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U.S. Congr.

December 22, 1981

Dear Sil:

I have read with interest the recent floor debate on the 1982 Foreign Aid Appropriations bill, and note with particular gratitude your strong support for adequate funding of the International Development Association. Your efforts on our behalf are greatly appreciated, and I intend to insure that these funds are invested in a productive manner.

Best wishes for a Merry Christmas.

Sincerely,

A. W. Clausen

TC

The Honorable
Silvio O. Conte
2300 Rayburn House Office Bldg.
Washington, D.C. 20515

PR:sb

December 22, 1981

Dear Jerry:

I have read with interest the recent floor debate on the 1982 Foreign Aid Appropriations bill, and note with gratitude your accommodation on the amendment regarding allocation of IDA funds, and support for final passage. Your cooperation is greatly appreciated, and I intend to insure that these funds are invested in a productive manner.

Best wishes for a Merry Christmas.

Sincerely,

A. W. Clausen

The Honorable
Jerry Lewis
327 Cannon House Office Bldg.
Washington, D.C. 20515

PR:sb

file

December 18, 1981

Dear Mr. Evans:

I have read with interest the recent floor debate on the 1982 Foreign Aid Appropriations bill, and note with particular gratitude your strong support for adequate funding of the International Development Association. Your efforts on our behalf are greatly appreciated, and I intend to insure that these funds are invested in a productive manner.

Best wishes for a Merry Christmas.

Sincerely,

A. W. Clausen TC

The Honorable
Thomas D. Evans
316 Cannon House Office Bldg.
Washington, D.C. 20515

PR:sb

file

December 18, 1981

Dear Mr. LaFalce:

I have read with interest the recent floor debate on the 1982 Foreign Aid Appropriations bill, and note with particular gratitude your strong support for adequate funding of the International Development Association. Your efforts on our behalf are greatly appreciated, and I intend to insure that these funds are invested in a productive manner.

Best wishes for a Merry Christmas.

Sincerely,

A. W. Clausen TC

The Honorable
John J. LaFalce
2447 Rayburn House Office Bldg.
Washington, D.C. 20515

PR:sb

File

December 18, 1981

Dear Jack:

I have read with interest the recent floor debate on the 1982 Foreign Aid Appropriations bill, and note with particular gratitude your efforts to assure adequate funding for the International Development Association. Your support is greatly appreciated, and I intend to insure that these funds are invested in a productive manner.

Best wishes for a Merry Christmas.

Sincerely,

A. W. Clausen TC

The Honorable
Jack F. Kemp
2235 Rayburn House Office Bldg.
Washington, D.C. 20515

PR:sb

file

December 18, 1981

Dear Mr. Hyde:

I have read with interest the recent floor debate on the 1982 Foreign Aid Appropriations bill, and note with particular gratitude your strong support for adequate funding of the International Development Association. Your efforts on our behalf are greatly appreciated, and I intend to insure that these funds are invested in a productive manner.

Best wishes for a Merry Christmas.

Sincerely,

A. W. Clausen TC

The Honorable
Henry J. Hyde
1208 Longworth House Office Bldg.
Washington, D.C. 20515

PR:sb

file

December 18, 1981

Dear Mr. Chairman:

I have read with interest the recent floor debate on the 1982 Foreign Aid Appropriations bill, and note with particular gratitude your strong support for adequate funding of the International Development Association. Your efforts on our behalf are greatly appreciated, and I intend to insure that these funds are invested in a productive manner.

Best wishes for a Merry Christmas.

Sincerely,

A. W. Clausen
TC

The Honorable
Clarence D. Long
Chairman
Subcommittee on Foreign Operations
Committee on Appropriation
Room H-307, Capitol Bldg.
Washington, D.C. 20515

PR:sb

file

December 18, 1981

Dear Mr. McHugh:

I have read with interest the recent floor debate on the 1982 Foreign Aid Appropriations bill, and note with particular gratitude your strong support for adequate funding of the International Development Association. Your efforts on our behalf are greatly appreciated, and I intend to insure that these funds are invested in a productive manner.

Best wishes for a Merry Christmas.

Sincerely,

TC

A. W. Clausen

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

PR:sb

Mr. Clausen

cc: Mr. Beujeu
Mr. Qureshi

2241

United States Senate

COMMITTEE ON APPROPRIATIONS
WASHINGTON, D.C. 20510

December 18, 1981

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A

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

Dear Mr. Clausen:

Thank you for your kind and thoughtful note of appreciation for my efforts in support of multilateral development assistance.

I am pleased with the outcome of the conference on the fiscal year 1982 Foreign Assistance and Related Programs Appropriations Bill. In particular, the fact that we were able to overcome the resistance to IDA funding and provide a $700 million contribution this year is to be regarded as a significant accomplishment. Conversely, that we could not obtain full funding of the President's request for IDA is a measure of the challenge we face next year. I know that we in the Congress can count on you for your full support when we consider fiscal year 1983 appropriations.

Please accept my sincere appreciation for the help you have already provided and my best wishes for a merry Christmas.

Sincerely,

DANIEL K. INOUYE
United States Senator

DKI:jmc

RECEIVED

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OFFICE OF THE PRESIDENT

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WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Frank Vogl

DATE: December 18, 1981

FROM: Peter Riddleberger

SUBJECT: Foreign Aid Finally Approved

An angry House Speaker, a liberal Democrat and a GOP foreign aid critic were all factors in the passage of the first Foreign Aid Appropriations bill in three years. With the outcome in doubt every fragile step along the way, a most unlikely political coalition was able to give President Reagan a bill which nobody is completely happy with. But it contains just enough for each faction, an acceptable balance between military and economic assistance.

Seven hundred million dollars for IDA came only after a heated three hour debate in a House-Senate Conference. From a low of $629 million to a high of $720 million, IDA was the center of a day long effort by conferees whose prime interest was to get the whole affair over and done with. Most Congressional observers felt IDA was lucky. I disagree. It was the persistent threat by liberal Democrat Matthew McHugh to vote against final passage if IDA was slashed too far which kept the fibers of compromise together. The final 217-201 vote was due to McHugh's decision to vote in the affirmative.

The other two actors, Speaker Tip O'Neill and Rep. Jack Kemp, lurked in the background, threatening to upset the balance at any time. The fact that the House took up the aid bill at all came after O'Neill, angry at the President's back door efforts to increase military aid in a Continuing Resolution, threw down the gauntlet by announcing his intention to bring up the bill, and telling the White House it was the responsibility of the Republicans to assure passage. This they did thanks to the cooperation between Kemp and McHugh who worked doggedly to keep their restless troops in line.

This cooperation almost broke down in conference when Kemp sought ways to cut IDA drastically. But Democrats warned him --"no IDA, no bill." Common sense prevailed.

Attachment

cc: Messrs. Clausen, Stern, Qureshi, Rotberg, Benjenk, Gabriel, Chenery, Golsong, Paijmans, Wood, Burki, Mrs. Boskey, Bell, Vibert, Gillette, Mistry, Cullen, Mrs. Stitt
Mr. Knapp
Mr. Steckhan (Paris Office)
Mr. Burney (Geneva Office)

PR:sb

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 97th CONGRESS, FIRST SESSION

Vol. 127 WASHINGTON, WEDNESDAY, DECEMBER 16, 1981 No. 188.

CONFERENCE REPORT ON H.R. 4559, FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATIONS, 1982

Mr. LONG of Maryland. Mr. Speaker, pursuant to the order of the House today, I call up the conference report on the bill (H.R. 4559) making appropriations for foreign assistance and related programs for the fiscal year ending September 30, 1982, and for other purposes, and ask unanimous consent that the statement of the managers be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Maryland?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of today.)

Mr. LONG of Maryland (during the reading). Mr. Speaker, I ask unanimous consent that the statement be considered as having been read.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Maryland?

There was no objection.

The SPEAKER pro tempore. The gentleman from Maryland (Mr. LONG) will be recognized for 30 minutes, and the gentleman from New York (Mr. KEMP) will be recognized for 30 minutes.

The Chair recognizes the gentleman from Maryland (Mr. LONG).

(Mr. LONG of Maryland asked and was given permission to revise and extend his remarks.)

Mr. LONG of Maryland. Mr. Speaker, I submit for your consideration today the conference report for the foreign assistance and related programs appropriations bill for fiscal year 1982.

The conferees on both sides of the aisle worked diligently until late yesterday infashioning fair foreign aid bill. In almost every instance the Senate receded to the House position.

