The World Bank's researchers that point to scant growth in per capita income in the majority of the countries of this area in the 1980s. This implies an absolute worsening of circumstances for millions of Africans in the years ahead.

That outlook simply must improved. And it can be improved. It can be improved through better global economic conditions, through greater development assistance to Africa, through some new policy initiatives by some of the governments here, and by a greater involvement in this region by The World Bank. That greater involvement will demand a new era of more intense partnership between the peoples of Africa and the Bank.

Certainly The World Bank will do all it can to secure this new and more productive era of partnership.

Let us examine briefly each of these elements, which together can promote brighter prospects for Sub-Saharan Africa, and begin by touching on some of the factors that external shocks and trends are having on the prospects for Sub-Saharan Africa. We are aware, too, of the dangers for all developing countries that could lie ahead if the industrial nations do not succeed in extricating themselves from the array of complicated economic difficulties that now enmesh them.

But together with the historical, geographical, and the external problems Sub-Saharan Africa has had to face, there have been some difficulties arising out of domestic policies as well.

Both the "Lagos Plan of Action" and the Bank's report stress, for example, the need to accelerate domestic food output. Your government has made this a priority objective. But we recognize that there are complex problems to be overcome.

Poor soil, together with unfavorable climatic conditions, have been a factor in some areas. And the most efficient technologies have not always been as available as they may be elsewhere. But the fact remains that the internal policies of various governments in the region are an important factor in the levels of domestic food production. And that, of course, is true of any country in the world, even the most advanced.

The relevance of sound domestic policies applies both to the production of food crops and cash crops. There has been some debate about the relative importance to be attached to the two. But, in general, The World Bank's experience over many years with scores of agricultural projects demonstrates that countries that have policies resulting in adequate and fair incentives and assistance to farmers, through the public and the private sectors, are the ones that do best with both food and cash crops.

In contrast, too many countries have pursued policies in the food crop sector that have sought to keep prices paid to farmers artificially low in order to provide cheap food for the cities. But such an approach does not help achieve the goal of food self-sufficiency.

Low prices paid to farmers have sometimes resulted from over-valued exchange rates—policies that discriminate indirectly against farmers—and sometimes from direct regulation of prices. Such approaches have spawned inefficiencies. Sometimes, too, the institutions involved in regulation and distribution have been inefficient.

Agriculture is a key sector, both because of its importance in improving the lot of the poor, and in providing the basis for growth in other segments of the economy. But as both the "Lagos Plan of Action" and the Bank's Africa report note, development in the Sub-Saharan region will require progress across a wide range of sectors, including industry, transport, energy, and human resources. The World Bank fully recognizes the need for a multi-sectoral approach, and will continue to support it in its lending programs and related analytic work.

Without doubt there are instances where better results could be produced if the public sector were to shoulder proportionately less of the burden. Experience demonstrates that sound business practices can lead to very successful results. But, of course, the private sector cannot do it all. The public sector has a very vital role to play as well.

The World Bank is concerned with promoting the most efficient and the most productive use of scarce development resources. It is not concerned with the issues of ownership or control. In Africa, as elsewhere, the Bank has made, and will continue to make, effective loans to public sector enterprises—in agriculture, and in industry, and in other sectors.

file

April 26, 1982

Dear Mr. Russell:

Thank you for your letter and kind comments concerning Dinesh Bahl's participation in the World Affairs Conference. I am pleased to learn that his contributions to the conference were so well received.

Since I know that Dinesh will appreciate your kind remarks, I am taking the liberty of sending him a copy of your letter.

Sincerely,

TC

A. W. Clausen

Mr. Robert W. Russell
Staff Director
International Economic
Policy Subcommittee
United States Senate
Washington, D. C. 20510

bcc: Mr. Paijmans
Mr. Benjenk
Mr. Vogl
Mr. Bahl

2781

United States Senate

COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, D.C. 20510

April 15, 1982

Mr. A. W. Clausen
President
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Clausen:

I have just returned to Washington after attending the World Affairs Conference at Boulder, Colorado. The Conference was a huge success, thanks in significant part to the fine contributions of Dinesh Bahl of the World Bank staff. Dinesh Bahl explained the Bank's purposes and programs very ably before several rather skeptical audiences. It was a great pleasure for me to appear on several panels with Dinesh Bahl and I wanted you to know what an excellent job he did for the Bank out in Colorado.

With best regards,

Sincerely,

Bob

Robert W. Russell
Staff Director
International Economic
Policy Subcommittee

RWR:gmt

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

1043

R-1

OFFICE MEMORANDUM

TO: Mr. Frank Vogl

DATE: April 20, 1982

FROM: Peter Riddleberger

SUBJECT: Hearing Delayed PR

1. Treasury Secretary Donald Regan asked for a last minute delay in his scheduled appearance before the Senate Foreign Aid Appropriations Subcommittee today. Sec. Regan is bogged down in White House-Congressional negotiations on the overall FY83 budget.

2. This logjam has set back all Committee action on funding bills. If not resolved, it could, in extreme, result in a Continuing Resolution for the entire federal budget. In any case, there is word that a deal is close which would freeze all non-military "discretionary" spending, including development assistance, at last year's levels. This discretionary spending comprises about 30% of the budget. The rest includes "entitlement" programs (e.g. Social Security), which have built-in escalator clauses that for political reasons are difficult to alter.

3. The World Bank is being mentioned by a number of Democrats on the Senate Foreign Relations Committee as a suitable vehicle for channeling funds being sought by the Administration for the Caribbean Basin Initiative. Senators Alan Cranston (CA), Christopher Dodd (CT), and Paul Sarbanes (MD), are contemplating an amendment to seek multilateral participation in this $350 million undertaking. The Administration prefers a strictly bilateral approach.

cc: Messrs. Clausen, Qureshi, Stern,
Benjenk, Chenery, Golsong,
Paijmans, Thahane

PR:sb

R-1

April 16, 1982

Honorable James L. Oberstar
Member of Congress
Congress of the United States
House of Representatives
Washington, D.C. 20515

Dear Congressman Oberstar:

Thank you for your letter of April 5, 1982 to Mr. A. W. Clausen regarding the proposed Carajas iron ore project in Brazil. In Mr. Clausen's absence in Africa, he has asked me to respond.

It is correct that the World Bank is considering a loan for the Carajas project, although the amount of the loan has not yet been established. The project is still being appraised by Bank staff and no final decision has yet been made by the Bank's Management regarding the presentation of a loan to the Bank's Executive Directors. But assuming that the questions that you have raised -- and others -- are satisfactorily answered in the course of our appraisal analysis, it could be expected that a recommendation for a Bank loan would be presented to the Bank's Executive Directors later this year. In the remainder of this letter I will try to address the issues that you have raised, and give you our present thinking on them.

While we would be reluctant to support the Carajas project if it appeared that iron ore was likely to remain a surplus commodity into the second half of the decade, we do not believe that this is the case. In fact, our analysis of the iron ore market as well as the market studies which have recently been done by outside experts indicate that the market for iron ore will tend to be in balance or undersupplied in the second half of the decade.

You may wish to note in this regard that some of the leading American producers of iron ore also seem optimistic on iron ore markets, for they are participating, or intend to, in new or expanded iron ore production overseas. Among these are Hanna Mining, which has announced a major expansion in output of its MBR project in Brazil, and U.S. Steel, which has proposed to be the lead shareholder in a large new mine in Guinea, Mifergui-Nimba. Surely, the critical element in determining world-wide iron ore demand is future growth of steel demand. Although our own studies forecast a considerably slower growth for future steel demand than has occurred through the mid-1970's, it is nevertheless our preliminary opinion that future demand for iron ore will permit Carajas to enter the market in the latter half of this decade and find suitable demand for the tonnage envisaged. While this will be carefully reviewed in our on-going appraisal process, it is important to point out that long term sales agreements or letters of intent have already been signed for about 25 million tons per year of future Carajas production. Western Europe, Japan and Korea are the buyers.

Consequently, it seems to us quite unlikely that the Carajas project will have the "devastating" effect on the iron ore industries of the United States, Canada, Sweden and Australia which you fear. Moreover, a substantial portion of the initial Carajas production will not be new to world markets but will substitute for declining output from other CVRD mines. Also, the United States is a net importer (34 million tons in 1980) of iron ore, not an exporter in world markets. The well-being of the U.S. iron ore industry depends much more on the production level of steel in the United States than on world iron ore market conditions.

Another point to bear in mind is the fact that the market for iron ore is a segmented one. There are various types of iron ore feeds -- natural fines (Carajas), lumpy ores (Carajas), pellets and concentrates -- for which market demand has shifted in the last six to eight years. Until the mid 70's, the demand for pellets for blast furnace operations was strong. However, following the steep rise in oil prices and the ensuing recessions in the industrialized economies, steel demand decreased more sharply for pellets than for sinter (natural fines) due to the fact that the steel companies decided to operate their sinter plants at a high level of capacity utilization in preference to buying pellets. Compared with pellets the cost of sinter produced from high grade sinter feed, such as Carajas would provide: (a) savings in grinding costs and the simpler beneficiating process required as against pellet making, (b) smaller initial capital expenditures for ore beneficiation, and (c) overall reduction in thermal requirements in the blast furnace. The Carajas ore is largely sinter feed, with a premium demand due to its high iron ore content (66.5% Fe), and its positive blast furnace and sintering properties. It represents a different segment of the market than the Minnesota taconite ores which are relatively low grade ores used for production of pellets. As such, there is little prospect for Carajas and Minnesota ores competing in the same markets.

Your letter compares the development costs of the Carajas project with those for Minnesota ore production. Our preliminary estimate is that total financing requirements for the Carajas project (including the mine, railway and port infrastructure), including physical contingencies and assumed price escalation and interest during construction, is on the order of US$4.5 billion (US$129 per annual ton). It would seem that the US$50 per annual ton cost for Minnesota ore referred to by you may not be directly comparable to this figure for a number of reasons: first, it apparently relates to past costs, which in an inflationary period one would expect to be higher for future investments; second, it appears that the Minnesota costs include only the costs of mining development and do not include the heavy cost of related transportation infrastructure included in the Carajas costs; and third, the comparison does not seem to take account of the different ore qualities of Carajas and Minnesota ores referred to above. Finally, a full and meaningful comparison would, of course, not only consider investment costs, but also the respective operating costs. These for Carajas are estimated to be far lower than those for the Minnesota mines. The relatively low estimated operating costs together with the expected long mine life of Carajas is expected to compensate for the high initial cost of the Project.

Since Carajas ore is high grade, and easy to mine, it has a relatively low per ton cost in comparison with other producing mines. Consequently, there apparently is no need for subsidies to make the project viable. Our preliminary studies indicate a satisfactory economic rate of return on the project. Moreover, the transportation infrastructure is also expected to permit the opening up of an undeveloped, mineral-rich region of Brazil, the benefits of which have not been quantified in our analysis. The benefits to the economy of Brazil would therefore exceed those of the iron ore project.

You may also be interested to note that the project is expected to generate substantial sales for U.S. equipment suppliers and that the U.S. Export-Import Bank has made a preliminary commitment of US$68 million to CVRD for the Carajas project.

Finally, I would like to state my full agreement with the position of Assistant Secretary Dawson that the World Bank should be a lender of last resort, and that World Bank funds should not supplant private capital in the financing of projects. In the event, however, the Carajas project would not go ahead without our involvement. The Japanese Government and Japanese commercial lenders have indicated that they are prepared to lend US$500 million equivalent for the project. The European Economic Community is considering a loan of up to US$600 million equivalent. The Kreditanstalt fur Wiederaufbau (Germany) has given its preliminary approval for a loan of DM300 million (around US$150 million equivalent). These official lenders have all indicated that their financing commitments will be contingent upon a World Bank participation in the project. The World Bank loan is also expected to help mobilize several hundred million dollars of private co-financing from U.S., Japanese and/or European banks. Thus, it does not seem that this project can be financed, at this time, without the catalytic presence of the World Bank.

I hope that the foregoing responds to the concerns set out in your letter. But please feel free to call upon me for any further information that you may require.

Very truly yours,

Enrique Lerdau
Acting Vice President
Latin America and the Caribbean Region

Cleared with and cc: Mr. Fuchs, IPD; Mr. Riddleberger, IPA

cc: Mr. Matthew P. Hennessey, U.S. Temporary Alternate Director
Mr. Clausen's Office
Mr. Stern
Mr. Ardito Barletta (o/r)
Messrs. Glaessner, Jennings, LCP
Dewey, Ms. Haug, Mrs. Smith, IPD
Messrs. van der Heijden, LC2 (o/r)
Agueh, Koromzay, LC2
Ms. Lallement, LC2

DKoromzay:nps

JAMES L. OBERSTAR
8TH DISTRICT, MINNESOTA

COMMITTEES:
PUBLIC WORKS AND TRANSPORTATION

CHAIRMAN:
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

MERCHANT MARINE AND FISHERIES

Congress of the United States
House of Representatives
Washington, D.C. 20515

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316 LAKE STREET
CHISHOLM, MINNESOTA 55719
(218) 254-5761

231 FEDERAL BUILDING
DULUTH, MINNESOTA 55802
(218) 727-7474

April 5, 1982

Honorable A. W. Clausen
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Clausen:

I am writing to express my opposition to a pending $300 million loan application to the World Bank by Cia Vale do Rio Doce, a Brazilian government owned and controlled company. The purpose of the loan is to assist in the financing of what would be the world's largest iron ore development facility.

I feel this loan application is in violation of a World Bank policy which prohibits World Bank participation in projects which produce commodities already in substantial surplus in the world market.

