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Folder Title: Subject Files - Liaison Files - White House - Correspondence - Volume 1 - 1989 - 1991

Folder ID: 1328857

Dates: 6/19/1989 – 9/13/1991

ISAD(G) Reference Code: WB IBRD/IDA EXC-12-5780S

Series: Liaison files - U.S. Government

Sub-Fonds: Records of President Lewis T. Preston

Fonds: Records of the Office of the President

Digitized: 03/11/2019

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THE WORLD BANK
Washington, D.C.

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White House 1989-91
Office of the President

The World Bank Group
Archives



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1989 - 1991

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X

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

LEWIS T. PRESTON
President

September 13, 1991

Dear Mr. Zoellick:

I have learned of your appointment as Alternate Governor on the Boards of Governors of The World Bank Group for the United States. I realize this is incident to your responsibilities in your own Government, but I hope you will be in a position to actively participate in the affairs of the Bank Group, as well.

The Executive Directors, Officers and Staff of The World Bank Group believe very strongly in its development mission and in the battle against poverty. We look forward to working with you to make the Bank Group even more effective during the coming years. Congratulations on your appointment and thank you for your willingness to take on this additional responsibility.

I look forward to meeting you in the near future, and send my best regards.

Sincerely,

(Signed) Lewis T. Preston

Mr. Robert B. Zoellick
Under Secretary of State for
Economic and Agricultural affairs
Department of State
2201 C Street, N.W.
Washington, D.C. 20520

cc: Mr. Coady
Mr. Terasawa

ETSanidad:se



DEPARTMENT OF THE TREASURY
WASHINGTON

August 28, 1991

91 AUG 29 PM 4: 10

RECEIVED

Mr. Timothy T. Thahane
Vice President & Secretary
International Bank for
Reconstruction and Development
Washington, D.C. 20433

Dear Mr. Thahane:

This letter will constitute official notification to you that the President of the United States, on May 9, 1991, appointed Mr. Robert B. Zoellick to be Alternate United States Governor of the International Bank for Reconstruction and Development for a term of five years.

Sincerely,

Allen E. Clapp
Secretary
National Advisory Council
on International Monetary
and Financial Policies

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

(Received from MAQ @ 11:51am)

MOEEN A. QURESHI
Senior Vice President, Operations

March 26, 1991

Mr. Conable

Points for Your Luncheon

1. Middle East

Following the Gulf War, there is now a unique opportunity to bring the countries of the Middle East Region closer together through participation in programs of economic reconstruction and joint consideration of peace and security issues. Over time this should evolve into an approach that emphasizes private sector led growth in the context of more liberal and regionally harmonized economic policies.

The Bank is in a position to play a key role in coordinating official assistance to the Region, promoting private capital and providing technical assistance through arrangements similar to those we have devised for Africa (Special Program of Assistance) and those currently being put together for Central America (A Regional Group plus individual Country Groups). The Bank has good knowledge of, and excellent contacts with, the countries of the Region and could be an effective instrument for advancing economic prosperity and stability in the Region.

2. Vietnam

Is this not an appropriate time, following the successful termination of the Gulf War, for the US to close another important chapter in relation to Vietnam? The Bank could bring a policy-related adjustment loan, or a modest highway loan for Vietnam to the Bank Board within about six months. All of the shareholders, led by France, are anxious to assist Vietnam in clearing outstanding arrears to the IMF (about SDR 107.5 million) in order to help normalize Vietnam's relations with the Bank and the Fund. From the standpoint of the US, this would be a very low-key way of easing Vietnam back into the fold.

Moeen

OFFICE MEMORANDUM

DATE: June 7, 1990

TO: Mr. Barber B. Conable

FROM: Wilfried Thalwitz, PRESV

EXT.: 72945

SUBJECT: Letter to Houston Summit Regarding Developing Countries in the Uruguay Round

1. The G-7 will hold their annual summit in Houston, Texas on July 9-11. The usual global issues -- economic collaboration, Eastern Europe, environment, etc. -- are likely to be discussed, but the host, President Bush, will set the detailed agenda. And if press reports are to be believed, the U.S. agenda may emphasize some of the major contentious issues in the Uruguay Round, particularly agriculture, in an effort to overcome some negotiation impasses before August and keep the Round on track.

2. This effort should indeed be encouraged. However, if detailed understandings are reached on a variety of issues, or if the understandings are made at the obvious expense of some developing countries, the old image of the GATT as the "rich men's club" would be resurrected, and the move to make GATT into a truly global trade forum will be dampened. Moreover, our own clients might face even greater protection in some OECD markets, thus reducing their own enthusiasm for trade reforms.