The foreign assistance conference report before you contains $7.495 billion in new budget authority. This is a reduction of $280 million below the budget levels requested by the administration. In relation to the budget resolution allocation, the conference report in some $545 million below the amount allocated to the subcommittee.

Mr. Speaker, this is an ominbus appropriations bill containing funding for a large portion of the foreign policy initiatives of the United States and providing for security and military assistance; bilateral and multilateral development assistance; and funding for the Export-Import Bank.

This bill contains $2.576 billion in security assistance to meet our most urgent foreign policy commitments in Africa, the Middle East, Asia, and Latin America. In addition it provides for $4.047 billion in military assistance to such countries as Egypt, Thailand, Yemen, Portugal, Turkey, Kenya, Liberia, Somalia, Sudan, and countries in the Caribbean and Central America.

This bill also includes funding of $13.6 billion for the Export-Import which provides U.S. firms with business opportunities and American workers with jobs.

Finally, this bill provides $1.47 billion for the six international financial institutions requesting funds in fiscal year 1982 and $1.295 billion for the Agency for International Development.

Mr. Speaker, I believe that the bill is a fair one and one that can and should be supported by a majority of Members I urge its adoption.

I am submitting the following table which shows the conference agreement along with other statistical information:

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY

	New budget authority					Conference compared with—			
	Enacted	Estimates	House	Senate	Conference	Enacted	Estimates	House bill	Senate bill
TITLE I									
MULTILATERAL ECONOMIC ASSISTANCE									
Funds Appropriated to the President									
International Financial Institutions									
Contribution to the Inter-American Development Bank:									
Inter-regional paid-in capital	$51,547,047	$46,251,201	$48,053,477	$48,053,477	$48,053,477	−$3,493,570	+$1,802,276		
Callable capital	(560,754,950)	(645,574,584)	(609,582,129)	(609,582,129)	(609,582,129)	(+48,827,179)	(−35,992,455)		
Fund for special operations	200,000,000	175,000,000	173,177,000	173,177,000	173,177,000	−26,823,000	−1,823,000		
Current replenishment	(175,000,000)	(175,000,000)	(157,500,000)	(173,177,000)	(173,177,000)	(−1,823,000)	(−1,823,000)	(+$15,677,000)	
Prior replenishment	(25,000,000)		(15,677,000)			(−25,000,000)		(−15,677,000)	
Total, contribution to the Inter-American Development Bank	812,301,997	866,825,785	830,812,606	830,812,606	830,812,606	+18,510,609	−36,013,179		
Budget authority	(251,547,047)	(221,251,201)	(221,230,477)	(221,230,477)	(221,230,477)	(−30,316,570)	(−20,724)		
Callable capital	(560,754,950)	(645,574,584)	(609,582,129)	(609,582,129)	(609,582,129)	(+48,827,179)	(−35,992,455)		
World Bank Group									
Contribution to the International Bank for Reconstruction and Development:									
Paid-in capital	32,788,555	159,458,301	146,889,040	146,889,040	146,889,040	+114,100,485	−12,569,261		
Callable capital	(295,096,987)	(1,831,018,610)	(1,678,305,878)	(1,687,728,491)	(1,687,728,491)	(+1,392,631,504)	(−143,290,119)	(+9,422,613)	
Total, contribution to the International Bank for Reconstruction and Development	327,885,542	1,990,476,911	1,825,194,918	1,834,617,531	1,834,617,531	+1,506,731,989	−155,859,380	+9,422,613	
Budget authority	(32,788,555)	(159,458,301)	(146,889,040)	(146,889,040)	(146,889,040)	(+114,100,485)	(−12,569,261)		
Callable capital	(295,096,987)	(1,831,018,610)	(1,678,305,878)	(1,687,728,491)	(1,687,728,491)	(+1,392,631,504)	(−143,290,119)	(+9,422,613)	
Contribution to the International Finance Corporation		14,447,900	14,447,900	14,447,900	14,447,900	+14,447,900			
Contribution to the International Development Association	520,000,000	820,000,000	725,000,000	532,000,000	700,000,000	+180,000,000	−120,000,000	−25,000,000	+$168,000,000
IDA IV	(20,000,000)					(−20,000,000)			
IDA V									
IDA VI	(500,000,000)	(820,000,000)	(725,000,000)	(532,000,000)	(700,000,000)	(+200,000,000)	(−120,000,000)	(−25,000,000)	(+168,000,000)
Total, contributions World Bank Group	847,885,542	2,824,924,811	2,564,642,818	2,381,065,431	2,549,065,431	+1,701,179,889	−275,859,380	−15,577,387	+168,000,000
Budget authority	(552,788,555)	(993,906,201)	(886,336,940)	(693,336,940)	(861,336,940)	(+308,548,385)	(−132,569,261)	(−25,000,000)	(+168,000,000)
Callable capital	(295,096,987)	(1,831,018,610)	(1,678,305,878)	(1,687,728,491)	(1,687,728,491)	(+1,392,631,504)	(−143,290,119)	(+9,422,613)	
Contribution to the Asian Development Bank:									
Paid-in capital	24,826,683	4,961,948	4,465,754	4,713,851	4,713,851	−20,112,832	−248,097	+248,097	
Callable capital	(223,387,386)	(44,876,220)	(40,388,598)	(42,632,409)	(42,632,409)	(−180,754,977)	(−2,243,811)	(+2,243,811)	
Development fund	114,785,313	111,250,000	112,829,560	119,097,869	116,097,869	+1,312,556	+4,847,869	+3,268,309	−3,000,000
Current replenishment	(111,250,000)	(111,250,000)	(98,713,383)	(111,250,000)	(108,250,000)	(−3,000,000)	(−3,000,000)	(+9,536,617)	(−3,000,000)
Prior replenishment	(3,535,313)		(14,116,177)	(7,847,869)	(7,847,869)	(+4,312,556)	(+7,847,869)	(−6,268,308)	
Total, contribution to the Asian Development Bank	362,999,382	161,088,168	157,583,912	155,444,129	163,444,129	−199,555,253	+2,355,961	+5,760,217	−3,000,000
Budget authority	(139,611,996)	(116,211,948)	(117,295,314)	9123,811,720)	(120,811,720)	(−18,800,276)	(+4,599,772)	(+3,516,406)	(−3,000,000)
Callable capital	(223,387,386)	(44,876,220)	(40,388,598)	(42,632,409)	(42,632,409)	(−180,754,977)	(−2,243,811)	(+2,243,811)	
Contribution to the African Development Fund	41,666,667	58,333,333	58,333,333	41,666,667	58,333,333	+16,666,666			+16,666,666
Contribution to the African Development Bank:									
Paid-in capital	17,986,679					−17,986,679			
Callable capital	(53,960,035)					(−53,960,035)			
Total, contributions to the African Development Bank	71,946,714					−71,946,714			
Budget authority	(17,986,679)					(−17,986,679)			
Callable capital	(53,960,035)					(−53,960,035)			
Subtotal, International financial institutions	2,136,800,302	3,911,172,097	3,611,472,669	3,419,988,833	3,601,655,499	+1,464,855,197	−309,516,598	−9,817,170	+181,666,666
Budget authority	(1,003,600,944)	(1,389,702,683)	(1,283,196,064)	(1,080,045,804)	(1,261,712,470)	(+258,111,526)	(−127,990,213)	(−21,483,594)	(+181,666,666)
Callable capital	(1,133,199,358)	(2,521,469,414)	(2,328,276,605)	(2,339,943,029)	(2,339,943,029)	(+1,206,743,671)	(−181,526,385)	(+11,666,424	
INTERNATIONAL MONETARY FUND									
United States Quota, IMF	5,515,521,000					−5,515,521,000			
Total, contribution to International Financial Institutions	7,652,321,302	3,911,172,096	3,611,472,669	3,419,988,833	3,601,655,499	−4,050,665,803	−309,516,598	−9,817,170	+181,666,666
Budget authority	(6,519,121,944)	(1,389,702,683)	(1,283,196,064)	(1,080,045,804)	(1,261,712,470)	(−5,257,409,474)	(−127,990,213)	(−21,483,594)	(+181,666,666)
Callable capital	(1,133,199,358)	(2,521,469,414)	(2,328,276,605)	(2,339,943,029)	(92,339,943,029)	(+1,206,743,671)	(−181,526,385)	(+11,666,424	
Contribution to the International Fund for Agriculture Development		39,600,000	40,500,000				−39,600,000	−40,500,000	
DEPARTMENT OF STATE									
International organizations and programs	262,380,000	189,200,000	213,638,000	218,638,000	215,438,000	−46,942,000	+26,238,000	+1,800,000	−3,200,000
Total, contribution for Multilateral Economic Assistance, title I	7,914,701,302	4,139,972,097	3,865,610,669	3,638,626,833	3,817,093,499	−4,097,607,803	−322,878,598	−48,517,170	+178,466,666
Budget authority	(6,781,501,944)	(1,618,502,683)	(1,537,334,064)	(1,298,683,804)	(1,477,150,470)	(−5,304,351,474)	(−141,352,213)	(−60,183,594)	(+178,466,666)
Callable capital	(1,133,199,358)	(2,521,469,414)	(2,328,276,605)	(2,339,943,029)	(2,339,943,029)	(+1,206,743,671)	(−181,526,385)	(+11,666,424)	
TITLE II									
BILATERAL ECONOMIC ASSISTANCE									
Funds Appropriated to the President									
Agency for International Development									
Agriculture, rural development, and nutrition development assistance	635,000,000	637,485,000	700,000,000	637,485,000	700,000,000	+65,000,000	+62,515,000		+62,515,000
Population planning, development assistance	190,000,000	211,306,000	211,000,000	190,000,000	211,000,000	+21,000,000	−306,000		+21,000,000
Health, development assistance	135,000,000	104,654,000	133,405,000	120,405,000	133,405,000	−1,595,000	+28,751,000		+13,000,000
Education and human resources development, development assistance	101,000,000	97,680,000	103,550,000	101,000,000	103,550,000	+2,550,000	+5,870,000		+2,550,000
Technical assistance, energy, research, reconstruction and selected development problems, development assistance	111,888,500	155,715,000	137,200,000	120,000,000	137,200,000	+25,311,500	−18,515,000		+17,200,000
Science and technology	12,000,000	10,900,000	10,000,000		10,000,000	−2,000,000			+10,000,000
Total, development assistance	1,184,888,500	1,216,840,000	1,295,155,000	1,168,890,000	1,295,155,000	+110,266,500	+78,315,000		+126,265,000
Loans	(387,000,000)		(463,454,250)	(316,265,500)	(388,546,500)	(+1,546,500)	(+388,546,500)	(−74,907,750)	(+72,281,500)
Grants	(797,888,500)		(860,700,750)	(852,625,000)	(906,608,500)	(+108,720,000)	(+906,608,500)	(+45,907,750)	(+53,983,500)
American schools and hospitals abroad	20,000,000	6,600,000	20,000,000	12,000,000	20,000,000		+13,400,000		+8,000,000
(foreign currency)	(14,300,000)					(−14,300,000)			
International disaster assistance	73,000,000	23,760,000	27,000,000	27,000,000	27,000,000	−46,000,000	+3,240,000		