The Carajas project, owned by C.V.R.D., is located in northern Brazil. A one million ton/year pilot plant is nearing completion; the full-scale project is scheduled to be in operation by 1984. The Carajas project is expected to produce 15 million metric tons of iron ore for export in 1985, 25 million tons in 1986, and reach full production capacity of 35 million tons in 1987. Brazil's 1980 iron ore production was 80 million tons, while its raw steel production was 16.8 million tons in that same year.

If the Carajas project is carried through to planned production capacity, Brazil's iron ore tonnage in 1987 would be in excess of 105 million tons. Its domestic needs in that same year are estimated to be 27 million tons, with 78 million tons planned for export markets.

By comparison, total United States iron ore production in 1980 was 69.3 million tons. The largest U.S. iron ore processing plant, U.S. Steel's Minntac facility at Mountain Iron, Minnesota, has a production capacity of 18 million tons, but last year produced only 11 million tons.

Total world production of iron ore in 1979 was 838 million tons. Reports on future production of iron ore

(free world, excluding the U.S. and Canada) show plans totaling 60 million tons of capacity at an estimated investment of $8.2 billion (1981 dollars) by 1987.

Development costs of the Carajas project are now estimated to be approximately $150 per ton. Development costs for Minnesota ore production have been approximately $50 per ton.

Because of the excess of iron ore in the world market, Brazil will be forced to subsidize production and sell the ore on the world market at prices far below production costs -- in a word: dumping.

Clearly, the Carajas project will have a depressing effect upon the world market, already in excess production, and a devastating effect on the iron ore industries of the United States, Canada, Sweden and Australia. Several iron ore facilities in our countries are now running at less than one-third of capacity and will be faced with additional cutbacks if the Carajas project is completed as scheduled.

In a recent meeting with United States Treasury Deputy Assistant Secretary Thomas Dawson, I received assurances that the United States would vote against the loan. Mr. Dawson listed the following reasons for opposing the loan:

1) Iron ore is already produced in surplus quantities in the world;

2) The World Bank should be a lender of last resort, and there are other sources of funding for the project; and

3) The Treasury does not want to supplant private capital in the financing of this project.

The fundamental argument against World Bank support for this loan is the one that I made to Treasury Secretary Donald Regan: the World Bank should not fund additional production of a commodity already in abundant supply in the world market.

I urge you to oppose the C.V.R.D. application and also invite you to meet with me or the Congressional Steel Caucus to discuss the merits of the Carajas project.

Sincerely,

James L. Oberstar

James L. Oberstar, M.C.

JLO/pcm

Orig. file under Insurance

The World Bank / 1818 H Street, N.W., Washington, D.C. 20433, U.S.A. • Telephone: (202) 477-1234 • Cables: INTBAFRAD

April 15, 1982

Dear Mr. Lewis:

Tom Clausen is at present visiting a number of Bank member countries in West Africa. Before he left he discussed with me your letter addressed to him on April 2, and asked me to send our comments before his return from Africa.

As you are aware, Mr. Clausen in his first address to the Governors of the Bank suggested a new initiative in favor of International Investment Insurance against political risks. We have since then made some progress in this matter in our preliminary contacts with industrial and governmental quarters. Your proposed Resolution, therefore, is very welcome. If adopted, it would certainly favor our efforts in that direction. We have only one small technical observation with regard to the third recital-if the words "direct or indirect" were added before "investing confiscation," it would be clearer that the Resolution was meant to cover "creeping" expropriation.

Sincerely,

Heribert Golsong

Heribert Golsong
Vice President and General Counsel

The Honorable
Jerry Lewis
Member of Congress
37th District, California
House of Representatives
Washington, D.C. 20515

cc: Mr. A. W. Clausen

JERRY LEWIS
37TH DISTRICT, CALIFORNIA

COMMITTEES:
APPROPRIATIONS
SUBCOMMITTEES:
AGRICULTURE AND RURAL DEVELOPMENT
FOREIGN OPERATIONS
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202-225-5861

2727

Congress of the United States
House of Representatives
Washington, D.C. 20515

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714-792-5901

1750 EAST ARENAS ROAD
SUITE 5
PALM SPRINGS, CALIFORNIA 92262
714-346-0633
714-323-1837

BARSTOW, CALIFORNIA 92311
714-256-1523

April 2, 1982

Mr. A. W. Clausen
President
World Bank
1818 H Street, NW.
Washington, D.C. 20433

Dear Tom:

I have been most encouraged by recent and ongoing efforts to increase the role of the private sector in foreign economic development. We need to seek methods fostering economic growth which are not burdensome to U.S. taxpayers - development without aid some have called it. One method of which you are well aware, involves reducing the political risk to foreign investments. If implemented, such a method would do much for stimulating economic activity in developed and developing nations.

To further this goal, I am planning to introduce the attached resolution. Your comments and support would be most welcomed.

Sincerely,

Jerry

Jerry Lewis
Member of Congress

JL:mgl
Enclosure

(Original signature of Member)

____ CONGRESS
____ SESSION

H. RES. _____

IN THE HOUSE OF REPRESENTATIVES

Mr. Lewis submitted the following resolution; which was

referred to the Committee on _____

RESOLUTION

Resolved, Whereas, it is in the interest of the United States to promote a vibrant, growing world economy; and

Whereas, private foreign investment is a most positive factor in stimulating economic growth in lesser developed countries; and

Whereas firms operating in foreign lands should not be subject to unreasonable acts of investment confiscation by host governments; and

Whereas, there are no present international mechanisms for effectively dealing with investment problems nor international rules regarding appropriate investment behavior on the part of firms and host governments; and

Whereas, the United States has presented an approach to development which places heavy emphasis on the role of the private sector and is seeking to modify its foreign assistance efforts to facilitate the role of private investment; and

Whereas, in many instances United States foreign aid has been ineffective due to hostile foreign environments to private investment and initiative: Now, therefore, be it

Resolved, That it is the sense of the House that the President should seek international measures to strengthen the role of private investment in the world economy and to remove obstacles to the mobility of capital. Special consideration should be given to multilateral and bilateral treaties establishing effective investment dispute settlement mechanisms. Moreover, United States Executive Directors at the multilateral development banks and the International Monetary Fund should be instructed to oppose loans to nations which unreasonably confiscate foreign investments.

March 31, 1982

Dear Clarence:

I very much welcomed the opportunity to meet with you last week. I think we share a common desire to improve the living conditions of those people in less developed nations who have not had the opportunity to be productive. Your interest in these complex problems is greatly appreciated. For my part, I intend to ensure that World Bank funds are invested in a prudent and effective manner.

Munir Benjenk will be sending information on the points raised during our conversation.

Sincerely,

AC

A. W. Clausen

The Honorable
Clarence D. Long
Chairman
House Subcommittee on
Foreign Operations
H-307 Capitol Building
Washington, D.C. 20515

bcc: Mr. W. C. Baum (re: appropriate technology)
Mr. W. D. Hopper re: a) tube-well project in Bangladesh
b) small-scale agricultural credit projects)

MPB:PR:sb

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. A. W. Clausen (thru Mr. M. P. Benjenk) DATE: March 22, 1982

FROM: Peter Riddleberger

SUBJECT: Appointment with Rep. Clarence D. Long (D-MD)

Time and place: Thursday, March 25, 4:00 p.m.
2405 Rayburn House Office Building
Enter horseshoe entrance on South Capitol Street

"Doctor" Long, 74 years old, has been Chairman of the House Appropriations Subcommittee on Foreign Operations for five years. A PhD in Economics who taught at Johns Hopkins before coming to Congress in 1962, Long considers himself THE expert on development. He feels strongly that aid, both bilateral and multilateral, should concentrate on alleviating the miseries of the very poor. He considers IDA to be a poor investment because projects are too large and involve too many middle men, including "overpaid" international bureaucrats. He is fascinated by small-scale projects that employ "appropriate technology". Accordingly, he is a strong defender of private voluntary technical assistance.

Long spends a great deal of time travelling to developing countries. Dismissing aid officials (to whom he is frequently rude to the point of embarrassing his fellow Congressmen and diplomatic escorts), Long is fond of pushing aside protocol and heading straight for a project site "in order to find out what the recipients really think".

A sharp critic of aid to India, Long authored an amendment calling for a United States negative vote to any country that explodes nuclear devices. He also complains that Egypt is overwhelmed by conflicting aid programs. When he was there last year, Long proclaimed "I saw too many Caterpillar tractors in fields crowded with idle farmers. We should provide hoes, not fancy machinery".

Long is a loner. He has few friends in Congress, and doesn't get along well with David Obey (D-WI) or Mat McHugh (D-NY), who often vote against his efforts to reduce multilateral funding. He is also a poor floor manager when bills come to the House.

None of this bothers him one bit. He enjoys telling his suburban Baltimore constituents that he "is not a creature of the Baltimore Sun (which frequently attacks his anti-World Bank rhetoric) or the big banks, including the World Bank".

Long's influence with the House Democratic leadership is very thin. He was quite embarrassed by the fact that there was no aid bill for three years. Yet this was not altogether his fault. But he is quick to say that across the board cuts are necessary if any bill is to pass this year. He is already hinting that IDA is a good place to start.

Long's anti-World Bank feelings in the past were partly influenced by personal considerations. His son was badly wounded in Vietnam. Private meetings with Mr. McNamara never went well.

Another son is currently stationed in Panama. Long recently returned from Central America where he met with senior government officials without State Department approval. He strongly opposes U.S. military involvement in the region.

Mr. Benjenk will accompany you.

cc: Mr. Frank Vogl

PR:sb

931

R-1

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Frank Vogl

DATE: March 17, 1982

FROM: Peter Riddleberger PR

SUBJECT: Congress and Foreign Aid

1. As Congress continues to be bogged down in disputes over how to handle President Reagan's budget proposals (the House has been in pro-forma session for weeks), El Salvador is shaping the debate on foreign aid. This issue ties in to the Administration's Caribbean Basin Initiative, which after several delays, is expected to be sent to Congress this week. The White House will lobby hard for this. All other development aid proposals are secondary, and early speculation is that any aid bill that does go forward will merely be a continuation of FY82 levels.

Senate GOP leaders are huddling this week to try and reach agreement on budget cuts and tax reductions. As yet there is no consensus on how to proceed (one problem is that half the members of the Senate Finance Committee are up for re-election this year).

In the area of discretionary non-defense spending, foreign aid is obviously vulnerable. The issue here is "what can be held to last year's levels". This is Appropriations Committee Chairman Mark Hatfield's preference. If he gets his way, IDA funding would be in jeopardy. But the IDA request does not as yet loom large in the budget debate. Other accounts for which increased funding is sought are much more controversial. Foreign military credit sales goes from $750 million last year to $1,740 million. And in spite of heavy industry lobbying, the Export-Import Bank also faces a possibility of being cut back sharply.

The Senate leadership may very well propose a reduction in the overall multilateral aid account from the requested $1.56 billion to last year's $1.26 billion, and leave it up to the Treasury to decide just where these reductions are to be made. Besides IDA, the other MDB accounts for which more money is being sought include:

	FY82	FY83 Request
IDB (paid-in capital)	$ 48.1 m	$ 62.4 m
IDB/FSO	$173.2 m	$221.7 m
ADF	$116.1 m	$131.6 m

2. What little discussion there has been on multilateral aid centers around the recent Treasury report. ~~This study has helped our reputation on the Hill; it has given comfort to our friends, and isolated our harsh critics.~~

At a recent seminar for 50 Hill staffers, Deputy Assistant Secretary Tom Dawson gave a fairly strong defense of the Bank in the presence of a rather bemused Fred Bergsten. Dawson complimented the quality of staff, and admitted that Treasury's early attacks were largely unwarranted. He will do a repeat performance for ODC's Congressional Staff Forum on March 22.

Committee Action: The Appropriations Subcommittee continue hearings on the various aid requests. IDA has been mentioned from time to time (Rep. Jerry Lewis: "Why can't we take money fom IDA and give it to the Peace Corps".). AID Administrator Peter McPherson included support for multilateral aid when testifying last week. He was urged by Jack Kemp to tie development assistance, both bilateral and multilateral, to how recipients vote in the U.N. ("Why should India get help when it opposes Israel?).

Comment:

So far the mood is calmer than its been in years. One even hears faint echos of the past..."at least multilateral aid doesn't get the U.S. embroiled in wars".

We suffered our first election year casualty this week. Rep. Ed Derwinski (R-IL), defeated in an Illinois primary yesterday, was a staunch multilateral aid supporter. As a senior GOP member of the Foreign Affairs Committee, his (booming) voice helped rally conservative support.

cc: Messr. Clausen, Qureshi, Stern,
Benjenk, Chenery, Golsong,
Paijmans, Thahane

PR:sb

7TH DISTRICT, WISCONSIN

DISTRICT OFFICE:
FEDERAL BUILDING
317 FIRST STREET
WAUSAU, WISCONSIN 54401
PHONE: 715-842-5606

DISTRICT REPRESENTATIVE:
JERRY MADISON

FIELD REPRESENTATIVE:
MARTIN HANSON

DAVID R. OBEY

Congress of the United States
House of Representatives
Washington, D.C. 20515

COMMITTEES:
BUDGET
APPROPRIATIONS

SUBCOMMITTEES:
LABOR-HEW
FOREIGN OPERATIONS

WASHINGTON OFFICE:
2349 RAYBURN HOUSE
OFFICE BUILDING
PHONE: 202-225-3365

ADMINISTRATIVE ASSISTANT:
LYLE STITT

2895

March 15, 1982

Mr. A.W. Clausen
President
THE WORLD BANK
Washington, D.C. 20433

Dear Tom:

Thank you for your note.

I, too, enjoyed and appreciated the opportunity to get together. We had better both stay in touch.