3. The U.S.-EC agricultural debate is fast becoming as contentious as the U.S.-Japan trade debate. I can attest to this personally; the recent OECD meeting I attended was one of the very few that could not even "paper over" the U.S.-EC dispute in the usual innocuous communique. It would not be a surprise, then, if the Summit meeting concentrated on agriculture and other key Round issues, and the resolution of them become so vital that trade-offs were made at the expense of those not attending.

4. I, therefore, recommend you send a letter to the Summit host, President Bush, reminding him and his guests that their efforts to reach closure should not lead to the exclusion of developing countries, particularly on issues that will affect severely. You may remember that the IMF Managing Director sent such a letter (on African debt issues) to an earlier summit. The letter, once released, had a major and positive impact.

5. I must admit, however, that our own rush to closure (to get to you before your trip to Europe) means we can only attach an illustrative letter for your consideration. If you agree to this proposal, we would prepare (and appropriately clear) a more detailed letter.

Attachment

cc: Ms. Haug, Messrs. Fischer (o/r), Rao, Shakow, Aguirre-Sacasa, Meo

PMeo:llt

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

BARBER B. CONABLE
President

June 18, 1990

The Honorable George H. W. Bush
President of the United States of America
The White House
Washington, D.C. 20500

Dear Mr. President:

As you prepare for the Houston summit on which so much depends, I hope you will remember the stake of the developing countries in a successful conclusion of the Uruguay Round trade negotiations.

Trade is the main motor of economic growth, development and poverty reduction. Yet OECD protection costs developing countries twice the official development assistance they receive. Eliminating OECD barriers to developing country exports could raise developing country gross national product by 3 percent. Moreover, many developing and Eastern European countries are liberalizing their trade despite having little influence so far over the GATT negotiations. They have launched bold unilateral trade reforms and are committed to open world trade -- the main goal of the Uruguay Round.

The World Bank has long encouraged trade liberalization in its lending to developing countries. Between 1979 and 1987, at least 80 adjustment loans contained significant trade reform elements. Yet the global gains would be much greater if trade were substantially and progressively freed by all countries.

Since all countries have a vital interest in freer trade, it is imperative that the interests of developing countries are fully represented in any agreement on breaking the present deadlock in the Uruguay Round negotiations. Agreement embracing all parties would benefit developing country exporters and importers, especially in agriculture and in textiles and clothing. Evidence that the GATT negotiations, however complex, have produced genuine trade-offs between all participants also will considerably bolster reform in developing countries and Eastern Europe.

Nobody will benefit from fragmentation of the world trading system. The world's poor stand to lose the most. The next few months of 1990 may well be as crucial for freer trade as the last few months of 1989 were for freer peoples. I wish you and your Houston guests every success in securing a similarly positive outcome.

Sincerely,

Barber Conable

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

BARBER B. CONABLE
President

June 18th, 1990

Dear Jim,

I am sending herewith a copy of a letter addressed to our friend the President, as host of the Houston Summit.

As you will see, it expresses my fervent hope that the Summit will give impetus to a successful conclusion of the GATT Uruguay Round, because it has such importance for the developing countries.

Best wishes -

Barber Conable

James A. Baker, III
Secretary of State

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

BARBER B. CONABLE
President

June 16th, 1990

Dear Nick -

I'm sending you a copy of a letter which I have addressed to Pres. Bush, as host of the forthcoming Houston Summit.

The letter expresses my hope that the Houston Summit will give impetus to a successful conclusion of the GATT Uruguay Round which is of such importance to developing countries.

Sincerely

Barber Conable

Nicholas F. Brady
Secretary of Treasury

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

BARBER B. CONABLE
President

June 18th, 1990

Dear Carter,

I'm sending you a copy of a letter I've addressed to the President as host of the forthcoming Houston Summit.

As you will see, I hope the Summit declarations will give political impetus to a successful conclusion of the GATT Uruguay Round, which has such critical importance for the developing countries.

Best Wishes -

Barber Conable


Carla A. Hills
US STR

OFFICE MEMORANDUM

DATE: June 13, 1990

FAX MESSAGE

TO: Mrs. Marianne Haug, EXC

FROM: Tim Cullen, EXTIP 

EXTENSION: 81357

SUBJECT: Letter to President Bush on the Uruguay Round

Attached is the final version of the letter which we discussed on Friday evening.