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY—Continued

	New budget authority					Conference compared with—			
	Enacted	Estimates	House	Senate	Conference	Enacted	Estimates	House bill	Senate bill
African refugee assistance	14,250,000					−14,250,000			
African Development Foundation	(500,000)		(2,000,000)		(2,000,000)	(+1,500,000)	(+2,000,000)		(+2,000,000)
Sahel development program	91,000,000	94,600,000	95,000,000	92,515,000	93,757,500	+2,757,500	−842,500	−1,242,500	+1,242,500
Payment to the Foreign Service Retirement and Disability Fund	27,852,000	32,552,000	32,552,000	32,552,000	32,552,000	+4,700,000			
Overseas training (foreign currency program)	(20,700,000)					(−20,700,000)			
Economic support fund	2,104,500,000	2,598,500,000	2,463,500,000	2,623,500,000	2,576,000,000	+471,500,000	−22,500,000	+112,500,000	−47,500,000
(Limitation on direct loans)		(1,000,000,000)	(1,000,000,000)	(1,000,000,000)	(1,000,000,000)	(+1,000,000,000)			
Peacekeeping operations	25,000,000	19,000,000	19,000,000	14,000,000	14,000,000	−11,000,000	−5,000,000	−5,000,000	
Sinai Multinational Force and Observers [1]		125,000,000	(125,000,000)	(125,000,000)	125,000,000	+125,000,000			
AID/IDCA operating expenses	300,578,000	317,000,000	335,632,000	331,000,000	331,000,000	+30,422,000	+14,000,000	−4,632,000	
Trade and development program		6,078,000	6,907,000	6,907,000	6,907,000	+6,907,000	+829,000		
Housing and other credit guaranty programs (limitation on guaranteed loans)		(150,000,000)	(150,000,000)	(150,000,000)	(150,000,000)	(+150,000,000)			
Total, Agency for International Development	3,841,068,500	4,439,930,000	4,294,716,000	4,308,364,000	4,396,371,500	+555,303,000	−43,558,500	+101,625,500	+88,007,500
OVERSEAS PRIVATE INVESTMENT CORPORATION									
(Limitation on direct loans)			(10,000,000)	(10,000,000)	(10,000,000)	(+10,000,000)	(+10,000,000)		
(Limitation on guaranteed loans)	(120,000,000)	(100,000,000)	(100,000,000)	(100,000,000)	(100,000,000)	(−20,000,000)			
DEPARTMENT OF STATE									
International narcotics control	35,973,000	36,700,000	37,700,000	34,160,000	36,700,000	+727,000		−1,000,000	+2,540,000
INTER-AMERICAN FOUNDATION									
Appropriations	15,825,000	10,560,000	12,000,000	12,000,000	12,000,000	−3,825,000	+1,440,000		
Limitation on obligations	(1,036,000)					(−1,036,000)			
Total, Funds Appropriated to the President	3,892,867,500	4,487,190,000	4,344,446,000	4,354,524,000	4,445,071,500	+552,204,000	−42,118,500	+100,625,500	+90,547,500
ACTION—INTERNATIONAL PROGRAMS									
Peace Corps	105,531,000	83,600,000	100,000,000	105,000,000	105,000,000	−531,000	+21,400,000	+5,000,000	
DEPARTMENT OF STATE									
Migration and refugee assistance	438,741,000	477,500,000	535,000,000	473,000,000	503,000,000	+64,259,000	+25,500,000	−32,000,000	+30,000,000
United States Emergency Refugee and Migration Assistance Fund	35,000,000					−35,000,000			
Total, Department of State	473,741,000	477,500,000	535,000,000	473,000,000	503,000,000	+29,259,000	+25,500,000	−32,000,000	+30,000,000
Total, title II, Economic assistance—bilateral:									
New budget (obligational) authority	4,472,139,500	5,048,290,000	4,979,446,000	4,932,524,000	5,053,071,500	+580,932,000	+4,781,500	+73,625,500	+120,547,500
(Limitation on direct loans)		(1,000,000,000)	(1,010,000,000)	(1,010,000,000)	(1,010,000,000)	(+1,010,000,000)	(+10,000,000)		
(Limitation on guaranteed loans)	(120,000,000)	(250,000,000)	(250,000,000)	(250,000,000)	(250,000,000)	(+130,000,000)			
TITLE III									
MILITARY ASSISTANCE									
Funds Appropriated to the President									
Foreign military credit sales:									
Direct credits and forgiven loans	560,000,000	990,900,000	650,000,000	990,900,000	750,000,000	+250,000,000	−240,900,000	+100,000,000	−240,900,000
Loan guarantees	(2,546,187,000)	(3,063,500,000)	(2,846,187,000)	(3,083,500,000)	(3,083,500,000)	(+537,313,000)	(+20,000,000)	(+237,313,000)	
Total, FMCS program ceiling	(3,046,187,000)	(4,054,400,000)	(3,496,187,000)	(4,074,400,000)	(3,833,500,000)	(+787,313,000)	(−220,900,000)	(+337,313,000)	(−240,900,000)
Military assistance program	110,200,000	63,500,000	238,500,000	63,500,000	176,512,000	+66,312,000	+113,012,000	−61,988,000	+113,012,000
International military education and training	28,400,000	41,976,000	35,000,000	41,976,000	38,488,000	+10,088,000	−3,488,000	+3,488,000	−3,488,000
Defense acquisition fund (limitation)		(341,000,000)		(341,000,000)			(−341,000,000)		(−341,000,000)
Total, military assistance programs	(3,184,787,000)	(4,500,876,000)	(3,759,687,000)	(4,520,876,000)	(4,048,500,000)	(+863,713,000)	(−452,376,000)	(+278,813,000)	(−472,376,000)
New budget (obligational) authority	638,600,000	1,096,376,000	923,500,000	1,096,376,000	965,000,000	+326,400,000	−131,376,000	+41,500,000	−131,376,000
Loan guarantee authority	(2,546,187,000)	(3,063,500,000)	(2,846,187,000)	(3,083,500,000)	(3,083,500,000)	(+537,313,000)	(+20,000,000)	(+237,313,000)	
Program limitation		(341,000,000)		(341,000,000)			(−341,000,000)		(−341,000,000)
TITLE IV									
EXPORT-IMPORT BANK OF THE UNITED STATES									
(Limitation on direct loans)	(5,461,000,000)	(3,872,000,000)	(4,400,000,000)	(4,700,000,000)	(4,400,000,000)	(−1,061,000,000)	(+528,000,000)		(−300,000,000)
(Limitation on guarantee commitments) [2]	(8,059,000,000)	(7,000,000,000)	(8,651,000,000)	(9,220,000,000)	(9,220,000,000)	(+1,161,000,000)	(+2,220,000,000)	(+569,000,000)	
(Limitation on administrative expenses)	(14,495,000)	(13,301,200)	(15,115,000)	(15,115,000)	(15,115,000)	(+620,000)	(+1,813,800)		
Total, Export-Import Bank of the United States, (limitations on use of corporate funds)	(13,534,495,000)	(10,885,301,200)	(13,066,115,000)	(13,935,115,000)	(13,635,115,000)	(+100,620,000)	(+2,749,813,800)	(+569,000,000)	(−300,000,000)
GENERAL PROVISIONS									
Section—(reappropriations)		11,930,000					−11,930,000		
Grand total, all titles:									
New budget (obligational) authority	11,892,241,444	7,775,098,683	7,440,280,064	7,327,583,804	7,495,221,970	−4,397,019,474	−279,876,713	+54,941,906	+167,638,166
New budget (obligational) authority including funding in Continuing Resolution, 1982 and excluding International Monetary Fund	6,376,720,444	7,775,098,683	7,565,290,064	7,452,583,804	7,620,221,970	+1,243,501,526	−154,876,713	+54,941,906	+167,638,166
Callable Capital	(1,133,199,358)	(2,521,469,414)	(2,328,276,605)	(2,339,943,029)	(2,339,943,029)	(+1,206,743,671)	(−181,526,385)	(+11,666,424)	
Total	7,509,919,802	10,296,568,097	9,893,556,669	9,792,526,833	9,960,164,999	+2,450,245,197	−336,403,098	+66,508,330	+167,638,166
(Foreign currencies)	(35,000,000)					(−35,000,000)			
(Limitation on obligations)	(1,036,000)					(−1,036,000)			
(Limitation on use of corporate funds)	(13,534,495,000)	(10,885,301,200)	(13,066,115,000)	(13,935,115,000)	(13,635,115,000)	(+100,620,000)	(+2,749,813,000)	(+569,000,000)	(−300,000,000)
(Limitation on guaranteed loans)	(2,666,187,000)	(3,313,500,000)	(3,096,187,000)	(3,333,500,000)	(3,333,500,000)	(+667,313,000)	(+20,000,000)	(+237,313,000)	
(Limitation on direct loans)	(5,461,000,000)	(4,872,000,000)	(5,410,000,000)	(5,710,000,000)	(5,410,000,000)	(−51,000,000)	(+538,000,000)		(−300,000,000)
Total mandatory and discretionary	11,892,241,444	7,775,098,683	7,440,280,064	7,327,583,804	7,495,221,970	−4,397,019,474	−279,876,713	+54,941,906	+167,638,166
Mandatory	(27,852,000)	(32,552,000)	(32,552,000)	(32,552,000)	(32,552,000)	(+700,000)			
Discretionary	(11,864,389,444)	(7,742,546,683)	(7,407,728,064)	(7,295,031,804)	(7,462,669,970)	(−4,401,719,474)	(−279,876,713)	(+54,941,906)	(+167,638,166)
Budget authority effect of Ex-Im limitations	6,513,000,000	3,446,000,000	3,974,000,000	4,274,000,000	3,974,000,000	−2,639,000,000	+528,000,000		−300,000,000
Total NBOA in this bill plus Ex-Im NBOA	18,505,241,444	11,221,098,683	11,414,280,064	11,601,583,804	11,469,221,970	−7,036,019,474	+248,123,287	+54,941,906	−132,361,834