Best regards,

Sincerely yours,

David R. Obey
Member of Congress

DRO/n

Copy sent to Mr. Benjenk.
Date 3/15/82

JERRY M. PATTERSON, CALIF.
CHAIRMAN

JOHN J. LAFALCE, N.Y.
MARY ROSE OAKAR, OHIO
STEPHEN L. NEAL, N.C.
HENRY S. REUSS, WIS.
MIKE LOWRY, WASH.

2546

THOMAS B. EVANS, JR., DEL.
J. WILLIAM STANTON, OHIO
JAMES K. COYNE, PA.
DAVID DREIER, CALIF.

U.S. HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON
INTERNATIONAL DEVELOPMENT INSTITUTIONS AND FINANCE
OF THE
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
NINETY-SEVENTH CONGRESS
WASHINGTON, D.C. 20515

3-17-82 SEND TO MR BINSWK A

done 3/17 bi

March 3, 1982

Mr. A. W. Clausen, President
World Bank Group
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Tom,

I enjoyed very much meeting with you last Wednesday afternoon. Your frankness and knowledge in discussing the issues confronting the World Bank and the problems associated with development was most helpful.

I know that in the coming months we can enjoy a constructive working relationship and move to address mutual areas of concern. I look forward to meeting with you again in the near future.

Sincerely,

Jerry

Jerry M. Patterson
Chairman

JMP:nsr

March 2, 1982

Dear Chuck:

Thanks for your letter and your thoughtful analysis of the situation in the Middle East. I am leaving for a visit to some of our Latin American member countries in a few minutes, so will take it along for reading on my trip.

Thank you again for sending me your analysis.

Warm regards.

Sincerely,

A.W. Clausen

The Honorable Charles H. Percy
United States Senate
Committee on Foreign Relations
Washington, D.C. 20510

2750

United States Senate

COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, D.C. 20510

February 25, 1982

The Honorable A. W. Clausen
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Tom:

I have always hesitated to send out copies of speeches to you as a Business Council member, but am doing so now because of the importance of the Middle East, not only for the peace of the world but for the interests of our economy and oil security in the area. Because I held no press interviews on this trip but did pull together for the National Press Club a fairly concise statement of my observations and conclusions, I enclose a copy for your review.

Any comments you might wish to send to me on this vital area would be most welcome. The Foreign Relations Committee will hold oversight hearings in 1982, emphasizing 1) progress in the Arab-Israeli peace effort; 2) developments in the Gulf area including oil security and future plans for the rapid development force; and 3) the Soviets' growing interest in this area.

With best wishes,

Charles H. Percy
United States Senator

CHP/am

Enclosure

February 25, 1982

The Honorable A. W. Clausen
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Tom:

I have always hesitated to send out copies of speeches to you as a Business Council member, but am doing so now because of the importance of the Middle East, not only for the peace of the world but for the interests of our economy and oil security in the area. Because I held no press interviews on this trip, but did pull together for the National Press Club a fairly concise statement of my observations and conclusions, I enclose a copy for your review.

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With best wishes,

Charles H. Percy
United States Senator

CHP/am

Enclosure

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 97th CONGRESS, SECOND SESSION

Vol. 128 WASHINGTON, WEDNESDAY, FEBRUARY 10, 1982 No. 11

Senate

SENATOR PERCY'S TRIP TO THE MIDDLE EAST

Mr. BAKER. Mr. President, the distinguished Senator from Illinois (Mr. PERCY) and the chairman of the Foreign Relations Committee traveled during the recent recess of the Senate to many of the countries of the Middle East. On Monday of this week he spoke of the impressions gained during the trip to the National Press Club. Senator PERCY is extraordinarily knowledgeable about the region and the dangers to peace that have remained there for so long unresolved. The insights and the perceptions that he shared with the National Press Club speak well of his knowledge of and sensitivity to the region. I ask unanimous consent that Senator PERCY's remarks be printed at this point in the RECORD.

There being no objection, the remarks were ordered to be printed in the RECORD, as follows:

REMARKS OF SENATOR CHARLES H. PERCY

The Middle East, of all the regions of the world, has the greatest potential for disaster. Even in times of relative calm, the clouds of war can be seen. Old antagonisms, and more recent ones, are destabilizing. Angry propaganda, surprise raids, random rocketing, massing of weaponry, vindictive UN resolutions, fears and anxiety contribute to an atmosphere of expectancy, expectancy of ultimate disaster. It was against this background that I returned to the Middle East on a study trip during the Senate recess. I visited the leaders of 14 nations including Israel and two thirds of the Arab states, comprising 75 per cent of the population of the Arab world.

I chose to devote so much time and effort to this region because I believe that American foreign policy will face some of its most serious challenges and be offered some of its greatest opportunities in this area during the 1980's. How we formulate our Middle Eastern foreign policy will, to a great extent, determine our ability to maintain our standing as not only the world's most powerful political, economic and moral force for freedom, but as a great nation that uses its power wisely, effectively, and with compassion.

The policies we choose will have a lasting impact on our relations with the Israelis, the Arabs, the Soviets and our allies. The policies we choose will have a lasting impact on whether the Free World continues to look to the United States for leadership that is forceful and fair. If we do not adopt a forward looking policy toward this region, the mounting crescendo of events will jeopardize world peace and global economic stability, will undermine relations with our Middle Eastern friends and will open the door for further extension of Soviet influence in this vital region of the world.

I have urged my friends in the Arab world to try to understand that the United States' relationships in the Middle East are premised on a strong bond of friendship with Israel. American-Israeli friendship is founded in a broad range of common interests, values, and heritage. Close cooperation can benefit both our nations. As the only Western-style democracy in the Middle East, Israel and the United States share a system of government and political expression which gives us special understanding of the political processes critical to each other's security. We are also bound by close links between our peoples.

Israel is a country that has sparked the imagination of the American people. The struggle for the formation of the State of Israel in the wake of the holocaust in Europe has had a major influence upon the lives of millions of Americans. And what the Israeli people have accomplished in a few short decades is truly impressive. From the Galilee in the north to the Negev in the south, available land is put to maximum use. I was more struck on this trip than ever before when it appeared as though nearly every house in Israel uses solar energy. The Israeli nation has produced some of the world's foremost medical researchers, scientists, scholars, farmers, and irrigationists who are more than willing to share their experiences to benefit mankind. One of the great dividends of peace would be their sharing scientific and technical knowledge with other nations and people in the region.

Despite all that binds us together, recent years have been marked by a growing number of serious differences between our two nations. At times—and I view this as very unfortunate—our disagreements have tended to diminish all that holds us together. For this reason, during my discussion in Israel, Prime Minister Begin, Defense Minister Sharon and other leading Israelis agreed to reduce the level of critical rhetoric between friends and to settle our differences through quiet, serious discussions among ourselves. This informal agreement has been faithfully observed by both sides since midnight December 29. We also began defining the term "defensive use" of American weapons under the 1952 agreement.

Real differences, however, remain, and are of great concern. The issues involve no less than the questions of how the security of Israel can best be assured and what kind of Israeli policy the United States is being asked to support. The premise on which the United States has operated since the 1967 war is that Israel would essentially withdraw from territory occupied in that war in exchange for a genuine negotiated peace, secure borders, and normal relations with its neighbors, especially including recognition of their right to exist.

Many Israeli policies today—continued settlement in occupied territories and the quasi annexation of those territories—raise questions about whether Israeli policy is based on the same premise. A genuine peace and assurance of Israeli security would be consistent with American, Israeli and Arab interests. Prolonged conflict is not. Many Israeli acts seriously harm our relations with Israel's neighbors, yet a strong American position throughout the Middle East is in Israel's interest as well.

The United States is the leader of the free world. We have global interests and responsibilities. Those interests include the security of Israel. Israel has seen U.S. willingness to fully support them against overwhelming opposition when we believe they are right. But Israel cannot expect the United States to continue isolating itself from the world community to defend questionable or objectionable actions and policies. The Israelis must stop "surprising" the international community and the United States with preemptive acts that are viewed by the community of nations as violations of international norms, harmful to U.S. interests and damaging to the peace process that must now proceed in the Middle East.

The Israelis, for their part, have been honestly surprised by the harsh response to some of these actions. They did not understand why they were being "punished," as Israelis termed it, for the application of Israeli law to the Golan Heights by the decision not to implement the U.S.-Israeli memorandum of understanding on strategic cooperation. Prime Minister Begin forthrightly said to me that this should have been no surprise because this action was called for in his party's program discussion in an open session of the Knesset in August 1981.

Nevertheless, the action taken by the Israelis and the U.S. response were a surprise and a shock to both sides.

We must improve communication between our two governments. We are often talking to each other, but we are not hearing each other. We are not talking directly and clearly about what our basic premises and objectives are. The Israelis should have been aware in advance to what extent the U.S. would react and we should have been aware of the imminence of Israeli intention to apply their law to the Golan Heights.

We must realize that the Israelis will act and should act in their own national interest. The Israelis must realize the United States, in turn, will and must act in our own national interest, consistent with our broader responsibilities. We must understand the extent to which our interests overlap and the extent to which they diverge.

For many reasons, further progress in the process of achieving peace between Israel and its neighbors is critical. The only way progress will be made is for the United States Government to take an increasingly active leadership role. Steady progress toward peace in the Middle East is the surest way of preserving the long-term U.S.-Israeli relationship and the relationship between the United States and key Arab states. During the past twenty years the well-being, stability and security of these states have become a vital national interest of the United States. It is also important to Israel to live among responsible neighbors able to maintain peace on Israel's borders and to conduct normal relations once peace is achieved. While all the Arab nations want a Palestinian state, none of the nations that I visited in the region wants a radical Palestinian state under Soviet influence and a threat to peace and stability.

No group of nations in the world has experienced as rapid a transformation as have the Arab nations. These changes are based on the dominant position the Gulf states have assumed in the supply of energy to the industrialized world and the resulting wealth that has flowed to them and their fellow Arabs.

The earlier and wealthier oil-producing states are entering a second phase in modernization. The accumulation of wealth has occurred at such a rapid pace that income from foreign investments sometimes approaches the revenue realized from oil exports. For example, Kuwait's per capita income from foreign investments last year nearly equalled that from the sale of petroleum. Huge government owned foreign assets have made these states significant partners in the global financial system. The United States and our European allies, therefore, find ourselves not only closely tied to the Arab Gulf states for our energy needs, but also for stability in our financial markets. Our interdependence will become even greater during the next decade.

I am deeply concerned that this region which is so important for us may also be the area in which the Soviet Union and its allies have the opportunity to make significant advances during the 1980's. Along the entire border of the Soviet Union from Europe in the west to Japan and Korea in the east, the Middle East is the principal area where Soviet and American interests come into direct contact and where the limits of acceptable superpower action have not been determined. With the Soviet invasion of Afghanistan, the collapse of Iran, and the end of CENTO, the nature of the American response and that of our allies to Soviet action has become uncertain—uncertain in our minds, uncertain in Soviet minds and uncertain in the minds of the people of the region. This uncertainty can lead to serious miscalculations, and it is generally miscalculations which lead to war.

The Soviet Union presents a dual threat. The first is a direct military thrust such as the invasion of Afghanistan. The second is through expanded political influence and internal subversion. The former can never be ruled out; the latter is clearly the more immediate danger.

In recent years, the Soviets have made significant advances by establishing alliances with Syria, Iraq, Libya, Ethiopia and South Yemen, and have made inroads in Iran. Of even greater concern is that many nations in the region may not be as adamant as they once were in their rejection of enticing and seductive Soviet overtures.

American efforts to form a strategic consensus against Soviet actions have met a

lukewarm response from most of the states of the region. This is not because moderate leaders do not appreciate the dangers posed by the Soviets. They certainly do. But they are even more concerned about the negative reaction of their own citizenry if they form too close an association with the United States. Anti-regime elements have had considerable success in promoting criticism of the leadership by tying their governments closely to the United States. Moderate leaders are, therefore, faced with the dilemma of either distancing themselves from the United States, or risking domestic support.

The single issue which creates the greatest strain in our bilateral relations and which is allowing the Soviets to make advances in this region is the widely held perception in the Arab world that the United States government is not committed to a just and equitable settlement of the Arab-Israel dispute, including a settlement of those grievances of the Palestinians that are reasonable and just. The United States' special relationship with Israel is increasingly exploited by radical and anti-American elements through the Arab world and by the USSR.

Other issues also create bilateral problems for the U.S. and the Arab states and threaten our regional interest. Most prominent among these is the Iraq-Iran war. This conflict threatens to spill over to the oil producing states of the Arabian peninsula and is offering the Soviet Union the opportunity to expand its influence. Furthermore, a billion dollars a month is being squandered. This money could more usefully be spent to improve the well-being of the less wealthy states in the region including Sudan, the Yemen Arab Republic, Tunisia, Egypt, Jordan, Morocco and others.

Nevertheless, in virtually every substantive conversation I held in fourteen Arab countries from Morocco to Oman to Kuwait to Lebanon, I heard the same refrain. "The United States does not have a balanced Middle East policy. Until that occurs we cannot be too closely associated with you."

The level of Arab concern has been increased in the past year by the continued Israeli policy of placing and expanding settlements on the West Bank, Israeli raids on Beirut and Baghdad, the application of Israeli law to the Golan Heights, and provocative overflights of Arab states. The failure of the United States to meaningfully oppose these measures has served to increase the false, but nonetheless generally held, Arab view that the United States supports, or at least tolerates, these actions.

I believe the time is now propitious for the United States to press ahead with a broadening of the peace process. The great step toward peace taken at Camp David by Presidents Carter and Sadat and Prime Minister Begin will not be erased from the pages of history. That achievement and the Peace Treaty which followed have changed the face of the Middle East in important ways. But the work so significantly advanced there is not done.