Following is the proposed timetable for the letter:

- Friday, June 15: • We will advise Fred Malik (in charge of Summit Office) by phone that letter will shortly be delivered to President Bush.
- Monday, June 18: • Letter signed by Mr. Conable and delivered to the White House with copies to Secretaries Baker and Brady and Special Trade Representative Carla Hills.
- Copy of letter sent by mail to other Summit heads of government, and their sherpas.

The letter will subsequently be released to the press.

It would be useful if Mr. Conable could mention the concerns expressed in the letter at his meetings with government officials in Paris and London.

cc: Messrs. W. Thalwitz, PPRSV
S. Fischer, DECVP
A. Shakow, SPRDR
D.C. Rao, FRSDR
P. Meo, IECIT
F. Aguirre-Sacasa, EXTDR
O. Lafourcade, Paris Office
M. Prest, EXTDR

Attachment

White House

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 90/05/25

DUE DATE : 00/00/00

LOG NUMBER : 900425007

FROM : Mr. Stern

SUBJECT : BRIEFING: meeting with President Bush on Thursday, April 26, 1990

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

ACTION:

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

COMMENTS :cc: Marianne Haug

OFFICE MEMORANDUM

DATE: April 25, 1990

TO: Mr. Barber B. Conable, President

FROM: Ernest Stern, FINSV *ES*

EXTENSION: 72004

SUBJECT: Your Meeting with President Bush on April 26, 1990

* Barber -
Actually, the matter is worse. Without some endorsement from the W. House, Treasury will be very negative because they see budget problems.
ES

A subject of importance for your meeting with President Bush is the Bank's exploratory work on a Global Environmental Facility. As you know, the US has been lukewarm on the subject, indicating at the Paris meeting with 17 donors, UNEP and UNDP on March 15-16 that it supports the proposal in principle. It would, however, like to see both a slower track that would allow the key issues of programming and technology to be explored more thoroughly, and a more modest pilot program that would focus solely on the ozone depletion issue.

You might explain that the Bank has been asked by a number of its major donors - France and Germany in particular - to explore the possibility of a Global Environmental Facility that would finance programs in developing countries that would address global environmental objectives. In requesting this, donors recognize that additional resources supplied on concessional terms will be needed to provide developing countries with incentive to take actions of global benefit that would be beyond their national self interest. These actions would be in four areas of global environmental concern:

- . Protection of the ozone layer
- . Reduction of greenhouse gas emissions
- . Protection of international water resources
- . Protection of biodiversity.

In response to US concerns, you might make three points. First, the proposal is for a three year pilot program that would be experimental in character. There are considerable uncertainties as to costs, technology, institutional requirements and even the incentives required to prompt developing country action. The pilot program would be designed to explore and test out these uncertainties, and hopefully form a basis of experience for a future larger scale operation. Thus, a fundamental purpose of the program would be information gathering.

Second, you should indicate that in your view one of the most important aspects of the pilot program is that it represents action in the near term. This action is needed to begin to learn how to combat global environmental degradation. It is also needed as a visible response politically, and could in that respect be helpful to the US administration with its environmental critics in Congress and elsewhere. Further, the program

represents collaborative action. We are proposing to undertake the program in collaboration with UNDP and with UNEP, and the donors themselves have expressed concern that the program have broad donor participatory support.

Third, you should say that while the program is to be of a pilot nature and relatively small, it must be of sufficient size to be credible. In order to engage the developing countries and to merit the added efforts that will be needed in the Bank to orient itself to such a program, the program must address the broad range of global environmental issues, and not be limited to just one area. You think that \$300 to \$400 million a year from all donors might be sufficient. This would be in line, also, with France's initial proposal on size.

cc: Messrs. Wood, Kavalsky, Yurukoglu, Moreno
Mmes. Smith, Annez
MOSmith/htt

White A

Pres. Bush - IDA pts.

June 19, 1989

Mr. Conable

Barber -

Pres. Bush

For the meeting with ~~Mr. McCormack~~, I suggest the following talking points:

IDA

- o We are looking to the U.S. for leadership in IDA. This means a "reasonable" share in an IDA-9 replenishment that is at least the same as IDA-8, in real terms. It does not mean a 25% share in an inadequate replenishment, made inadequate by the limitation of the U.S. budgetary situation.