[1] Funded in Continuing Resolution, 1982 (H.J. Res. 325).
[2] Budget amendment proposed by administration November 5.

Mr. KEMP. Mr. Speaker, I yield myself such time as I may consume.

(Mr. KEMP asked and was given permission to revise and extend his remarks.)

Mr. KEMP. Mr. Speaker, we have just come out of a very difficult conference on foreign aid appropriations.

We were successful in making some improvements in the bill that was passed out of the House. The comment that I made during our original floor debate that the bill is not perfect still obtains, but we have made improvements.

I want to take a moment to commend the members of the subcommittee for their exemplary work on this bill. Chairman LONG's fine leadership and tireless efforts are unparalleled. I am particularly proud and privileged to have worked with an outstanding group of minority members, MICKEY EDWARDS, BOB LIVINGSTON, JOHN PORTER, and JERRY LEWIS, each of whom contributed in his own way to the formulation and passage of this bill, and perhaps more importantly to the policy debate behind each appropriated item before the House today.

I know, Mr. Speaker, that there are issues with which many of us might disagree. I mentioned, and chairman and Members on his side of the aisle have alluded to the fact that we have negotiated a very fragile balance in trying to achieve our foreign policy objectives. We have come a long way toward reconciling our differences over commitments to the international development institutions while increasing military and security assistance to nations that are in alliance with this country or are potential allies. These are the nations, friends or potential friends, strategically located in critical areas of the world, upon whose cooperation and assistance we depend in defending our own critical interests and those of the free world.

As the chairman mentioned, we increased security assistance. Military assistance was increased by $41,500,000 in budget authority and $237,313,000 in loan guarantee authority. While this leaves us $452 million below the President's request it is a significant increase over previous appropriations. In fact, the total military and economic support funds in this bill are 25 percent of the total.

For those of my colleagues who are concerned about the problems we face in northern Africa, at the entrance to the Red Sea and the Persian Gulf, in the Middle East, the problems between Israel and Egypt and their Arab neighbors, in strengthening the southern flank of NATO you should know that we have increased military and security assistance to nations in these critical areas.

Israel, of course, is the single largest recipient of security assistance from the United States. This bill provides $550 million in FMS forgiven loans and $800 million in ESF for Israel. Moreover, we have specified that these moneys will be disbursed to Israel within 30 days, which represents significant savings for the Israeli Government in terms of avoided interest payments.

We have made important increases to our economic support fund program, now at $2.5 billion, which promotes economic stability and provides balance-of-payments support to 16 countries of key strategic importance to the United States, including Israel, Egypt, Turkey, and the Sudan. ESF support for Pakistan ($100 million) was approved by the conference. (Assistance to Pakistan originally was not included in the House bill because our markup was completed in advance of the administration's request for Pakistan.) I know I need not point out to this body that our support for Pakistan comes at a critical time in the history of South Asia, with Soviet occupation forces in Afghanistan. Moreover, we provided an additional $5 million for Poland, a small symbol of our deeply held support for the yearnings of the Polish people. And the Senate receded to the House figure of $15 million for Cyprus—double the original request—to emphasize our support for stability and tranquility on that troubled island.

□ 1330

The economic support fund was increased at a time when many nations of strategic importance to the United States do not have the basic economic development to sustain defense support levels required for their own needs or for contributing to our mutual security. It is imperative that we come to the assistance of our friends and potential allies at this dangerous time.

The sixth replenishment of the International Development Agency, over which there was a fierce debate, was reduced by $25 million, so it comes down to $700 million. Frankly, as my friends on this side of the aisle know, I wanted to go further on IDA. We spent at least 2 hours debating what this year's contribution to IDA should be, and I frankly do not think we went far enough. But, to have argued over another $10 million or $20 million would have jeopardized the whole bill.

Compared to the original request of $850 million we have made a significant reduction in IDA, but nothing that would damage or undermine the President's commitment to the World Bank and to the International Development Agency.

Our conservative friends and our liberal friends are not pleased or happy but they are willing to accept this compromise. It does not force the President to renegotiate IDA VI.