The April 25th withdrawal from the Sinai will be a major milestone in completing the first phase of the Camp David process. Both Prime Minister Begin and President Mubarak have committed themselves and their governments to Camp David. The further normalization of relations between Egypt and Israel will continue to grow without interruption beyond that date. But even those historic steps will not fulfill the promise of Camp David. The vision of Camp David was a comprehensive peace—peace between Israel and each of its neighbors who are prepared to negotiate peace. The vision of Camp David was the resolution of the Palestinian problem in all its aspects. This work has only barely begun.

A failure to press ahead to fulfill the vision of Camp David—ratified by the parliaments of Egypt and Israel and welcomed by the Congress of the United States—will create a never-ending series of crises in the Middle East and weaken the position of the United States as a world power.

Peace in the Middle East is vital to the basic national interest of the United States. For the process to continue progress must be made on the Eastern front as well as further strengthening of the Egyptian-Israeli partnership without preventing reentry of Egypt into the councils of the Arab world that I feel is inevitable. Complacency on our part, or a failure to make an all-out effort to achieve progress in the peace process, will have serious consequences.

In the past, progress in Middle East peace efforts has had two components. The first is an American vision of peace. The second is initiative coming from Middle Eastern leaders. We should determine for ourselves, with our allies and friends, in which direction the process should proceed. The United States does not and should not be expected to have all the answers. Nevertheless, we must have a clear course to follow.

Whatever path we follow, certain key premises are basic:

Commitment to a negotiated peace is essential. This requires acceptance of UN Security Council Resolutions 242 and 338 and the recognition of the right of all nations in the region to exist behind accepted and secure borders. Too many Arab states have been far too slow in recognizing this fact of life. The Arab states must explicitly—and publicly, not just privately—accept Israel and agree to reach out in an effort to establish normal relations in the context of a just peace.

Commitment to a just peace requires understanding that peace will only evolve from negotiations based on an exchange of land taken in 1967 for peace, security and recognition.

Commitment to a comprehensive peace requires that the legitimate rights of the Palestinian people must be addressed, and that the Palestinians must participate in determining their own destiny. A solution cannot be imposed on them.

Commitment to a just and comprehensive peace would also help to deal with some if the underlying causes of the agony of Lebanon. No American can remain indifferent to the tragedy that has befallen our good friends in democratic Lebanon.

The second component, when progress has been made in the Middle East, is to have initiatives coming from Middle Eastern leaders. Camp David found its roots in the initiatives of President Sadat and Prime Minister Begin. New ones must be developed. No other partner will ever be drawn into the peace process if we refuse to even consider or build upon their initiatives. The vision of Camp David was a peace involving all of Israel's neighbors. In the period beyond April 25, a major objective of our diplomacy must be to involve Israel's key eastern neighbors in negotiations.

This most recent trip to the Middle East was both encouraging and discouraging. Never before have I witnessed in the Arab States such a willingness to recognize Israel's right to exist behind secure and recognized borders. Point seven of the Fahd plan was generally interpreted to mean this. All of the "confrontation states" accept the premise that the Arab-Israeli dispute must be settled on the basis of negotiations based on UN Resolutions 242 and 338. Even Syria did so formally in 1974 when it accepted UN Resolution 338 which encompasses 242. Assad told me he accepts this interpretation today.

Despite these changes in Arab views, most Arabs believe peace is further away today than ever before. The perception is universal that Israel is not interested in peace if peace is based on the premise that land should be exchanged for recognition, a peace treaty and normalized relations. The continued settlement of the West Bank is widely perceived as a demonstration of Israel's intention never to allow the people of these territories to determine their own future nor address the broader question of the Palestinians. The Israelis state that their actions do not preclude any solution to their differences with their neighbors. They say they are willing to negotiate with any Arab state if Israeli existence is recognized.

The time will come for the United States and Israel to recognize that a basis must be found for listening directly to and discussing directly with representatives of three and a half million Palestinians. Their understandable desire for a homeland must be met on a mutually developed negotiated basis reasonably satisfactory to all involved parties.

The time has come for the key Arab parties to the conflict to state simply and unequivocally their readiness to negotiate peace with Israel. If they believe Israel is not willing to negotiate a just peace, let them challenge Israel to negotiation. Willingness to negotiate is a sign of confidence—not of weakness.

In conclusion, let me say that the situation in the Middle East will get worse, not better, if we do not apply our best energies, talents and determination to the search for peace. A failure of the United States to become an active full partner in the peace process could seriously harm our relations with the Israelis and the Arabs and also allow the Soviets to make further inroads in the region.

March 2, 1982

Dear Jerry:

Thank you for your letter referring to our search for a new Chief Economist for The World Bank. I can assure you that we intend to fill the position with the most qualified individual we can possibly find. To this end, a search committee of internationally respected economists has already been established to help us identify possible candidates. We shall select from a short list which the committee will submit to us within the next few weeks. I have every confidence that the individual who will eventually get the job will be a great asset in the Bank's management team.

Thanks for writing, Jerry. I agree with you that the subject matter is critical and deserves our full attention.

Warm regards.

Sincerely,

A. W. Clausen

The Honorable
Jerry Lewis
House of Representatives
Washington, D.C. 20515

OLafourcade:ml

Rec'd on 2/25

2728

JERRY LEWIS
37TH DISTRICT, CALIFORNIA

COMMITTEES:
APPROPRIATIONS
SUBCOMMITTEES:
AGRICULTURE AND RURAL DEVELOPMENT
FOREIGN OPERATIONS
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Congress of the United States
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714-323-1837

BARSTOW, CALIFORNIA 92311
714-256-1523

February 23, 1982

Tom Clausen
President
World Bank
1818 "H" Street N.W.
Washington, D.C. 20433

Dear Tom:

It is my understanding that there is an ongoing search for a new Chief Economist for the World Bank. Because of the Bank's mission and its past shortcomings, this postion is crucial in terms of ensuring that the Bank moves forward in the proper direction.

My experience has been that key staff are vital to carrying out the policy initiatives from the top. I sincerely hope that the new Chief Economist is an individual capable of supporting the fresh ideas you have brought to the Bank.

Sincerely,

Jerry

Jerry Lewis
Member of Congress

JL/mgh

March 1, 1982

Dear Mr. Chairman:

Thank you for sharing with me your recent letter to Treasury Secretary Donald Regan encouraging multilateral lending agencies to target economic assistance to the very poor in developing countries.

The World Bank has long been in the forefront of designing projects which will improve the living standards of the neediest. As you will see from the attached table, the share of poverty projects in total World Bank lending increased from nearly 8% in 1970 to over 34% in 1981. For IDA the share was even higher: 42% by 1981. We are now in the process of reallocating scarce concessional funds for our least developed members, especially in Sub-Saharan Africa.

I concur with the objectives of the legislation to which you refer, and would be happy to discuss this with you in person together with Mr. Munir Benjenk, the World Bank's Vice-President for External Relations.

Sincerely,

A.W. Clausen

Hon. Mark Hatfield
Chairman, Committee on
Appropriations
United States Senate
Washington, D.C. 20512

Attachment

PRiddleberger/SJBurki:fvf

cc: Mr. Benjenk

IBRD/IDA Lending by Sectors

(in fiscal years)

Sectors of Lending	1970 IBRD 1980 $m	1970 IBRD %	1970 IDA 1980 $m	1970 IDA %	1970 Total 1980 $m	1970 Total %	1981 IBRD 1980 $m	1981 IBRD %	1981 IDA 1980 $m	1981 IDA %	1981 Total 1980 $m	1981 Total %	Average Annual Growth 1970-1981 (in percent) IBRD	IDA	TOTAL
Infrastructure 1/	3221	68.7	563	31.3	3784	58.3	2439	29.7	715	22.0	3154	27.4	-2.5	2.2	-1.6
Sectors directly limited to increasing the productivity of the poor	277	5.9	229	12.8	506	7.8	2573	31.2	1366	42.0	3939	34.3	22.5	17.6	20.5
Production sectors "New style projects" 2/	(61)	(1.3)	(105)	(5.9)	(166)	(2.6)	(1377)	(16.7)	(895)	(27.5)	(2272)	(19.8)	(32.8)	(21.5)	(26.9)
"Basic needs programs" 3/	(216)	(4.6)	(124)	(6.9)	(340)	(5.2)	(1196)	(14.5)	(471)	(14.5)	(1667)	(14.5)	(16.8)	(12.9)	(15.5)
Other production sectors 4/	1192	25.4	1005	55.9	2197	33.9	3221	39.1	1174	36.0	4395	38.3	9.5	1.4	6.5
Total	4690	100.0	1797	100.0	6487	100.0	8233	100.1	3255	100.0	11488	100.0	5.2	5.5	5.3

Note: There is some overlap between various categories. Also, all lending has varying degrees of impact on poverty, directly or indirectly. The table is only illustrative to bring the major shift in sectoral emphasis over time.

September 1981

1/ Includes communications, energy, power, transporation and tourism.

2/ Includes rural development and small-scale industry projects where over 51% of the total benefit is directed to poverty target groups.

3/ Includes education, population, health, sites and services, and water supply.

4/ Includes agriculture (excluding rural development), development finance companies, industry, technical assistance, and non-project lending.

Hand delivered

2567

United States Senate

COMMITTEE ON APPROPRIATIONS
WASHINGTON, D.C. 20510

February 5, 1982

Mr. A.W. Clausen
President, The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Clausen:

I am taking the liberty of enclosing for your information a copy of a letter which I wrote to Secretary Regan. I would be delighted to see World Bank management take the lead in establishing the poverty-orientation guidelines referred to in the letter.

Best wishes,

Mark O. Hatfield
United States Senator

RECEIVED

1982 FEB -8 AM 10: 36

OFFICE OF THE PRESIDENT

United States Senate

COMMITTEE ON APPROPRIATIONS
WASHINGTON, D.C. 20510

February 5, 1982

The Honorable Donald Regan
Secretary of the Treasury
Washington, D.C. 20220

Dear Mr. Secretary,

I am writing with regard to the policy of the multilateral banks concerning targeting assistance to needy people. I was the lead sponsor of the Hunger Elimination and Global Security Act, S 1675, a bill which thirty-one other Senators have joined in sponsoring. Title II of that bill calls upon the Treasury to work in the World Bank and other multilateral development banks for the targeting of quantitatively specified portions of their lending to benefit the needy.

Congress has passed legislation similar to Title II of S 1675 as Section 1361 of the Omnibus Budget Reconciliation Act of 1981. I am keenly interested in Treasury's implementation of Section 1361. I would hope to see the United States mount a major campaign to persuade other members of the banks to support the ~~quantitative targets~~ which Section 1361 seeks. Progress achieved in this area will be kept in mind when the Appropriations Committee reviews United States bank funding.

As you are aware, extreme poverty in the developing countries is one of the major problems facing our nation. It is a tragedy which exerts a powerful call on our humanitarian instincts, and has as well profound consequences for our national security.

I would be glad to work with the Treasury Department in strengthening the multilateral development banks' response to this need.

Sincerely yours,

Mark O. Hatfield
United States Senator

(c) Section 23(b) of the Asian Development Bank Act (22 U.S.C. 285t(b)) is amended by striking out the period and inserting in lieu thereof the following: ": *Provided, however,* That not more than $14,116,177 may be made available for such contribution for the fiscal year 1982.".

FUTURE SUBSCRIPTIONS OF STOCK TO THE ASIAN DEVELOPMENT BANK

SEC. 1353. Section 22(a) of the Asian Development Bank Act (22 U.S.C. 285s(a)) is amended by striking out "That any subscription to additional shares shall be made only after the amount required for such subscription has been appropriated" and inserting in lieu thereof "That any subscription to additional shares shall be effective only to such extent or in such amounts as are provided in advance in appropriations Acts".

PART 5—TARGETING ASSISTANCE TO THE NEEDY; CONGRESSIONAL CONSULTATIONS

AMENDMENTS TO PUBLIC LAW 95-118

SEC. 1361. (a) Public Law 95-118 (22 U.S.C. 262c et seq.) is amended by inserting immediately after the enacting clause the following:

"SHORT TITLE

"SECTION 1. This Act may be cited as the 'International Financial Institutions Act' ". 22 USC 262c note.

(b) Public Law 95-118 is further amended by adding at the end thereof the following new titles:

"TITLE XI—TARGETING ASSISTANCE TO THE NEEDY

"SEC. 1101. (a) The Congress finds that there is a need for concerted international efforts to deal with the problems of malnutrition, low life expectancy, childhood disease, underemployment, and low productivity in developing countries. 22 USC 262g-1.

"(b) The Congress notes with approval that the Inter-American Development Bank, under the terms of its Fifth Replenishment, has adopted the target that 50 percent of its lending benefit the poorest groups and has developed a usable methodology for determining the proportion of its lending which benefits such groups.

"SEC. 1102. (a) The Secretary of the Treasury shall consult with representatives of other member countries of the International Bank for Reconstruction and Development, the International Development Association, the Asian Development Bank, the African Development Fund, and the African Development Bank (if the United States becomes a member of that Bank), for the purpose of establishing guidelines within each of those institutions which specify that, in a manner consistent with the purposes and charters of those institutions, a specified proportion of the annual lending by each institution shall be designed to benefit needy people, primarily by financing sound, efficient, productive, self-sustaining projects designed to benefit needy people in developing countries, thus helping poor people improve their conditions of life. 22 USC 262g-2.

"(b) The Congress finds that projects to construct basic infrastructure, to expand productive capacity (including private enterprise), and to address social problems can all meet the objectives of this

"Needy people."

section if they are designed and implemented properly. For the purposes of this title, 'needy people' means those people living in 'absolute' or 'relative' poverty as determined under the standards employed by the International Bank for Reconstruction and Development and the International Development Association.

Report to Congress. 22 USC 262g-2 note.