(Background. Any likely variation from the 25% will affect U.S. voting rights in IDA by no more than 35 basis points -- a miniscule difference. Moreover, votes in IDA do not have the same significance as in the Bank. There are no veto-able items.)

- o An IDA-9, at least equal in real terms to IDA-8, is essential if,
 - (a) important European donors are not to divert funds potentially available for IDA to Lome -- which is less conditional, less market-oriented and in which, of course, the U.S. does not participate -- and,
 - (b) the U.S. policy interests in appropriate market incentives, a greater role for the private sector, more effective poverty alleviation and more efficient use of assistance funds are to be effectively represented..
- o The Bank is strongly committed to giving environmental concerns ever-increasing weight in our dialogue and lending operations. We think it is important to recognize that to be effective, environmental concerns have to be integrated into our operations and not be handled as separate operations.

Bank Financing and Debt Reduction

- o We have fully supported the Brady initiatives, and our Board has been responsive, to add debt reduction and interest rate relief options to the menu.

- o However, the basic premises are that this is a temporary program (3 years); involves specified amounts of support from the Bank; and will be available only to countries with demonstrably good performance. It is important that these premises be adhered to.
- o The Bank's exposure in the highly-indebted countries has grown rapidly. The share of our portfolio in non-accrual has reached 4.2%. Provisions already cost us over \$600 million of income annually. The CFA Franc countries (Ivory Coast, Cameroon, Congo) are in serious difficulties and frequently run up arrears. Three of the six Central American countries (Honduras, Panama, Nicaragua) are in non-accrual; disbursements to El Salvador have been suspended with a non-accrual date looming on August 1. Argentina arrears are rising.
- o While the Bank is in a financially sound position, there are obvious limits to the risks we can take, or the adverse events we can absorb, without consequence to our own ability to borrow efficiently in the markets.
- o We have a responsibility to our other borrowers, too, and we must make sure that political pressures from borrowers and shareholders do not erode the performance requirements for either our lending or eligibility for debt reduction.

Bank-Fund Collaboration - Arrears

- o This is now running smoothly. There is, however, one area of concern. Procedures are being developed in the Fund -- which does not provision -- to deal with arrears. These include notification by the Managing Director to the Governments of aid donors and Financial institutions asking them to help debtors settle their arrears with the Fund. We, of course, are equally concerned with the elimination of arrears to the Fund and the Bank, who are the preferred creditors. However, it would be profoundly counter-productive if this approach led to a differential treatment of the two institutions -- either by the debtors or by our Part I shareholders. Our preferred creditor status is one of the main pillars of our AAA rating.


Ernest Stern

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JAN 08 2013

WBG ARCHIVE HIGHLY CONFIDENTIAL

OFFICE MEMORANDUM

DATE: June 18, 1989

TO: Mr. E.V.K. Jaycox, AFRVP

FROM: Paul ^RIsenman, AF3DR

EXTENSION: 34380

SUBJECT: Visit to Zaire: La Parole du Soldat

*Barber - Mobutu's behavior
has not changed for 20 years!
But we did not learn, but
rush into a new SAT every 2
years. Unless we
the US and French stop
falling over each other
there will
be no
change.
Joanne*

I have just come back over the weekend from Zaire. There is good news and bad news. The good news is that progress on inflation and the exchange rate has indeed been striking, and that this progress is potentially sustainable. Also, the Prime Minister seems to see eye to eye with us on problems ranging from cleaning up Gecamines procurement and reform in the energy sector to full support for the Benor initiative. The importance of these accomplishments, coming on top of the series of tough policy steps Prime Minister Kengo has gotten President Mobutu to accept, should not be underestimated. However, the bad news is very bad indeed.

In brief, President Mobutu seems to have the intention not to honor his commitments to us -- and to you personally. This applies both to the pace of his foreign exchange expenditures and to specific agreements on projects in contention. We need to take a very tough line on Mobutu's visit here next week. It still may not work, but we need to make a serious effort, and to be prepared to take tough action if it does not work.

We don't have enough information to be sure how much of an overrun there will be on the \$180 million ceiling on Government foreign exchange expenditures. One estimate we have is that the ceiling will be reached in August. Coincidentally, this would put Government spending on an annual basis at just about the \$240 million that we initially thought to be realistic. However, based on some detailed approximate numbers made available to us (attached), if he gets everything he wants, the number could go over \$240. I suppose that Mobutu does not set the record for expenditures among Heads of State in "adjustment" countries, but \$240 million represents, for example, about 30% of the total PIP. Also, as I was working on this memo this morning, I got a call from Jerome Chevallier telling me of additional planned huge investments for next year; plans are now being drawn up for (an initial and incomplete estimate of) \$230 million for a convention hall, hotels and Presidential villas, to host the Francophone summit in 1991.