Those who like my friend from Oklahoma (Mr. EDWARDS) were deeply concerned about the proposed seventh replenishment of IDA have received assurances that IDA VII will not be negotiated without the input of our body. I continue to oppose these negotiations. They are premature and should be postponed until IDA VI is fully funded and a thorough oversight of program changes is made.

In the course of these negotiations, in reaction to the amendment offered by our distinguished colleague (Mr. LEWIS) we have received assurances from the Secretary of the Treasury that he will take immediate steps to negotiate the graduation of India and other nations out of IDA and into the hard loan portion of World Bank.

This is a sign of definite progress in promoting the type of democratic free enterprise which we support. My colleague from California is to be applauded for the victory he has achieved.

Mr. Speaker, before leaving the topic of IDA, I would like to acknowledge the work and support of my colleague from Delaware (Mr. EVANS). His remarks during the original floor debate and his work and support have been a valuable asset to bringing this bill to passage. I value his friendship and appreciate his support.

Another question was raised by my friend from Ohio (Mr. ASHBROOK). It was an issue that I also raised. Are moneys going through multilateral agencies to countries that are hostile to everything that this Nation stands for and that are antithetical to the foreign policy initiatives of the President and the Congress? My friend offered language which would have assured that they are not.

We did not achieve the Ashbrook amendment language, for technical reasons. We did add Libya, Iraq and South Yemen to the list of nations that are prohibited from receiving direct assistance from American taxpayers. Prohibitions are now in effect for Angola, Cambodia, Cuba, Iraq, Laos, Libya, South Yemen, Syria and Vietnam.

Mr. ASHBROOK. Mr. Speaker, will the gentleman yield?

Mr. KEMP. I yield to the gentleman from Ohio.

Mr. ASHBROOK. I thank the gentleman for yielding.

Would my colleague in his very learned and concise form tell the Congress where we are on the matter of indirect money? Can American taxpayers' money go indirectly to those countries?

Mr. KEMP. I will answer my friend and I compliment the gentleman from Ohio for bringing this issue to the attention of the Congress.

I am sure the gentleman appreciates the sensitive nature of this issue and the difficulty of responding to him in a totally public forum.

Having said that, I will say to my friend that I am persuaded that the administration is working to prevent indirect assistance to the nations that I mentioned as well as prohibiting direct assistance. To go any further is to ask the administration to make a public statement that I do not think should be made. It would not be in our interest to do so. But I assure the gentleman that there is a very positive reaction to the intent of his amendment by the administration and that, as ranking Republican on the subcom-

mittee, I will personally monitor compliance with the gentleman's intent.

I ask the gentleman to accept my statement and to recognize how far we have come in meeting the gentleman's goals.

Mr. ASHBROOK. If the gentleman will yield further, I appreciate his wish and I commend him for doing his best. As he has indicated so many times over the years, and as I have indicated so many times over the years, when one is talking about foreign policy, the military, the economy, you normally get where you head—and we have been heading in a direction other than what my colleague has talked about or worked for. Just as we are trying to change the direction of the economy, if we can head in a little bit different direction, a little more reasonable direction, that certainly is adequate for this Member because as we have said for so many years, we normally get to where we are headed and we headed in the wrong direction in so many ways for so long. It is gratifying to know that with the efforts of my colleague from New York and many in this body, that this administration may indeed be taking us in a little more reasonable direction than some have in the past.

We just talked about the problems of social security. We finally got where we were heading. While I oppose this bill as I have always opposed foreign giveaway programs, I applaud the gentleman from New York (Mr. KEMP) for his long, hard work in changing the direction of this program we call foreign aid.

Mr. KEMP. I appreciate my friend's attitude and conciliatory statement. I want him to know I have come to respect the attitude of people on the other side of the aisle who are deeply concerned about the economic problems of the Third World. They know that I think some of the things we are doing in the Third World are causing the very problems that we are now being asked to finance, but there is a new direction and we can learn a lot from each other on this issue. I appreciate my friend's comments.

I also want to point out that this bill contains important humanitarian relief funds. An important example of this is the $10 million targeted for earthquake relief and reconstruction in southern Italy, which was adopted, thanks to the initiative of Senator D'AMATO and our colleague SIL CONTE.

Mr. HYDE. Mr. Speaker, will the gentleman yield.

Mr. KEMP. I yield to the gentleman from Illinois.

Mr. HYDE. I thank the gentleman for yielding.

I want to say to my friend in the well he has done a masterful job with this very important and difficult legislation.

I want to congratulate him and the gentleman from Maryland (Mr. LONG), who has done a superb job in a field in which he is an acknowledged expert, and I am very pleased to see even at this very late stage in this session this important bill with the support that it has, due in no small measure to the gentleman from Maryland (Mr. LONG), and the gentleman from New York (Mr. KEMP).

Mr. KEMP. I thank the gentleman.

I say to my friend from Illinois, I appreciate that.

Mr. Speaker, I think we have here something that meets the requirements of all of us on both sides of the aisle who voted for it. We passed a fair bill and we have made improvements in conference.

Frankly, I think we ought to pick up some votes. I do not think there ought to be anybody at this critical moment, with the Soviets aiming a gun at the head of Poland and already in Afghanistan. One who would ignore the needs of the President in carrying out the foreign policy of the United States, need not go back very long in history to recognize we cannot turn our backs on the world, especially those countries upon which we depend for mutual security efforts, for access to military facilities, and increasingly, for natural resources.

In 1935, when the Nuremberg laws were passed in Nazi Germany and Mussolini attacked Abyssinia, which is now Ethiopia, Haile Selassie went to the floor of the League of Nations to appeal to the West for support for his small country. No one listened. He was refused any assistance—economic assistance, military assistance, moral assistance, political assistance. He did not even get a vote in the League of Nations. Having been ignored by the West, Haile Selassie finished his speech by saying, "Do not weep for me, weep for yourselves."

Within 6 weeks, Hitler invaded the Rhineland, then he moved into Austria, the Sudetenland, Czechoslovakia, and the Danzig corridor of Poland. The very people who were protesting any involvement by the West in the problems of the world in the 1930's, were many of those whose sons ended up dying on the beaches of Dunkirk, Normandy, and Guadalcanal. We must not turn our backs on the rest of the world. This is not a foreign aid bill. This is an investment in the peace and the future of America and our allies. I suggest that those who want to vote against this bill are making a big mistake if they think we can hide our heads in the sand at this critical juncture in the history of our country and the West.

Mr. Speaker, I reserve the balance of my time.

Mr. LONG of Maryland. Mr. Speaker, I thank the gentleman from New York and let me say what a tremendous contribution he has made to the passage of this bill, he and the gentleman from Massachusetts (Mr. CONTE) and the other members of the subcommittee on both sides and the gentleman from New York (Mr. MCHUGH).

Mr. Speaker, I yield 3 minutes to the gentleman from Wisconsin (Mr. OBEY).

Mr. OBEY. Mr. Speaker, when the bill left the House, I voted against it for two reasons. It adopted an additional amendment on the Eximbank which I thought made the bill too high and too large, and second, I expected the conference to totally rewrite the bill and make it a quite different product than the House had produced.

Very frankly, that did not happen. I thought the conference behaved in a more moderate and responsible way than I had expected. While I certainly am not happy with the bill, and in fact, while I would disagree with the gentleman from New York who said that it was better than the bill that left the House, I think it is worse than the bill that left the House, but it is not as bad as I expected it to be. So because of that fact, I will support it when it comes to a vote, largely for two reasons.

First, I think the administration has done a more credible job than I had expected in their lobbying on the issue of economic assistance, and second, I think that on occasion they have been more restrained than I expected them to be on a number of military matters.

I think it is terribly important as a number of people have pointed out that we do have a bipartisan approach to foreign policy. In the past we have had people like the gentleman from Massachusetts (Mr. CONTE), and the gentleman from Illinois (Mr. HYDE), who have been most constructive in trying to achieve that purpose under Democratic Presidents, and I think on this side of the aisle we Democrats have an obligation to do the same.

I think that the chairman of the subcommittee did a fine job in conference. We have a bill which, while I will admit is a very close call, is a bill which one can responsibly support even while differing strongly with individual provisions.

I want to say that I think the gentleman from New York (Mr. KEMP), the ranking minority member, performed in an extremely responsible way and I salute him for that.