"SEC. 1103. The Secretary of the Treasury shall, not later than May 1 of 1982, 1983, and 1984, report to the Speaker of the House of Representatives and the Chairman of the Committee on Foreign Relations of the Senate on the progress being made toward achieving the goals of section 1102, and shall include in each such report, for each of the institutions referred to in sections 1101 and 1102, as accurate an estimate as is practicable of the proportion of the lending by that institution which benefits needy people in its borrower countries.

"TITLE XII—CONGRESSIONAL CONSULTATIONS

22 USC 262g-3.

"SEC. 1201. The Secretary of the Treasury or his designee shall consult with the Chairman and the Ranking Minority Member of—

"(1) the Committee on Banking, Finance and Urban Affairs of the House of Representatives, the Committee on Appropriations of the House of Representatives, and the appropriate subcommittee of each such committee, and

"(2) the Committee on Foreign Relations of the Senate, the Committee on Appropriations of the Senate, and the appropriate subcommittee of each such committee,

for the purpose of discussing the position of the executive branch and the views of the Congress with respect to any international negotiations being held to consider future replenishments or capital expansions of any multilateral development bank which may involve an increased contribution or subscription by the United States. Such consultation shall be made (A) not later than 30 days before the initiation of such international negotiations, (B) during the period in which such negotiations are being held, in a frequent and timely manner, and (C) before a session of such negotiations is held at which the United States representatives may agree to such a replenishment or capital expansion.".

PART 6—MISCELLANEOUS PROVISIONS

ELIMINATION OF CERTAIN REPORTS

Repeal.

SEC. 1371. (a)(1) Section 31 of the Bretton Woods Agreements Act (22 U.S.C. 286e-10) is repealed.

(2) Section 35 of that Act (22 U.S.C. 286u) is amended by striking out ", and shall report" and all that follows through "goal".

(b)(1) Section 801 of Public Law 95-118 (22 U.S.C. 262f) is amended—

(A) by striking out "(a)"; and

(B) by repealing subsection (b).

(2) Section 901 of that Act (22 U.S.C. 262g) is amended—

(A) by striking out "(a)"; and

(B) by repealing subsection (b).

EFFECTIVE DATE AND AVAILABILITY OF FUNDS

22 USC 290i note.

SEC. 1372. This subtitle shall take effect upon its enactment, except that funds authorized to be appropriated by any provision contained

SUBCONFERENCE BETWEEN SENATE FOREIGN RELATIONS COMMITTEE AND HOUSE BANKING COMMITTEE

Explanatory Statement of Subtitle B -- International Development Banks -- of Title III

Summary

The House bill contained authorizations and annual ceilings for multilateral development bank programs and provisions addressed to United States policy toward multilateral development banks. The Senate version contained no references to multilateral development banks, because the Foreign Relations Committee did not make reductions in the President's request for multilateral development banks in the programs within its legislative jurisdiction in order to conform to the instructions contained in the First Concurrent Budget Resolution (H. Con. Res. 115).

The Senate and House conferees agreed to retain authorizations and annual ceilings for multilateral development bank programs in the final bill, but to insert the appropriate figures to provide for United States participation in the multilateral development banks in accordance with the President's program and the action taken earlier by the Senate on authorizing legislation (the Senate passed S. 786 containing authorizations for the International Development Association and African Development Bank on April 29, 1981, and S. 1195 containing authorizations for the International Bank for Reconstruction and Development, the Inter-American Development Bank and Asian Development Bank on June 16, 1981). The Senate and House conferees also agreed at the insistence of the Senate conferees, to delete most of the policy provisions contained in the House bill. The conferees retained only three such provisions: repeal of certain reporting requirements, a requirement for consultations with Congress before financial commitments are made to any multilateral development bank by the Executive Branch in the future, and a provision directing the Secretary of the Treasury to consult with representatives of other member countries of multilateral development banks in order to establish guidelines specifying the proportion of lending by each bank which ought to benefit needy people. The Senate conferees receded to the House conferees on retaining the latter provision primarily because a nearly identical provision had already passed the Senate in S. 1195.

The disposition of specific provisions of the House bill are as follows:

International Bank for Reconstruction and Development

The House provision, which authorizes United States participation in the general capital increase of the World Bank (International Bank for Reconstruction and Development) on the schedule proposed by the Administration and previously

passed by the Senate in S. 1195, was agreed to. Not more than $109,720,549 could be made available for this purpose for each of the fiscal years 1982, 1983, and 1984.

International Development Association

The House provision, which authorizes United States participation in the sixth replenishment of the International Development Association, was agreed to with modifications to limit the maximum U.S. contribution for fiscal year 1982 at $850,000,000, and the maximum for fiscal year 1983 at ~~$1,890,000,000, in order to conform to the Administration's request and the Senate's passage of S. 785 on April 29th.~~ $945 million, with the remainder to be provided in 1984.

African Development Bank

The House provision, which authorizes United States membership in, and a capital subscription to, the African Development Bank, was agreed to. Not more than $17,986,679 could be made available for this purpose for each of the fiscal years 1982, 1983, and 1984.

Inter-American Development Bank and Asian Development Bank

The House provision, which authorizes subscriptions of capit and contributions to the Inter-American Development Bank and Asian Development Bank, was agreed to with modifications to set the limits on U.S. participation in those institutions at the levels requested by the Administration and provided for by Senate passage of S. 1195 on June 17th. Not more than $175,000,000 could be made available to the Fund for Special Operations of the Inter-American Development Bank for fis year 1982, and not more than $106,000,000 for fiscal year 1983. Not more than $111,250,000 could be made available to the Asian Development Bank for fiscal year 1982 and not more than $44,500,000 for fiscal year 1983.

Opposition to Assistance to Certain Countries

The House provisions requiring U.S. representatives to certa multilateral development banks to actively oppose loans to certain countries in certain circumstances were deleted at the request of the Senate conferees. The action was taken without prejudice to the disposition of similar provisions in other legislation in the future, and in accordance with the overall agreement to hold to a minimum the inclusion of non-financial items in the bill.

Targeting Assistance to the Needy

The House provisions, as modified and agreed to by the conf

(1) notes that the Inter-American Development Bank has adopted a target of directing 50% of its lending to needy people; (2) directs the Secretary of the Treasury to consult representatives of other member countries of multilateral development banks in order to establish guidelines specifying the proportion of the annual lending of each institution which should be designed to benefit needy people (those who are classified as "absolutely or relatively poor" under standards adopted by the World Bank and IDA -- the standards specify that the incomes of those people are insufficient to provide adequate food, shelter, and the other essential requirements for achieving a basic minimum standard of living in their respective countries); and (3) requires the Secretary to report annually to Congress on progress toward meeting the specified targets. The version agreed to by the conferees is a compromise between very similar provisions in S. 1195 previously passed by the Senate and in the House bill. The conferees noted that the appropriate proportion of the lending of multilateral development banks which ought to be designed to benefit needy people would vary somewhat with the nature of the bank and conditions in member borrowing countries. The International Development Association, for example, might appropriately set a higher target than 50%. On the other hand, a 50% target may be too high for some institutions in some situations.

Miscellaneous Provisions

The House conferees accepted the Senate position that the fewest possible substantive provisions should be retained in the agreed version. Provisions concerning coordinating assistance, re-examining basic funding mechanisms, reporting on a new lending facility, and reporting on lending procedures, were deleted from the bill at Senate insistence. The conferees noted, however, that each of the specific points raised in the House provisions was currently under study by the Administration or would be studied in the near future. The conferees expect Congress to receive full and timely reports from the Administration covering all the items deleted from the bill.

The Senate conferees receded to the House with respect to retention of a House provision requiring the Secretary of the Treasury to consult extensively with the appropriate committees of the Congress prior to and during negotiations which could lead to U.S. financial commitments to multilateral development banks.

The Senate receded to the House with respect to retention of a House provision repealing certain reporting requirements established in previous legislation which are no longer justified. The conferees agreed to modify the House provision in order to delete a reference which would have eliminated the present statutory requirement for the Secretary of the

Treasury to report annually on actions by multilateral development banks with respect to renewable energy resources in developing countries.

Cross-ref
Lind it.

February 26, 1982

Dear Matt:

I was delighted to have had the opportunity to discuss multilateral development assistance and the work of the World Bank at luncheon earlier this week. Your strong support for our efforts is greatly appreciated.

For my part, I intend to insure that our funds are invested in a prudent and effective manner.

I look forward to cooperating with you on matters raised during our meeting.

Sincerely,

A. W. Clausen

The Honorable
Matthew F. McHugh
306 Cannon House Office Bldg.
U.S. House of Representatives
Washington, D.C. 20515

PR:csw

File
Yos speech file
logged

February 23, 1982

Dear Chuck:

Thank you for your generous comments on the Senate floor regarding my speech to the Yomiuri International Economic Society in Tokyo last January 13.

I very much welcome the opportunity you provided me for sharing my thoughts on these important issues with your colleagues in Congress.

Sincerely,

A. W. Clausen

The Honorable
Charles H. Percy
Chairman
Committee on Foreign Relations
4229 Dirksen Senate Office Bldg.
United States Senate
Washington, D.C. 20510

PR:sb

FORM No. 89
(2.66)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

ROUTING SLIP

Date
Feb. 19, 1982

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Benjenk	
~~B. Voyt~~	
B. Ruddlebrger	
a quick reply please.	

	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On

Remarks

Could you give us some suggestions on how to respond? Many thanks.

From

for H.H.

2669

R-1

United States Senate

COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, D.C. 20510

cc Benjenk 2/22
WHES speech file

February 10, 1982

2-19-82
Helen - I showed acknowledgment w/ thanks. Invite on help.
Z

Mr. A. W. Clausen
President
The World Bank
Washington, D.C. 20433

Dear Tom:

Thank you for having a copy of your speech in Tokyo sent to me. I thought it was right on the mark, both in your general analysis of the complexity of the world economy today, and in your description of the role the World Bank can and should play in that world. I took the liberty of introducing excerpts from the speech into the Congressional Record. I hope the abbreviation of your thoughts did not do your central themes any major violence.

Again, I appreciate your thoughtfulness in sending me a copy of your address.

Warm regards,

Charles H. Percy
Chairman

CHP:grb

Enclosure

cc: M. P. Benjenk

RECEIVED
1982 FEB 18 PM 4:46
OFFICE OF THE PRESIDENT

United States is a sinking ship and that if we harden our hearts and throw a few people overboard, we can lighten the load. Then, possibly, the Ship of State can sail back to shore. I don't see my country quite that way. The philosophy behind the original structure of the United States is that we are a people who sink or swim together. We don't make human sacrifices.

If there is even one child in this country who is hungry or one old person who needs medical care, then I want my $1,570.92 in taxes to go toward helping that child or that old person. I think this country is based on the philosophy that when that $1,570.92 is gone, we will find more to take its place, as long as the need is there.

I know about the cheaters. There are always cheaters. They are a part of life as surely as death and taxes. Certainly, if they are caught, they should be punished and denied aid, but I know we'll always support some cheaters along with the "truly needy." If we have to give a free lunch to one child whose parents could afford to pay in order to give free lunches to nine children who genuinely deserve them, so be it.

Benefits: The much-touted tax cut doesn't make sense to me. Perhaps there's a complicated economic formula that explains the logic of a tax cut at the same time we're slashing Federal programs because of lack of funds, but if so, I missed it. I pay $30.21 per week to the Federal government. As I understand it, when all the tax cuts are in effect, I will only pay $22.66, giving me $7.55 extra to save or spend. Well, I could do a few things with $7.55 a week but, had I been consulted, I would have just as soon paid it and kept the food-stamp program or veteran's benefits intact. I suspect that the government will give it to me with one hand and take it away with the other.

You see, I really believe that most politicians and media people think that those of us out here in America who work in the factories and offices are ignorant. I believe that they think we will never catch on to their sleights of hand. I believe that they think they can tell us the grass is black one day and white the next and we'll never trust ourselves enough to look down and say, "Why, that grass isn't black or white—it's green!" Well, we know the grass is green. We just don't know what to do about it.

We don't really believe that 56 oil companies recorded 98 percent of the increase in all corporate profits from 1978 through 1980 for *our* benefit. We don't believe the tobacco subsidy is for *our* benefit. We don't believe that congressmen who were violently anti-AWACS magically changed their minds for *our* benefit. We know it's always us who pay the bills that result from the politicians' machinations.

I wish a politician would come along who'd tell me that the grass is green.

GLOBAL INTERDEPENDENCE IN THE 1980's

Mr. PERCY. Mr. President, on January 13, the President of the World Bank, A. W. Clausen, delivered an address in Tokyo which I believe deserves wide attention. He presents a skillful analysis of the complex international economic scene, in which he points out that a simple distinction between North and South—industrial and developing countries—has lost considerable validity. He rather notes the role several groups of countries are playing in a world which has become much more economically interdependent over the past two decades.

Within this framework Mr. Clausen describes the role the World Bank can play. He rightly points out that the Bank is not "the United Way of the development community," redistributing wealth from one set of countries to another. Rather it is a hard-headed, unsentimental institution which is attempting to assist countries to accelarate economic growth and enhance the economic opportunities of its people. By doing so all countries in the world economic system benefit. I strongly commend this address to my colleagues.

Mr. President, I ask unanimous consent that excerpts from the remarks made by Mr. Clausen before the Yomiuri International Economic Society International Forum in Tokyo, Japan, "Global Interdependence in the 1980's," be inserted in the RECORD at this point.

There being no objection, the remarks were ordered to be printed in the Record, as follows:

GLOBAL INTERDEPENDENCE IN THE 1980'S

I think that much of the trouble that the international community has today in trying to get agreement on what ought to be done about the global economy is due to this: that virtually all of the parties to the dispute tend to get bogged down in vast oversimplifications.