What has me even more concerned, though, is the President's intent not to honor his commitments to us on specific projects. Specifically, he has asked the Central Bank to pay \$19.5 million dollars to the civil works contractor for the next phase of the Mobaye dam (most of which would not be permitted in the agreement we reached on Mobaye). He has also asked the Central Bank to pay

\$8 million to a highly questionable group peddling a "miraculous" but very doubtful new method of road paving, contrary to our agreement that there would first be a test done to resolve the major technical and economic issues we have raised. And he is trying to get the Korean bus order that was "in suspense" reinstated for the purchase of \$18 million worth of mini-buses.

The numbers and cases cited here are second hand, rough and incomplete. However, the general drift of what is happening is clear. There are two apparent reasons for Mobutu's change of heart. First, he may never have intended to honor what he said, but just wanted to get the donor support (and perhaps even the parts of the adjustment program not affecting him so directly) back on track. Second, he feels he is riding high. He is playing a major role on Angola and thinks that the U.S. in particular will not want to pressure him on mere economic issues. Also, as noted above, he has just be awarded the choice political prize (albeit the huge financial burden) of hosting the next Francophone summit. And, he also thinks, rightly or wrongly, that he will get the Belgians to follow the new initiative of Mitterrand and write off all public debt service.

I will be giving you some specific proposals on how to handle the meeting with President Mobutu on June 28. We need to make him see clearly that both the program and his honor are at stake, but find a way that he can give in and still save face. Since he almost certainly still believes that we are under the control of the major Western shareholders and would not cut him off, he needs to get a bit of a shock, including the citing of one or two of the specific examples above, and an indication that we would be obliged to go "public" to the donors on what he is doing (with obvious consequences for SPA aid and debt relief).

In fact, it is not too late to stop many or most of the expenditures in question. Contracts signed by Mobutu or his inner circle are often cancelled. And of the \$120 million of Projects in the attached list of Presidential capital projects, payment orders have been authorized by the Presidency for about \$70 million, and almost none has yet been paid. Realistically, though, while we could get the overrun (over the \$180 million ceiling) reduced by saying we will not allow a penny of it, there undoubtedly will be an overrun.

We also need to see that the same message is passed -- one more time -- by the US and the French. I discussed the problem with US Ambassador Harrop. Ambassador Harrop agrees on our approach but is concerned that Mobutu's prominent role on Angola may mean that the highest levels of the US Government will be unwilling to give him a tough message. (President Mobutu is getting the red carpet treatment, with two meetings and a lunch with President Bush on June 29.) Harrop is very receptive to the idea of our making high-level demarches as well. As for the French, there is a Club de

Paris meeting this Thursday. We need to communicate our concern to them and try to see that debt relief granted is subject to continuing performance on the adjustment program. Otherwise, particularly with the proposed Francophone summit in Zaire, Mobutu may get precisely the wrong message from the French, and from the Paris Club in general.

Let's get together as soon as you have a moment to discuss the situation in general, and coordination with the US and France in particular. It is certainly discouraging to run into this kind of problem when the program has just gotten back on the rails, and when the initial results are quite promising; it is hard to have a successful program run in spite of a head of state. On the other hand, with what has been rapidly accomplished on everything but Mobutu's outlandish expenditures, it is worth keeping up the effort.

HIGHLY CONFIDENTIAL

"Basic Needs"

1- Current (on a monthly basis):

- maintenance of villas in Europe :	\$300,000 (BF 12 million)
- expatriate personnel :	\$200,000 (BF 9 million)
- maintenance of presidential planes	\$ 400 000
- air charter	\$ 350 000
- trips abroad	\$ 1.5 million
- out of pocket money foreign	\$ 5.0 million
local	\$800,000 (Z 300 million)
 Total (minimum monthly requirement)	 \$ 8.5 million

2- Capital (list as of mid-June 1989)

- presidential helicopter	\$ 14 million
- replacement of engine on existing one	\$ 1 million
- 3 Macchi fighters	\$ 30 million
- Moroccan buses	\$ 16 million
- Korean mini-buses (200)	\$ 18 million
- Mobayi, civil works for phases 2&3	\$ 19 million
- Kamanyola monument	\$ 2 million
- road contract	\$ 8 million
- Garde civile	\$ 3 million
- Cacoub (architect: presidential villas)	\$ 3 million
- Gudjabi (architect: hotel and university)	\$ 4 million
- Cadillac limousines (airlifted in) for meeting on Angola	\$ 0.75 million