I also want to say that the gentleman from Oklahoma surprised me in conference yesterday by demonstrating a willingness to compromise on the issue of military assistance and IDA which again I frankly did not expect to see. I think that as much as anything demonstrated the willingness of people in that conference to give and take and to compromise with people with whom they had some very fundamental disagreements.

The gentleman from New York (Mr. MCHUGH) who was pursuing a bill that I would have been much more confortable with did a fine job in defending the kind of programs that I think need to be emphasized in the foreign aid bill.

So, while it is certainly questionable I would say that on balance this is a bill which we can responsibly support and would urge Members to do so when it comes to a vote.

Mr. KEMP. Mr. Speaker, I yield 5 minutes to our distinguished ranking member on the Appropriations Committee, the gentleman from Massachusetts (Mr. CONTE), without whose efforts we could not have passed this bill.

□ 1545

(Mr. CONTE asked and was given permission to revise and extend his remarks.)

Mr. CONTE. Mr. Speaker, I rise in strong support of this conference report on the fiscal 1982 foreign aid conference report.

First of all, I want to commend the dedicated chairman of this subcommittee, the gentleman from Maryland, for his patience and hard work during our 8-hour conference yesterday, and for hanging in there over the last 3 years since we were last able to bring a foreign aid conference report to the House floor. I commend all of the House conferees for their efforts to reach a delicate compromise on this difficult bill, which has been accurately described by the able subcommittee member from Louisiana, Mr. LIVINGSTON, as "the foreign policy appropriations bill."

The President needs this bill to carry out the foreign policy of the United States. The bill ranks as No. 1 in priority legislation on this final day, hopefully, of the 1st session of the 97th Congress.

This conference report includes $7.5 billion for foreign policy purposes for fiscal 1982, $280 million below the budget. Of this total, $1.5 billion is for multilateral assistance, $5.1 billion is for bilateral economic assistance, and $965 million is for military assistance. In addition, Export-Import Bank direct loans are set at $4.4 billion, and Eximbank guarantees are set at $9.2 billion.

Believe me, these levels were very difficult to reach. I do not know of any of the conferees who are entirely happy with all of the figures. But that is the nature of a conference and of the legislative function. The choice was to compromise, or not have a conference report which could pass both Houses and be signed into law. We have been operating on an ad hoc basis for foreign assistance for 3 years—it is time to make some tough choices in order to get this bill down to the White House for signature.

What happens if we do not pass this conference report? We would then operate under the continuing resolution which was signed yesterday. I happen to be quite familiar with that resolution, and I know that there is not nearly enough money in it to meet the legitimate foreign policy needs of this Nation.

In the economic support fund, which provides important budget support for such critical friends as Egypt, Israel, Turkey, Portugal, the Sudan, Pakistan, the Philippines, Jamaica, Somalia, Kenya, Thailand, Costa Rica, Cyprus, and Spain, funds under the continuing resolution are nearly $500 million short of the amount available in this conference report. Military assistance programs, which aid many of these same countries, and which can truly be described as U.S. security programs, are funded at $326 million—or more than one-third—lower in the continuing resolution than in this bill. Multilateral assistance funds—including funds to insure the continued veto power for the United States in the World Bank—are $200 million in budget authority and $1.2 billion in callable capital lower in the continuing resolution than in this bill. U.S. bilateral assistance programs, including funds for agriculture, health, population control, education, energy, private voluntary organizations, refugees, disaster assistance, narcotics control, American schools and hospitals abroad, and the private trade and development program, are nearly $600 million lower in the continuing resolution than in this bill.

As everyone agreed during the debate last week on the continuing resolution, that is not a good way to run the Government. We need a foreign aid bill which reflects today's economic and political situation in the world, not the situation which existed 3 years ago. We need to act in a bipartisan way to assist our President to restore American credibility around the world. We cannot do that with words, although we try that around here. It takes money. It takes assistance programs which demonstrate our concern and our friendship publicly to the people of the recipient nations.

I have supported foreign aid bills and programs for nearly 24 years in this Congress—programs which were proposed by administrations of both parties. I am proud of this record, because I believe that these programs have improved the image and position of the United States in ways which military strength cannot possibly do. To be visibly active in controlling a disease which has killed or maimed for centuries, to bring education where it did not previously exist, to aid in increasing food production in areas thought hopeless only a decade ago, to train future leaders with our individual values and economic know-how, I am proud of all of these achievements of our foreign assistance programs. We have no apologies to make to the developing world—these programs should be a source of national pride and national determination to continue them, to improve them, and to expand them.

The alternative to passing this bill would be a big step—and a very visible step—backward in our efforts to assist important friends and improve our own economic and security prospects. I strongly urge you to vote for this U.S. foreign policy bill.

Mr. LONG of Maryland. Mr. Speaker, I thank the gentleman from Massachusetts who made such a magnificent contribution.

I agree with the gentleman from Wisconsin, the ranking majority Member, that this is a balanced bill. Both sides feel that they should have done better. On the other hand, looking back, they realize they could have done a lot worse. It was a compromise in the best tradition of good American Yankee hard bargaining.

Mr. Speaker, I yield 3 minutes to the gentleman from New York (Mr. MCHUGH).

Mr. MCHUGH. Mr. Speaker, I thank the chairman for yielding.

I wish to begin by complimenting the chairman, the ranking minority member, the gentleman from New York (Mr. KEMP), and the other members of the subcommittee, for accomplishing a very difficult job. To reach this final stage of the legislative process is not easy with a foreign aid appropriations bill.

I rise in support of the conference report. When we were before the House last week, many of us indicated that our House bill was a delicately constructed compromise, balancing economic aid on the one hand and military assistance on the other, multilateral assistance on the one hand and bilateral assistance on the other. In my judgment this conference report still reflects that kind of compromise, one which makes it possible for liberals, moderates, and conservatives to vote for final passage.

This is not a perfect bill. It is not the one I would have written if I had sole power to write a foreign aid bill. It is not a bill which the gentleman from New York (Mr. KEMP) and other Members on his side would have written, but it is essentially a fair and balanced bill. That is what makes it possible to have, for the first time in 3 years, a bipartisan coalition sufficient to enact a foreign aid appropriations bill.

There are some Members on my side of the aisle who will be tempted to vote against the conference report because they are dissatisfied with some elements of the Reagan foreign policy. I understand that. I also have some fundamental disagreements with the administration on foreign policy issues, but that is not the determinative issue here. Any President, including this one, needs the tools to conduct American foreign policy and those tools include economic and military assistance. So long as the mix of those tools is reasonably balanced, it seems to me that those of us who have reservations with some parts of the package have a responsibility to our country to support the bill.

When we took our bill to conference, those of us who are interested in maintaining adequate economic assistance

and avoiding an excess of military assistance were concerned. We had real problem, because the Senate was much lower on most economic accounts and considerably higher on the military accounts. We faced the prospect of a conference report which would have upset the delicate balance we had achieved in the House bill. Fortunately, by the exercise of restraint and compromise on both sides, we were able to avoid that result.

Therefore, Mr. Speaker, I urge my colleagues on both sides of the aisle, recognizing that we still have differences in priorities, to vote for the conference report.

Furthermore, I urge the administration, in putting together its budgets for succeeding years, to bear in mind that in order to pass a foreign aid bill, it will be necessary to retain an nurture this coalition, a bipartisan coalition which for the first time in 3 years should be able to pass this foreign aid appropriation bill.

Mr. KEMP. Mr. Speaker, I yield such time as he needs to my friend and colleague on this committee, the gentleman from California (Mr. LEWIS.)

(Mr. LEWIS asked and was given permission to revise and extend his remarks.)

Mr. LEWIS. Mr. Speaker, I thank my ranking member for yielding.

Mr. Speaker, first I would like to associate myself with the remarks of the gentleman from New York (Mr. MCHUGH) and express my appreciation for his cooperation and our chairman for the fantastic job of working on both sides of the aisle to make this bill possible.

I had not intended to rise today, except for the fact that serving on this subcommittee has been a very, very educational experience for me.

I want to take a moment out to talk with my colleagues about the experience I have had watching my ranking member on the subcommittee, our quarterback from New York. We have all known about him in terms of things like Kemp-Roth and his concerns about our domestic economy; but I must say that the gentleman from New York, JACK KEMP, deserves a great deal of credit for the success we have had in bringing this bill to the floor and I think for the success we will have on the floor. His leadership, his knowledge of the subject, his capacity to learn so quickly so much have been more than impressive to me. It has been an inspiration to me personally. I want to thank the gentleman from New York (Mr. KEMP) for both his support for my own efforts in the subcommittee, but most importantly, for the fact that we have this bill on the floor today.