The result is that oversimplifications about global economic models don't help very much. And I really don't think they help very much in international politics either. But I am not here to talk about politics. As President of the World Bank, my job is to be concerned with the health of the global economy, and all its various components.

Our 141 member countries, as well as those few societies that are not members of the World Bank, represent a huge amount of economic complexity. And that is why I believe that the old "North-South" economic model of the international economy of the 1960s and the '70s is no longer very useful.

So, without being dogmatic—and recognizing that the contours of the economic geography are in constant and dynamic movement—let me sketch out at least eight discernable poles of high economic significance in our current international environment.

Four of them are the centers of high industrialization: Western Europe, North America, Japan, and Eastern Europe. Another key group is that of the capital-surplus oil-exporting countries in the Middle East. There are the newly industrializing nations—some 20 of them. Add to this, the great populous countries of Asia: China, India, Indonesia, Bangladesh, Pakistan, and others. And finally, there are the severely poverty-stricken countries of Sub-Saharan Africa.

There is simply no doubt that we live today in a multipolar world. Each of these clusters of economic activity is involved in trade and investment with others. And as I say, though I have picked out eight such centers, it is quite possible to disaggregate them even further, and formulate much more complicated models.

It has become so static and so vastly oversimplified—and often so contentious and confrontational in its rhetoric—that it tends to obscure reality rather than illuminate it.

Labels and slogans, and buzz words and battle cries are very human phenomena—and have their place—but they normally aren't very useful for disentangling complexity. And that is what we have in the world economy today: a whole complicated ganglia of interdependent relationships, and a very dynamic environment in which they are all interacting.

What we need to do is to try to sharpen our vision of all this complication—not blur it.

Now, how will this environment be likely to evolve in the course of the 1980s?

The progress of the newly industrialized countries, and the development of the capital-surplus countries, will almost certainly result in their achieving a still bigger proportion of total world production. As a consequence, even with a respectable recovery from the present recession in Western Europe and North America, it is possible that these older industrial countries will by 1990 account for less than half of total world output, compared to over two-thirds in 1960.

At the same time, the newly industrialized countries—if we include Japan—may well account for over one-quarter of world production by the end of this decade, as compared to just one-twelfth in 1960.

We have to remind ourselves that there is simply no precedent in history for the dynamic rate of change in the geographic spread of global output in our era, and in the structure and character of world trade.

By 1990 that trade may well expand at a pace almost twice as fast as the growth in world output. In 1980, 23 percent of that output was traded; by 1990 it could well reach 30 percent.

Possibly four-fifths of such an increase in world trade will come from manufactured goods; and of that increase, the newly industrializing countries may well contribute a fourth. In other words, a much larger proportion of world demand for manufactured goods is likely to be supplied by these developing countries that are undergoing what can be termed history's "third industrial Revolution."

Conversely, it is likely that the developing countries' exports of commodities will grow at a considerably lower rate, which means that those economies that depend primarily on commodities for their export earnings will have to turn to other strategies to boost income for their development needs.

The probability, too, is that the newly industrializing countries will supply a much larger share of the traditional manufactured goods to the older industrial nations of Western Europe and North America. To compensate for the loss of this portion of their domestic markets, these nations are likely to give greater emphasis to products of high technology.

Indeed, technological advance is likely to be a principal source of these societies' future manufacturing growth, with the new silicon-chip technologies, and the overall explosion in the information and data-processing industries, perhaps leading the way.

Another characteristic of the decade ahead will, I believe, be the expanding role of the private sector in meeting the world's capital requirements.

We all know the story of the past ten years. It was the private sector that met the enormous needs for capital by both the developed and developing countries, once the surge in the price of petroleum had dramatically altered the terms of trade between different parts of the globe.

In 1970, the debt owed to private lenders by developing countries amounted to only 45 percent of the total. By 1980, this propor-

tion had burgeoned to 65 percent: $284 billion out of $439 billion.

During these years it was the particularly remarkable growth of the Eurocurrency markets that made it possible to recycle the surpluses of the oil-exporting countries to many nations faced with mounting deficits.

The decade of the Eighties is likely to witness the advance of a number of other capital markets: those working out of such locales as Panama, Singapore, Hong Kong, Kuwait, and Bahrain. The growth of capital markets dispersed widely about the globe is, of course, a reflection of the broader geographical contributions to total world output. Dynamism in the capital markets is tied to dynamism in the global economy, and simply no longer fits into a narrow "North-South" configuration.

Still another characteristic of the decade ahead will, I believe, be an acceleration in the movement of workers across international frontiers. Estimates are difficult to make since not all workers migrate legally, but there are today perhaps some 15 million foreign workers in North America, Western Europe, and the Middle East.

In the Middle East alone, the 4 million foreign workers already constitute 50 percent of the work force in some countries. And the movement of labor toward the newly industrializing countries has already begun: there are foreign workers in both Singapore and Hong Kong.

This whole vast movement of people across boundaries from labor-surplus countries to labor-deficit societies has introduced another dynamic in the global economic system that is not fully grasped today.

It is not inconceivable that another 10 million people may migrate as workers over the next decade. If they do, and if they remit funds to their families at roughly the same rate that their predecessors have, this capital flow alone (in 1980 prices) could amount to $40 billion a year by 1990.

The world trade in manufactured goods, the flow of private-sector financial resources, the movement of workers across international frontiers—all of this at historically unprecedented levels—means that by 1990 the world may well be qualitatively very different from what it is today.

It is from this perspective that my colleagues and I are thinking about the future of the World Bank.

The World Bank is, of course—and will remain—a bank. And a very sound and prudent bank. But it is more than just a bank. It is an international development institution, with most of the world's governments as its shareholders. And its membership is likely to increase.

It's essential role is to be catalytic. It facilitates sensible things happening in both its developing and developed member countries.

It brings finance, honest and disinterested advice, and invaluable technical assistance to bear on the highest priority objectives of its developing member countries—and it stays the course with them.

It is not in the business of redistributing wealth from one set of countries to another set of countries. It is not the Robin Hood of the international financial set, nor the United Way of the development community.

The World Bank is a hard-headed, unsentimental institution that takes a very pragmatic and non-political view of what it is trying to do.

And what it is trying to do is clear. As I have pointed out before, the World Bank's basic objective in any developing country is precisely the same: to assist the country both to accelerate its economic growth and enhance the economic opportunities of its people, and thus make possible a better standard of living for all.

The World Bank's mandate is to contribute to the economic success of its developing member countries, but it can only make that contribution if it retains the support of the governments and private markets of capital-exporting countries.

THE NEWS FROM EL SALVADOR: SLANTED

Mr. SYMMS. Mr. President, there are two parts to the tragedy that is El Salvador today. The first is a slide into civil war and anarchy that involves violent death to many innocent individuals every day. The second is a profound misunderstanding about the nature of the conflict in this torn Central American country. I very much fear that the American people are not getting good information about El Salvador.

For example, it is quite evident that most Americans do not know that the present Government of El Salvador is a revolutionary government. It is not a government of the entrenched oligarchy. There was such a government in power, but in 1979 there was a revolution, and that government was thrown out. It may be that since the revolution was relatively bloodless, as such things go, it was dismissed as just a palace coup by many people. But it was a revolution, a real one, with a real change in the ruling structure of the country.

Since 1979, what has been going on is counterrevolution. In fact, it has been a double counterrevolution: The revolutionary government, in power and struggling to deliver on the promise of its revolutionary ideal, has been attacked by the right, the oligarchists who were deposed; and at the same time by the left, the Communists and fellow travelers allied with the enemies of freedom all over the world.

This view of the problem in El Salvador is no secret. It has been mentioned in the more thoughtful journals, and in official State Department documents, but it remains unappreciated by the average American.

One reason, I would like to suggest, is that the popular news media, the major papers and television, cannot handle a reality even this complex. They find it much easier to simplify the equation, and cast the Salvadoran struggle as just good guys against bad guys. In this simplification, the government is identified with the right, and the guerrillas are the left, drawing strength from the peasants and the objects of official government terror.

The trouble with this simplification is that it is, quite simple, false. It is a distortion so severe as to hamper understanding and action. And yet it is the distortion produced by our news media.

In saying that, Mr. President, I do not rely just on my own observations. The slanting of news from El Salvador has been noticed by such impartial observers as Freedom House, which has recently released a report on El Salvador and on the nature of news coverage of the conflict. According to the author of the report, Mr. Bruce McColm, American reporters accept too readily the propaganda of the guerrilla groups, are ignorant of the history of El Salvador, do not speak the language, and report on deaths without telling who did the killing, or the activities of the killed. All of this produces an atmosphere in which the people are unjustifiably critical of U.S. policy of support for the revolutionary government of El Salvador.

Mr. President, I ask unanimous consent that a news story about the Freedom House report be printed at this point in the RECORD. The story appeared in the Fairfax Journal on February 4.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

IS EL SALVADOR NEWS SLANTED?

(By James Nelson Goodsell)

News coverage of the conflict in El Salvador has tended to be more critical of the Salvadoran government than of the leftist guerrillas—a tendency now under sharp attack.

The New York-based Freedom House, in an analysis of the coverage, says that reporting of the subject has been marred by "political bias, ideology, poor sources, and deliberate misinformation."

Moreover, the nonprofit and nonpartisan organization says that while stories on El Salvador datelined Washington are fairly straightforward, those written from the scene are often "simplistic," tend "towards propaganda," and often ignore complex issues such as land reform.

The Freedom House report calls for greater efforts by U.S. journalists to understand and report on the complexities of the El Salvador issue. Land reform, in the view of the report, has not received much coverage "partly because of the undramatic nature of the programs and partly because they do not coincide with the portrayal of the government as right wing and repressive."

Further, the Freedom House report charges that the U.S. press:

Has overplayed the role of the Frente Democratico Revolucionario (FDR), the political arm of the leftist guerrillas, inflating "the image of Guillermo Ungo into a leader with a popular following within his country." In point of fact, the FDR is the conduit for press comments from the guerrillas, whose leaders have chosen not to make themselves available to the U.S. press.

Portrays the dead "not as war casualties but as victims of human-rights violations" and further does not indicate that often those killed were "people . . . actively involved with the guerrillas." Although Amnesty International and other human-rights organizations make these distinctions, the press more often than not fails to do so.

Reports massacres, killings, and disappearances without giving "any indication of who might be responsible or, worse, blaming right-wing forces in such a way that, though they might have no connection to the government, the government is nonetheless seen as the culprit." In addition, these presentations are not balanced "with coverage of leftist terrorism."

The Freedom House report is certain to please the government of Salvadoran President Jose Napoleon Duarte and the Reagan

Feb. 23

OFFICE MEMORANDUM

TO: Mr. A. W. Clausen

DATE: February 19, 1982

FROM: Mr. P. Riddleberger PR (through M. P. Benjenk)

SUBJECT: Meetings with Congressman

You have the following two appointments on Capitol Hill next week:

1. Tuesday, February 23. Luncheon with Representatives David Obey (D. Wis.) and Mathew McHugh, (D. N.Y.)

Time and Place: 12 Noon, National Democratic Club, 30 Ivy Street, S.E. (in the Cul de Sac between New Jersey Avenue and South Capitol Street).

Both Obey and McHugh are key supporters on the Appropriations Subcommittee that handles foreign aid. They have also been active leaders in the floor debate on development assistance.

Obey, 43 years old, is considered by his colleagues to be one of the most intelligent House members. Last year he narrowly lost out in becoming Chairman of the Budget Committee.

Obey does not suffer fools lightly, and he considers many of his colleagues and other public officials just that. (In recent Budget Committee testimony he said to David Stockman, "I have no questions for you, because all your answers would be lies".) He can be very abrasive.

Obey sees foreign aid as a political necessity for a world power, and considers multilateral channels as a means of avoiding Vietnam-type entanglements.

His staff aide Michael Marek, who will be present at the luncheon, is quite knowledgeable about all the issues involved in IFI legislation.

McHugh, also 43 years old, was central to putting together last year's fragile coalition that assurred passage of the foreign aid bill. A mild-mannered "humanitarian", McHugh has earned the respect of his colleagues for his tact and success at "gentle persuasion". (He has also earned the political respect of his boistrous New York colleague Jack Kemp, who twice has actively campaigned against McHugh in his re-election bids, each time to no avail.)

McHugh is worried that you are being perceived by moderate and liberal Democrats as taking signals from the Reagan Administration. He may remind you that Democrats still provide the majority of votes on any aid legislation.

Staff aide Gary Bombardier is also expected to be present.

Frank Vogl will be going along with you.

Catholic CH.
Bus. Community
H A/G.

Geo Schulz re
Pres.
advisory Committee

15.

ACTION

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

File

February 18, 1982

MR. A.W. CLAUSEN:

Your Lunch on Capitol Hill next Tuesday, February 23

You will be lunching next Tuesday on Capitol Hill with a group of Congressmen. Mr. Riddleberger, who is setting this up, will be letting you have a note on who the Congressmen are and where the luncheon will take place, tomorrow. He had suggested that Mr. Benjenk go with you, but Mr. Benjenk will not be available at that time, and has suggested that I go in his place. Would this be alright with you?

2-19-82
O/K
A

FV
Frank Vogl

Relayed to Vogl

880

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. A. W. Clausen

DATE: February 19, 1982

FROM: Mr. P. Riddleberger PR (through M. P. Benjenk) MP

SUBJECT: Meetings with Congressman

You have the following two appointments on Capitol Hill next week:

1. Tuesday, February 23. Luncheon with Representatives David Obey (D. Wis.) and Mathew McHugh, (D. N.Y.)

Time and Place: 12 Noon, National Democratic Club, 30 Ivy Street, S.E. (in the Cul de Sac between New Jersey Avenue and South Capitol Street).