Total	\$ 119 million
to pay about \$70 million now.)	(Of which orders received

JUNE 19, 1989

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HIGHLY CONFIDENTIAL

June 19, 1989

Personal Note to Mr. Jaycox

I am giving you separately a memo on serious problems President Mobutu is posing for the Zaire adjustment program. This highly confidential note deals with the urgent request from Prime Minister Kengo, as well as Governor Pay, to hit the President very hard on his visit next week. They are quite concerned for the program, and more generally for the effects of the President's apparently insatiable appetite. The frankness of the conversation with the two of them was, even by Zairian standards, very striking. Both appeared very worried, and somewhat pessimistic (in spite of their strong request to us) and depressed.

We had already been told explicitly by the Prime Minister's confidant, Gilbert Kiakwama, that Mobutu would undoubtedly test us, both on the \$180 million limit and on the specific commitments. He and Kengo didn't expect such a serious test so fast, though.

The Prime Minister and Governor said they have been fighting off making payments on the questionable projects noted in the memo, and a number of other doubtful expenditures totalling \$70 million. However, they feel that if the President does not come back with a strong message from the international institutions and from the top levels of the U.S. Government, they cannot resist the President's payment orders any longer -- and that there will be lots more of them.

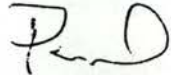
The view Kengo expressed to me was that the only way to affect Mobutu's behavior is to frighten him, I'm not sure about how we would frighten him, but strong medicine is clearly needed.

We cannot attribute this info to the individuals

We must obviously protect our sources on this. The US Ambassador, to who they had also talked, confirms that they have taken major personal risks in talking so frankly with (the two of) us. He said he is handling their role with one of the highest, not often used, security classifications. To be realistic, though, whatever we might say to Mobutu about information received from a number of sources, he will know there are very few people who could have given such detailed information (and that I spent a good deal of time with them last week.)

We have tried to figure out if we are being taken advantage of in this request from the PM and whether he and (and the rest of the group of reformers who speak to us very frankly) are attempting to use us in some hidden agenda. I

wondered whether they were telling us what they did so to be sure we would close down the program. However, the more likely explanation is some combination of their hoping we can control Mobutu and that by working together on it we would be more likely to accept good progress if it were achieved (and not insist on literally meeting the \$180 million ceiling.)

A handwritten signature in dark ink, appearing to read "Paul Isenman". The signature is stylized, with a large, looped "P" and a distinct "I" and "S".

Paul Isenman

B - Pls. read prior to SOS
& Pres. Bush mtg.

Tuesday, June 20

TO: BBConable

From HKNicholas 

JWS-fyi
MH-fyi

Subject: House Banking Subcommittee hearing on China

The Subcommittee on International Development, Finance, Etc. Chairman Fauntroy) held a hearing today on a House Resolution calling upon the President to instruct US Directors of IBRD and Asian Development Bank to oppose all loans or assistance to China for gross violation of human rights, as provided in Section 701 of the International Financial Institutions Act. John LaFalce is primary sponsor with more than 30 cosponsors. It contains a long list of brutal actions taken by the Chinese government. Current plan is to bring it to the floor as a sense-of-Congress resolution.

Witnesses expressed support: Human Rights Watch (Holly Burkhalter), China Scholars Coordinating Committee (Prof. James Feinerman) and Min-Xin Pei, Harvard graduate student. Pei opposed loans on moral grounds and for economic prudence. He said the greatest democracy should not contribute to assisting the government and China faces major economic problems: debt increased from \$20 to \$47 Billion in two years, loans are being used to pay earlier debts, debt service will take a big jump in several years, corruption is severe including diversion of World Bank loans (he specified a \$30 Million loan to Jiangsu), inflation is rising sharply. All agreed a positive sign must be given to the moderates in China by withholding loans.

Nancy Pelosi and Joseph Kennedy said they met today with the Chinese ambassador (others did too) and asked for approval of a delegation to visit China.

The Administration declined to testify at the hearings but agreed to meet privately with Members. The Subcommittee will meet tomorrow with David Mulford to discuss this and the Subcommittee recommendations to the Appropriation Subcommittee on funding the World Bank Group.