This bill is a compromise in the truest sense of the word. Few are happy with the individual items in this bill, but this is surely a case where the whole—the fact that we have gotten a bill—is greater than the sum of the parts.

This bill is needed to give our President a chance to shape his foreign policy. That was the prime reason which allowed this conference report to move forward in finest spirit of bipartisanship in matters of foreign affairs.

While we should vote for this bill, let us bear in mind the importance of having Congress help resolve some of the major foreign policy problems we face.

One of these foreign policy problems is economic development.

While there has been much discussion about how much money we should spend on economic development, Congress has spent far too little time focusing on what is effective economic development. We speak of foreign aid too glibly as if all our billions of dollars flowing overseas are really aiding people and our friends. This is decidedly not the case in many instances; often our aid is counterproductive. The World Bank has been pushing concessional loans and debt on Third World countries at a far too rapid pace.

Sure, the Third World governments, rulers, and bureaucrats are eager to receive these funds, but is the life of the poor peasant in the field made better off by this international welfare? I believe Congress and the administration must take a hard look at such an issue.

It is not just the World Bank which needs oversight, but also U.S. aid. To what extent were Sadat's domestic problems in Egypt exacerbated by the flood of U.S. aid dollars to that country? Has our easy money encouraged domestic graft and corruption in developing countries which makes the common citizen cynical of his own government and American aid?

MILITARY FOREIGN ASSISTANCE

Just as serious concerns arise with our security assistance programs. Is our aid fueling an arms race between India and Pakistan? Did all our military support of the Shah of Iran result in an outcome beneficial to this country? Has the administration fully justified its case for the large increases in security assistance programs in this bill?

Frankly, I am not so sure they have. However, they have spent more time and have more information than Congress on these issues. They deserve the benefit of the doubt and they deserve a bill, and this bill is the best Congress can do.

But I, for one, will be in a far different frame of mind when next year's foreign assistance appropriations are considered by this body. If this administration fails to work with Congress to make progress on the many troublesome issues which are present in this bill, I will not sublimate my own concerns and vote another one for the Gipper.

Mr. LONG of Maryland. Mr. Speaker, let me just say that this is a bill which is in the foreign policy interests of the United States. I recognize and I agree with my Republican colleagues on that. It is certainly to be preferred to have a bill instead of continuing to try to fashion the funding of our foreign policy in a smoke-filled room with people who are sweating, late into the night, surrounded by lobbyists, without even a recording of what is being said and done.

It is time we got away from that, and this is the bill that does it. I do not think Jimmy the Greek would have given us very much chance of getting to this point, but I think we owe it to the gentlemen on both sides of the aisle who have worked so hard.

I do not always agree with the President on his foreign policy, but in the end I say to myself this—that the President of the United States is an American. I am sure he does what he thinks is best for American interests and the interests of the American people, and I am an American. I hope we will all support him in that frame of mind.

● Mr. RATCHFORD. Mr. Speaker, it is with reluctance that I support the conference report on the International Security and Development Cooperation Act of 1981. I supported the House-passed version of this legislation because it offered an acceptable approach both to development assistance and to restricting military aid to countries with undesirable human rights records. The conference committee, while doing a generally admirable job on this complex issue, has made changes in some of the conditions for military assistance which are much weaker than the House provisions. This is an unfortunate turn of events.

Foreign aid legislation has usually contained measures for both economic development and military assistance. This year's foreign aid bill continues this trend, but I am alarmed by the marked increase in emphasis on military aid, particularly to nations with poor domestic and international performance records. I am particularly concerned with the conference committee's provisions for aid to Argentina and Chile.

The current administration views military assistance to Argentina as an absolute necessity for maintaining good relations with this supposed friend. Yet it is my recollection, Mr. Chairman, that Argentina, a major exporter of grain, did not agree to the grain embargo on the Soviet Union after that nation invaded Afghanistan. Nor is the Argentine economy a pillar of free-market capitalism, as much of its business is controlled by the Government. Finally, Argentina's human rights record is plainly atrocious. Literarally thousands of Argentines have disappeared in the last few years, and the Government refuses to account for their whereabouts. People who have suddenly vanished are almost univer-

sally critics of the Government or members of the Jewish faith.

I am hesitant to support any measure which would permit this government to receive military aid, Mr. Chairman, but I find the provisions in the conference report even more repugnant. The conditions for approving military aid to Argentina now have been reduced to a provision that the President shall consider that Argentina is making progress to provide information on the people who have disappeared and to bring to justice political prisoners now in jail. A government which stands for freedom and justice at home such as ours should not condone the atrocities committed in Argentina, Mr. Chairman, and I am reluctant to place my support behind this weak provision.

With respect to Chile, I doubt that a government which has so flagrantly violated the basic human rights of the people in that nation will take seriously a nonbinding resolution to bring to justice the Chilean nationals who so brutally murdered Orlando Letelier and Ronni Moffit on the streets of our own Capital 5 years ago. Nevertheless, the approval of military assistance to the brutal Pinochet regime hinges on this flimsy provision.

I am glad, Mr. Chairman, that the conferees decided to maintain the House bill's condition on aid to El Salvador, for any weakening of these provisions would have been an insult to the families of the American religious workers and officials who were slain in that country a year ago. Furthermore, I am pleased that the conferees have chosen not to repeal the Clark amendment prohibiting covert activities in Angola.

I am disturbed, however, that many of my colleagues have come to view this bill merely as an extension of our military security policy. This body has already approved a $200 billion appropriation for defense, and the foreign aid bill is so heavily laden with arms agreements for other countries that our entire foreign policy is beginning to take on a one-dimensional, militaristic look. Foreign policy means more than guns, Mr. Chairman, and I had hoped that this body would recognize the importance of economic development for building and maintaining good relations with other countries.

As I recently pointed out to the people of my district, economic development assistance brings both short- and long-term benefits to the United States. We can profit greatly both politically and economically from encouraging economic development through the IDA and other agencies. We will not, however, profit in the long run from continued assistance to repressive governments. i regret that this body has not learned this valuable lesson, and I support with great hesitation this foreign aid bill.●

Mr. SILJANDER. Mr. Speaker, the administration has agreed to comply with the provisions within my amendment that were offered to and adopted by this body to prohibit funding for lobby promotion, recommending abortions or training individuals in abortion under the foreign assistance appropriations bill.

As reported from conference, that language agreed to had been revised. Though language was changed, the administration agrees that the content and scope regarding the amendment has not. To clarify the administration's agreement in this, I submit the following letter received by me from Mr. McPherson of AID:

DEAR CONGRESSMAN SILJANDER: I am familiar with your amendment regarding the Agency for International Development (A.I.D.) on the subject of abortion. As my General Counsel, John Bolton, indicated in conversations with you, the Agency for International Development will comply completely with your amendment. A.I.D. will not in any way lobby for or promote abortion. Moreover, A.I.D. will not finance or perform any training, here or abroad, for the purpose of performing abortions. We understand that you do not intend to preclude standard obstetrics and gynecology training.

In addition, as a reminder, I have stated on the record and elsewhere that the present policy of A.I.D. precludes this Agency from using its funds for the performance of abortion or from conducting abortion-related research.

Sincerely,

M. PETER MCPHERSON.

It is also understood that Mr. LONG and Mr. KEMP have agreed to insure the enforcement of this letter.

● Mr. SIMON. Mr. Speaker, the House will vote today on adopting the conference reports on both the Foreign Aid Authorization and the Foreign Aid Appropriations bills. As a strong and consistent supporter over the years of a U.S. development and humanitarian assistance program which responds to the human needs of people in Third World countries, I would like to make several observations.

First, few of us had expected even 1 week or 2 ago that Congress would pass and the President would sign both foreign aid bills. What we are witnessing is a rare display of political will applied to the foreign aid program. That is welcome.

Second, the bills are being passed thanks to the efforts of the most fragile of coalitions. It is good to have many, if not most, Republicans supporting this legislation, even if their reasons for doing so may be somewhat different from those of traditional supporters. This country needs a strong, bipartisan response to human suffering overseas.

On the other hand, the administration, having won this year's battle, should guard against reading the results wrongly and losing the war. This year's coalition will be frayed beyond repair if the administration returns to the Congress next year with supplemental fiscal year 1982 or with fiscal year 1983 requests which tip the balance even more decisively toward security and military aid and away from development and humanitarian programs.