Both Obey and McHugh are key supporters on the Appropriations Subcommittee that handles foreign aid. They have also been active leaders in the floor debate on development assistance.

Obey, 43 years old, is considered by his colleagues to be one of the most intelligent House members. Last year he narrowly lost out in becoming Chairman of the Budget Committee.

Obey does not suffer fools lightly, and he considers many of his colleagues and other public officials just that. (In recent Budget Committee testimony he said to David Stockman, "I have no questions for you, because all your answers would be lies".) He can be very abrasive.

Obey sees foreign aid as a political necessity for a world power, and considers multilateral channels as a means of avoiding Vietnam-type entanglements.

His staff aide Michael Marek, who will be present at the luncheon, is quite knowledgeable about all the issues involved in IFI legislation.

McHugh, also 43 years old, was central to putting together last year's fragile coalition that assurred passage of the foreign aid bill. A mild-mannered "humanitarian", McHugh has earned the respect of his colleagues for his tact and success at "gentle persuasion". (He has also earned the political respect of his boistrous New York colleague Jack Kemp, who twice has actively campaigned against McHugh in his re-election bids, each time to no avail.)

McHugh is worried that you are being perceived by moderate and liberal Democrats as taking signals from the Reagan Administration. He may remind you that Democrats still provide the majority of votes on any aid legislation.

Staff aide Gary Bombardier is also expected to be present.

Frank Vogl will be going along with you.

2. Wednesday, February 24. Meeting with Rep. Jerry Patterson (D. Cal.)

Time and Place: 3:30 p.m., Room 2238 Rayburn House Office Building (enter "Horsehoe" entrance on South Capitol Street).

Patterson, 47, is a somewhat reluctant Chairman of the House Banking Subcommittee on International Development Institutions. There is no authorizing legislation required this year, but he may be holding hearings on the Treasury's recent Report. He travelled to India with Jerry Lewis during the same time you were there.

Patterson has always supported multilateral aid, but has not used his Chairmanship to promote a thoughtful discussion of the issues. He recently dismissed his Subcommittee staff aide, replacing him with a lady who seems to be primarily interested in his re-election campaign in Orange County.

We are hoping to have a business seminar in his district later this year.

Mr. Benjenk will be accompanying you.

cc: Mr. Benjenk
Mr. Vogl

February 16, 1982

Dear Mr. McHugh:

Thank you for your letter recommending Bruce Benton for a position at the Bank. Following Silvio Conte's recommendation, I have already asked our personnel specialists to arrange interviews with Mr. Benton to explore the prospects for his employment. You can be assured that they will pay special attention to his application, given your and Sil's recommendations.

I am looking forward to visiting with you and Congressman Obey on February 23rd.

Sincerely,

TC

2/22/82
Checked with Mr Kaji's office on status of Benton - He has been interviewed by about ten in bank - lot of general interest in them but not many openings. a Mr Evans in PMD is following.
#

The Honorable Matthew F. McHugh
House of Representatives
Washington, D.C. 20515

bcc: Mr. Kaji (w/ inc.)

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

858

R-1

OFFICE MEMORANDUM

TO: Mr. Frank Vogl

DATE: February 12, 1982

FROM: Peter Riddleberger PR

SUBJECT: Congressional Record

I attach remarks by Senator Charles Percy (R-IL) accompanying Mr. Clausen's Tokyo speech which the Senator inserted in the Congressional Record.

Attachment

cc: Messrs. Clausen, Qureshi, Stern, Benjenk, Chenery, Golsong, Paijmans, Thahane

PR:sb

GLOBAL INTERDEPENDENCE IN THE 1980's

Mr. PERCY. Mr. President, on January 13, the President of the World Bank, A. W. Clausen, delivered an address in Tokyo which I believe deserves wide attention. He presents a skillful analysis of the complex international economic scene, in which he points out that a simple distinction between North and South—industrial and developing countries—has lost considerable validity. He rather notes the role several groups of countries are playing in a world which has become much more economically interdependent over the past two decades.

Within this framework Mr. Clausen describes the role the World Bank can play. He rightly points out that the Bank is not "the United Way of the development community," redistributing wealth from one set of countries to another. Rather it is a hard-headed, unsentimental institution which is attempting to assist countries to accelarate economic growth and enhance the economic opportunities of its people. By doing so all countries in the world economic system benefit. I strongly commend this address to my colleagues.

Mr. President, I ask unanimous consent that excerpts from the remarks made by Mr. Clausen before the Yomiuri International Economic Society International Forum in Tokyo, Japan, "Global Interdependence in the 1980's," be inserted in the RECORD at this point.

There being no objection, the remarks were ordered to be printed in the Record, as follows:

GLOBAL INTERDEPENDENCE IN THE 1980'S

I think that much of the trouble that the international community has today in trying to get agreement on what ought to be done about the global economy is due to this: that virtually all of the parties to the dispute tend to get bogged down in vast oversimplifications.

The result is that oversimplifications about global economic models don't help very much. And I really don't think they help very much in international politics either. But I am not here to talk about politics. As President of the World Bank, my job is to be concerned with the health of the global economy, and all its various components.

Our 141 member countries, as well as those few societies that are not members of the World Bank, represent a huge amount of economic complexity. And that is why I believe that the old "North-South" economic model of the international economy of the 1960s and the '70s is no longer very useful.

So, without being dogmatic—and recognizing that the contours of the economic geography are in constant and dynamic movement—let me sketch out at least eight discernable poles of high economic significance in our current international environment.

Four of them are the centers of high industrialization: Western Europe, North America, Japan, and Eastern Europe. Another key group is that of the capital-surplus oil-exporting countries in the Middle East. There are the newly industrializing nations—some 20 of them. Add to this, the great populous countries of Asia: China, India, Indonesia, Bangladesh, Pakistan, and others. And finally, there are the severely poverty-stricken countries of Sub-Saharan Africa.

There is simply no doubt that we live today in a multipolar world. Each of these clusters of economic activity is involved in trade and investment with others. And as I say, though I have picked out eight such centers, it is quite possible to disaggregate them even further, and formulate much more complicated models.

It has become so static and so vastly oversimplified—and often so contentious and confrontational in its rhetoric—that it tends to obscure reality rather than illuminate it.

Labels and slogans, and buzz words and battle cries are very human phenomena—and have their place—but they normally aren't very useful for disentangling complexity. And that is what we have in the world economy today: a whole complicated ganglia of interdependent relationships, and a very dynamic environment in which they are all interacting.

What we need to do is to try to sharpen our vision of all this complication—not blur it.

Now, how will this environment be likely to evolve in the course of the 1980s?

The progress of the newly industrialized countries, and the development of the capital-surplus countries, will almost certainly result in their achieving a still bigger proportion of total world production. As a consequence, even with a respectable recovery from the present recession in Western Europe and North America, it is possible that these older industrial countries will by 1990 account for less than half of total world output, compared to over two-thirds in 1960.

At the same time, the newly industrialized countries—if we include Japan—may well account for over one-quarter of world production by the end of this decade, as compared to just one-twelfth in 1960.

We have to remind ourselves that there is simply no precedent in history for the dynamic rate of change in the geographic spread of global output in our era, and in the structure and character of world trade.

By 1990 that trade may well expand at a pace almost twice as fast as the growth in world output. In 1980, 23 percent of that output was traded; by 1990 it could well reach 30 percent.

Possibly four-fifths of such an increase in world trade will come from manufactured goods; and of that increase, the newly industrializing countries may well contribute a fourth. In other words, a much larger proportion of world demand for manufactured goods is likely to be supplied by these developing countries that are undergoing what can be termed history's "third industrial Revolution."

Conversely, it is likely that the developing countries' exports of commodities will grow at a considerably lower rate, which means that those economies that depend primarily on commodities for their export earnings will have to turn to other strategies to boost income for their development needs.

The probability, too, is that the newly industrializing countries will supply a much larger share of the traditional manufactured goods to the older industrial nations of Western Europe and North America. To compensate for the loss of this portion of their domestic markets, these nations are likely to give greater emphasis to products of high technology.

Indeed, technological advance is likely to be a principal source of these societies' future manufacturing growth, with the new silicon-chip technologies, and the overall explosion in the information and data-processing industries, perhaps leading the way.

Another characteristic of the decade ahead will, I believe, be the expanding role of the private sector in meeting the world's capital requirements.

We all know the story of the past ten years. It was the private sector that met the enormous needs for capital by both the developed and developing countries, once the surge in the price of petroleum had dramatically altered the terms of trade between different parts of the globe.

In 1970, the debt owed to private lenders by developing countries amounted to only 45 percent of the total. By 1980, this propor-

tion had burgeoned to 65 percent: $284 billion out of $439 billion.

During these years it was the particularly remarkable growth of the Eurocurrency markets that made it possible to recycle the surpluses of the oil-exporting countries to many nations faced with mounting deficits.

The decade of the Eighties is likely to witness the advance of a number of other capital markets: those working out of such locales as Panama, Singapore, Hong Kong, Kuwait, and Bahrain. The growth of capital markets dispersed widely about the globe is, of course, a reflection of the broader geographical contributions to total world output. Dynamism in the capital markets is tied to dynamism in the global economy, and simply no longer fits into a narrow "North-South" configuration.

Still another characteristic of the decade ahead will, I believe, be an acceleration in the movement of workers across internatinal frontiers. Estimates are difficult to make since not all workers migrate legally, but there are today perhaps some 15 million foreign workers in North America, Western Europe, and the Middle East.

In the Middle East alone, the 4 million foreign workers already constitute 50 percent of the work force in some countries. And the movement of labor toward the newly industrializing countries has already begun: there are foreign workers in both Singapore and Hong Kong.

This whole vast movement of people across boundaries from labor-surplus countries to labor-deficit societies has introduced another dynamic in the global economic system that is not fully grasped today.

It is not inconceivable that another 10 million people may migrate as workers over the next decade. If they do, and if they remit funds to their families at roughly the same rate that their predecessors have, this capital flow alone (in 1980 prices) could amount to $40 billion a year by 1990.

The world trade in manufactured goods, the flow of private-sector financial resources, the movement of workers across international frontiers—all of this at historically unprecedented levels—means that by 1990 the world may well be qualitatively very different from what it is today.

It is from this perspective that my colleagues and I are thinking about the future of the World Bank.

The World Bank is, of course—and will remain—a bank. And a very sound and prudent bank. But it is more than just a bank. It is an international development institution, with most of the world's governments as its shareholders. And its membership is likely to increase.

It's essential role is to be catalytic. It facilitates sensible things happening in both its developing and developed member countries.

It brings finance, honest and disinterested advice, and invaluable technical assistance to bear on the highest priority objectives of its developing member countries—and it stays the course with them.

It is not in the business of redistributing wealth from one set of countries to another set of countries. It is not the Robin Hood of the international financial set, nor the United Way of the development community.

The World Bank is a hard-headed, unsentimental institution that takes a very pragmatic and non-political view of what it is trying to do.

And what it is trying to do is clear. As I have pointed out before, the World Bank's basic objective in any developing country is precisely the same: to assist the country both to accelerate its economic growth and enhance the economic opportunities of its people, and thus make possible a better standard of living for all.

The World Bank's mandate is to contribute to the economic success of its developing member countries, but it can only make that contribution if it retains the support of the governments and private markets of capital-exporting countries.

CHARLES H. PERCY
ILLINOIS

United States Senate

WASHINGTON, D.C. 20510

A.W. Clausen 2/11/82

Tom

I enjoyed our talk together last night and was so glad to learn that you and Peggy are enjoying your new life so much

Warm regards

Chuck

842

OFFICE MEMORANDUM

TO: Mr. Frank Vogl, Director, IPA

DATE: February 9, 1982

FROM: Peter Riddleberger, IPA PR

SUBJECT: The Fiscal Year 1983 Budget: Problems and Prospects in Congress

With the battle of the budget raging in full, the question now arises as to just which legislation will be acted on by Congress this year. Once again the outlook for a foreign aid bill is very uncertain. We may very well be funded under a continuing resolution. This year, action on the budget is getting off to a slow start.

Usually at this time of the year Congress is holding its first round of hearings on the President's budget request. As of this writing, the Senate Budget Committee (Senator Pete Domenici, (R-NM), Chairman) has not yet scheduled hearings. The House Budget Committee (Rep. James Jones, (D-OK), Chairman) has only one hearing officially scheduled, that to hear the presentation of the Administration's Director of the Office of Management and Budget (OMB), David Stockman, on February 17. This late start of the budget process combined with a full calendar of business left over from the last session has prompted pessimistic speculations about Congress successfully meeting its budget deadlines and passing appropriations bills before the beginning of the new fiscal year.

One important item of business remaining from last session includes three FY82 appropriations bills which have not yet been passed by Congress. The federal agencies and programs funded by these appropriations bills are presently being funded under a temporary measure -- a Continuing Resolution (Public Law 97-92) which expires on March 31, 1982. If one or more of these bills is not passed by the March 31 deadline, a new continuing resolution will have to be enacted to ensure their continued operation.

Another item of crucial importance is adjusting the federal spending and deficit limits set by Congress in the FY82 Second Concurrent Budget Resolution.

It has become apparent that the spending ceilings established by the FY82 Second Concurrent Budget Resolution will be exceeded by April 1982, thus necessitating adjustments via a Third Concurrent Budget Resolution for FY82. By law, this new resolution should be passed by Congress before the existing limits are exceeded. If this measure is not cleared through Congress by the time the above-mentioned continuing resolution expires, then existing law would prohibit the continued funding of the affected federally-funded agencies and programs. The House Budget Committee has begun markup of a new FY82 budget resolution, but it expects to take at least two weeks before actually submitting a measure for House floor consideration. The Senate Budget Committee has not yet scheduled work on a Third Concurrent Budget Resolution for FY82, and it may await the transmittal of a House-passed version before taking up the issue.

Budget items concerning the present fiscal year will distract the attention of the budget committees from the tasks of assessing the President's budget proposals for the next fiscal year and formulating the FY83 First Concurrent Budget Resolution. According to the Budget Act of 1974, the First Resolution should be submitted to both Houses by April 15 and a version jointly passed by the House and Senate by May 15. It should be noted that appropriations bills cannot be reported by the House and Senate Appropriations Committees until the First Budget Resolution is adopted. In view of the late start of the budget-setting process this year and the unfinished business affecting current federal spending, many observers of Congress doubt whether work on the FY83 budget will be completed before the fiscal year begins on October 1, 1982. Moreover, adjournment is likely to be scheduled soon after October 1 since general elections are scheduled for November 2. The result may be another lame duck session of Congress similar to one called after the 1980 general election.

cc: Messrs. Clausen, Qureshi, Stern,
Benjenk, Chenery, Golsong,
Paijmans, Thahane

PR:sb

January 28, 1982

Dear Mr. Oberstar:

Thank you for your letter expressing your concern over the steel industry situation.

Requests such as yours are normally handled by the representative of the concerned member government of our Board of Directors--in this case, the office of the U.S. Executive Director. I am therefore forwarding to that office your request for specific information concerning World Bank and IFC financing of the steel industry in our borrowing countries, as well as the listing of U.S. money expended for the development of foreign iron ore.

You will be hearing from that office in the near future.

Thank you again for writing to me on this important matter.

Sincerely,

A. W. Clausen

cc: Mr. M. Hennesey
Office of U.S. Executive Director
World Bank

The Honorable
James L. Oberstar, M.C.
House of Representatives
Washington, D.C. 20515

bcc: for information w/cpy incoming: Messrs. Benjenk, Baum, Fuchs

OLafourcade:ml

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

A. W. CLAUSEN
President

January 28, 1982

Dear Mr. Oberstar:

Thank you for your letter expressing your concern over the steel industry situation.

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You will be hearing from that office in the near future.

Thank you again for writing to me on this important matter.

Sincerely,

cc: Mr. M. Hennesey
Office of U.S. Executive
Director
World Bank

The Honorable
James L. Oberstar, M.C.
House of Representatives
Washington, D.C. 20515

CHARLES H. PERCY
ILLINOIS

64

United States Senate

WASHINGTON, D.C. 20510

January 12, 1982
(Dictated abroad)

Dear Tom:

I am writing you from Tunisia and will return to the United States approximately January 20th.

I would very much appreciate being updated at that time as to whether or not it is your intention to appoint a vice president of the bank from the Arab world, and whom you might have under consideration.

I look forward to talking with you.

Warmest personal regards,

Mr. A. W. Clausen
President
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D. C. 20433

RECEIVED

1982 JAN 26 AM 8:59

OFFICE OF THE PRESIDENT

The Honorable
Ernest F. Hollings
United States Senate
Washington D.C. 20510

January 8, 1982

Dear Senator Hollings:

Thank you very much for your letter of December 17. Thanks also for your comments on my recent speech on trade and development.

In your comments, you present a rather pessimistic view of the American textile industry -- a struggling industry facing the prospective loss of half a million jobs unless there is more direct government involvement in its affairs. This contrasts with my somewhat better impression of the current state of the industry. In the past decade, productivity has increased more rapidly in the textile than in almost all other parts of the American industry. Its position in the world market is strong -- American exports of textile products (excluding apparel) far exceed American imports. It seems obvious to me that the vitality of this industry and the progress it has made stem much more from the forces of competition at work within it than from what government support has provided. Hence, the future of the industry depends on its continuing to adjust to market forces, not on its being isolated from them by government action.

There is no conflict between the long-run interests of the textile industry's workers and its consumers. Competition also provides to the consumers a large variety of products at lower prices.

It is the World Bank's intention and I hope, our practice, to speak and work in favor of open world markets and against the imposition by any government of restrictions to open competition for markets. In last year's World Development Report, for example, we argued that continued growth in the newly

industrialized countries will depend significantly on their willingness to open up their own markets to international competition -- as the United States and other industrially advanced countries have, to a large part, already done. Open markets, we feel, are in the economic interests of all, consumers and producers, in the United States and in other countries.

Let me also take this occasion of wishing you a very Happy New Year.

Sincerely,

A.W. Clausen
President

P.S. In the event you might like to read my speech in its entirety, I have enclosed a copy for you.

SJBurki:sf

cc. Mr. Stern
Mr. Chenery

Form No. 89
(2.61)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

ROUTING SLIP	Date Dec. 21, 1981

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Benjenk	E823
~~B. Vogt~~ B. Burki	
at our MPB	

x	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On

Remarks

Please prepare a reply for Mr. Clausen's signature.

Olivier Lafourcade

cc: Mr. Stern
Mr. Chenery

From

.NEST F. HOLLINGS
SOUTH CAROLINA

OFFICES:
1835 ASSEMBLY STREET
COLUMBIA, SOUTH CAROLINA 29201
803-765-5731

103 FEDERAL BUILDING
ARTANBURG, SOUTH CAROLINA 29301
803-585-3702

242 FEDERAL BUILDING
GREENVILLE, SOUTH CAROLINA 29603
803-233-5366

112 CUSTOM HOUSE
200 EAST BAY STREET
HARLESTON, SOUTH CAROLINA 29401
803-724-4525

233 FEDERAL BUILDING
FLORENCE, SOUTH CAROLINA 29503
803-662-8135

United States Senate

115 SENATE OFFICE BUILDING
WASHINGTON, D.C. 20510
202-224-6121

COMMITTEES:
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STATE, JUSTICE, COMMERCE, AND THE JUDICIARY: RANKING DEMOCRAT
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LABOR, HEALTH AND HUMAN SERVICES, EDUCATION
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OFFICE OF TECHNOLOGY ASSESSMENT
NATIONAL OCEAN POLICY STUDY

December 17, 1981

Mr. A. W. Clausen
President
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear President Clausen:

Perhaps I have seen it out of context, but I was most disturbed to read your statement, "protection from international competition is expensive to consumers. It has been estimated, for example, that U.S. consumers pay $80,000 a year for each textile and apparel job protected by the multi-fiber agreement...."

The General Agreement on Tariffs and Trade (GATT) at Geneva, in consonance with its dedication to freer international trade, has recognized the special problems of the textile/apparel industry for years -- and has given that world industry special attention over the years. That special status has been confirmed repeatedly by votes of GATT member countries, both developed and developing, over the past twenty years. The basic purpose of these GATT special textile/apparel trade controls has been to increase access to developed country markets by the low wage nations, while at the same time, avoiding market disruption in the former. This unique textile/apparel trade situation has been recognized in basic United States law as well: the Agricultural Act of 1956 (Section 204), the Trade Act of 1974 (Section 503C), and the Trade Act of 1979 (Section 504). Presidents Eisenhower, Kennedy, Johnson, Nixon, Ford, Carter, and Reagan are each personally on record as having endorsed textile/apparel policies to safeguard American industries from the ravages of foreign restrictions on U.S. products, foreign subsidies of their exports, and from domestic bureaucratic insistence on subordinating a realistic and enlightened national trade policy to foreign aid over the past generation and a half.

We cannot continue in the willingness to sacrifice fundamental industries, jobs and dollars. Textiles and apparel -- employing 10% of our manufacturing work force (65% of them women, 27% minorities, concentrated in the inner city and the rural town) -- are particularly critical at this contemporary economic juncture. Get rid of foreign restrictions and our industry can compete, not only in the domestic market, but overseas as well. I'm happy at least to see that many of our economists and pundits who insisted for so many years on writing the textile industry off as outmoded and destined to disappear, are now realizing that our domestic plants are retooled, modernized, and fully capable of competing. They are not asking for protectionism--they are asking only to be treated fairly. Everyone likes free trade, but the fact

of the matter is that we cannot have free trade without fair trade, and over the years, other trading nations have erected a multitude of tariff and non-tariff barriers against American products.

A December 6 New York Times story reports on unemployment in the automobile industry running at 15.8%, farming at 14.4%, textiles at 15.8%, rubber at 12.9%, primary metals at 11.2%, transportation equipment at 11.2%, furniture at 10.5%, lumber at 20.3%, and construction at 18.2%. These are major employing industries and they are all suffering. It is useful and perhaps interesting to think of the growth of service industries in the U.S. economy, but to assume that service industry alone can carry this great economy and provide for our people is delusion. If we keep down this path, I wonder just exactly what the services are going to be based on.

Tightening up the MFA is vital. If present trends continue, by 1990 some 630,000 textile/apparel jobs will be gone, and that translates into a GNP loss of $57 billion. That negotiation is proceeding while I write this letter, and my hope is that our American negotiators will conduct their discussions alive to the realities of world trade as it exists in fact.

Sincerely,

Ernest F. Hollings

EFH/mcc

January 8, 1982

Dear Mr. Archer:

Thank you for your letter of December 22, 1981, on behalf of the firm Harvey, Scheffer & Associates, Inc. of Houston, Texas.

I have asked our Consultant Services Office to send to Harvey, Scheffer & Associates, Inc. the World Bank's guidelines on the use of consultants and our registration materials for consulting firms to enable it to list its background data and experience with the Bank.

Please note that registration is not a requirement for working on Bank-financed projects, but as the Bank has to approve the firms proposed by the borrowers with respect to their capability and experience, it is advisable for firms to provide this information to the Bank.

I hope the above information satisfactorily responds to your query.

Sincerely,

A.W. Clausen

The Honorable Bill Archer
Member of Congress
Congress of the United States
House of Representatives
Washington D.C. 20515

cc: Mr. Benjenk, VPE

DAStrombom/VRajagopalan:jed

2308

TEXAS

MEMBER:
WAYS AND MEANS
COMMITTEE

Congress of the United States
House of Representatives
Washington, D.C. 20515

WASHINGTON OFFICE:
1135 LONGWORTH
HOUSE OFFICE BUILDING

DISTRICT OFFICE:
FEDERAL OFFICE BUILDING
HOUSTON, TEXAS 77002

PLEASE ADDRESS REPLY TO MY:
☑ WASHINGTON OFFICE
☐ HOUSTON OFFICE

December 22, 1981

Dear Mr. Clausen:

I would like to call to your attention an architectural/engineering consulting firm based in Houston, Texas -- Harvey, Scheffer & Associates, Inc. Enclosed you will find a brief synopsis of their capabilities and past accomplishments.

Mr. Harvey's firm has an outstanding reputation and is currently interested in expanding their activities to include consulting engineering contracts with governmental entities, both foreign and domestic. They are particularly interested in increasing their commitments to international projects and agencies.

I would hope that they could be considered for work for which you contract, and that they could be added to any lists you currently maintain for present and future bid and contract solicitations.

Thank you very much for your time and consideration, and with best wishes, I am

Sincerely,

Bill Archer

Bill Archer
Member of Congress

Mr. A. W. Clausen
President
International Bank for Reconstruction and
Development (World Bank)
1818 H Street, N.W.
Washington, D. C. 20433

file

January 5, 1982

Dear Mr. Corrada:

Thank you for your letter of December 18, 1981, on behalf of the firm Guillermety, Ortiz and Associates of San Juan, Puerto Rico.

I have asked our Consultant Services Office to send to Guillermety, Ortiz the World Bank's guidelines on the use of consultants and our registration materials for consulting firms to enable it to list its background data and experience with the Bank.

Please note that registration is not a requirement for working on Bank-financed projects, but as the Bank has to approve the firms proposed by the borrowers with respect to their capability and experience, it is advisable for firms to provide this information to the Bank.

I hope the above information satisfactorily responds to your query.

Sincerely,

ANC

The Honorable Baltasar Corrada
Resident Commissioner for
Puerto Rico
Congress of the United States
House of Representatives
Washington, D. C. 20515

bcc: Mr. Benjenk, VPE

DStrombom/VRajagopalan:--/ct

attachmt
sent w/ orig ltr. to Rajagopalan

BALTASAR CORRADA
RESIDENT COMMISSIONER, PUERTO RICO

KENNETH MARTY-LÓPEZ
ADMINISTRATIVE ASSISTANT

COMMITTEES:
EDUCATION AND LABOR
INTERIOR AND INSULAR AFFAIRS

Congress of the United States
House of Representatives
Washington, D.C. 20515

WASHINGTON OFFICE:
1410 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
AREA CODE: 202-225-2615

DISTRICT OFFICES:
DEGETAU FEDERAL BUILDING
ROOM 229
CHARDÓN STREET
HATO REY, PUERTO RICO 00918
AREA CODE: 809-753-4240

P.O. BOX 128
PONCE, PUERTO RICO 00731
AREA CODE: 809-843-5640

December 18, 1981

Mr. A.W. Clausen
President
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Clausen:

The firm Guillermety, Ortiz and Associates of San Juan, Puerto Rico, is interested in being considered by the World Bank for engineering and architectural work in Latin America. They are interested in submitting to you proposals to that effect. I write to you urging your utmost consideration of this request within applicable standards and norms.

I am attaching a copy of the brochure of this firm which enjoys an excellent reputation and has ample experience on such work.

Furthermore, their command of the Spanish language makes them particularly suited for the performance of work in Latin America, thus providing not only for greater ease of communication with people in the local country, but also closer understanding between the United States and the foreign country whose Spanish culture they share. They certainly would make excellent goodwill ambassadors in addition to providing first rate work.

Your assistance to Guillermety, Ortiz and Associates in providing to them information and how to compete for projects from your institution would be greatly appreciated.

Cordially,

Baltasar Corrada, M. C.
Resident Commissioner
Puerto Rico

Enclosure