Third, I regret that the pressure of time has meant that the conference reports on both bills have not been available for adequate review by both bodies. I understand that House conferees agreed to an appropriations of $100 million in economic support funds for Pakistan, even though the House Appropriations Committee has yet to hold hearings on the subject. I trust that the administration will not regard this conference concession as approval in principle of its $3 billion-plus aid package for Pakistan. We will all need to study in more detail the agreements reached on various key and controversial issues, even though we have not yet had time to do so.

Finally, the bills have various items which are particular grounds for satisfaction—and distress. I was pleased that the United States will now be able to provide a full $700 million for IDA, a significant sum even though it is considerably below the $850 million requested by the Reagan administration and the $1.08 billion to which the Carter administration pledged the United States. On the other hand, the provision of no funds at all for the International Fund for Agricultural Development (IFAD) in fiscal year 1982, despite authorization of $180 million for a 3-year period, seems to me a major mistake. Both of these organizations focus their efforts on helping small farmers in the world's poorest countries to grow more food.●

Mr. PORTER. Mr. Speaker, incredibly, for the first time in 3 years, we are today at the stage of passing a conference report and laying before the President for his signature a foreign assistance bill. And incredibly, the level of understanding and willingness to compromise has been high, and the level of demagoguery has been relatively low.

Perhaps this has been because the President—no friend of foreign aid in the past—has pleaded with the Congress for a bill, because without legislation supported by the administration, we will operate our foreign policy for the next year under a continuing resolution reflecting the disasterous priorities of the middle Carter years.

This report does not meet the President's full requests either with respect to substantial increases in military assistance or substantial increases in funding for the soft loan window of the World Bank, IDA VI. Both conservatives and liberals have had to give ground to adopt the report, and I can only commend the splendid efforts of our ranking minority member on the Appropriations Foreign Operations Subcommittee, the Honorable JACK KEMP of New York, as well as the work of our chairman, CLARENCE LONG of Maryland; the ranking minority member of the Appropriations Committee, the gentlemen from Massachu-

setts, SILVIO O. CONTE and my colleague the distinguished gentleman from New York, MATTHEW F. MCHUGH.

The subcommittee and the conference put politics aside and embraced our highest concern—the best interests of the United States of America—in placing this legislation before the Members, and I can only urge them to embrace that same standard and give the President the tools he needs to act in the best interests of our country in the conduct of our foreign policy.

Mr. KEMP. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. LONG of Maryland. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the conference report.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. ASHBROOK. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 217, nays 201, not voting 15, as follows:

[Roll No. 366]

YEAS—217

Addabbo
Akaka
Alexander
Annunzio
Aspin
Badham
Barnes
Bedell
Beilenson
Benjamin
Bereuter
Biaggi
Bingham
Blanchard
Bliley
Boggs
Boland
Bonior
Bonker
Bowen
Breaux
Brodhead
Broomfield
Brown (OH)
Burton, Phillip
Butler
Campbell
Carman
Carney
Cheney
Clausen
Clay
Clinger
Coats
Coelho
Collins (IL)
Collins (TX)
Conable
Conte
Corcoran
Coughlin
Courter
Coyne, James
Coyne, William
Crockett
Danielson
DeNardis
Derwinski
Dicks
Dingell
Dixon
Dornan
Dougherty
Downey
Dwyer
Dymally
Edgar
Edwards (AL)
Edwards (CA)
Erdahl
Erlenborn
Evans (DE)
Fary
Fascell
Fazio
Fenwick
Ferraro
Fiedler
Findley
Fish
Foglietta
Foley
Ford (MI)
Ford (TN)
Frenzel
Frost
Fuqua
Gejdenson
Gilman
Gingrich
Glickman
Gore
Gradison
Gray
Green
Gregg
Hagedorn
Hall (OH)
Hamilton
Harkin
Hartnett
Hawkins
Heckler
Heftel
Hertel
Hiler
Hillis
Hollenbeck
Horton
Howard
Hoyer
Hyde
Ireland
Jeffords
Johnston
Kemp
Kildee
LaFalce
Lagomarsino
Lantos
Leach
LeBoutillier
Lehman
Lent
Lewis
Livingston
Loeffler
Long (LA)
Long (MD)
Lowery (CA)
Lowry (WA)
Luken
Lundine
Madigan
Markey
Marks
Matsui
Mattox
Mavroules
Mazzoli
McClory
McGrath
McHugh
McKinney
Mica
Michel
Mikulski
Miller (CA)
Mineta
Minish
Mitchell (MD)
Mitchell (NY)
Moakley
Moffett
Molinari
Mollohan
Morrison
Murtha
Nelson
Nowak
O'Brien
Oberstar
Obey
Ottinger
Oxley
Patterson
Pease
Pepper
Peyser
Pickle
Porter
Price
Pritchard
Pursell
Railsback
Rangel
Ratchford
Regula
Reuss
Rhodes
Richmond
Rinaldo
Roe
Rosenthal
Rostenkowski
Roukema
Sabo
Sawyer
Scheuer
Schneider
Schumer
Seiberling
Shamansky
Sharp
Siljander
Simon
Smith (NJ)
Smith (PA)
Snowe
Solarz
Stangeland
Stanton
Stokes
Stratton
Swift
Synar
Tauke
Thomas
Udall
Vander Jagt
Washington
Waxman
Weber (OH)
Weiss
Wilson
Winn
Wirth
Wolf
Wolpe
Wortley
Wright
Wyden
Wylie
Yates
Yatron
Zablocki
Zeferetti

NAYS—201

Albosta
Anderson
Andrews
Anthony
Applegate
Archer
Ashbrook
Atkinson
Bafalis
Bailey (MO)
Bailey (PA)
Barnard
Beard
Benedict
Bennett
Bethune
Bevill
Boner
Bouquard
Brinkley
Brooks
Brown (CA)
Brown (CO)
Broyhill
Byron
Chappell
Chappie
Chisholm
Coleman
Conyers
Craig
Crane, Daniel
Crane, Philip
D'Amours
Daniel, Dan
Daniel, R. W.
Dannemeyer
Daschle
Daub
Davis
de la Garza
Deckard
Dellums
Derrick
Dickinson
Donnelly
Dorgan
Dowdy
Dreier
Duncan
Dunn
Dyson
Early
Eckart
Edwards (OK)
Emerson
Emery
English
Ertel
Evans (GA)
Evans (IA)
Evans (IN)
Fields
Fithian
Flippo
Florio
Fountain
Fowler
Frank
Garcia
Gaydos
Gephardt
Gibbons
Ginn
Gonzalez
Goodling
Gramm
Grisham
Guarini
Gunderson
Hall, Ralph
Hall, Sam
Hammerschmidt
Hance
Hansen (ID)
Hansen (UT)
Hatcher
Hefner
Hendon
Hightower
Holland
Holt
Hopkins
Hubbard
Huckaby
Hughes
Hunter
Hutto
Jacobs
Jeffries
Jenkins
Jones (NC)
Jones (OK)
Jones (TN)
Kastenmeier
Kazen
Kindness
Kogovsek
Kramer
Latta
Leath
Levitas
Lott
Lujan
Lungren
Marlenee
Marriott
Martin (IL)
Martin (NC)
McCloskey
McCollum
McCurdy
McDade
McEwen
Miller (OH)
Montgomery
Moore
Mottl
Murphy
Myers
Napier
Natcher
Neal
Nelligan
Nichols
Oakar
Panetta
Parris
Pashayan
Patman
Paul
Perkins
Petri
Quillen
Rahall
Ritter
Roberts (KS)
Roberts (SD)
Robinson
Rodino
Roemer
Rogers
Rose
Roth
Rousselot
Roybal
Rudd
Santini
Savage
Schroeder
Schulze
Sensenbrenner
Shannon
Shaw
Shelby
Shumway
Shuster
Skeen
Skelton
Smith (AL)
Smith (IA)
Smith (NE)
Smith (OR)
Snyder
Solomon
Spence
St Germain
Stark
Staton
Stenholm
Studds
Stump
Tauzin
Taylor
Traxler
Volkmer
Walgren
Walker
Wampler
Watkins
Weaver
Weber (MN)
White
Whitehurst
Whitley
Whittaker
Whitten
Williams (MT)
Williams (OH)
Young (AK)
Young (MO)

NOT VOTING—15

AuCoin
Bolling
Burgener
Burton, John
Forsythe
Goldwater
Lee
Leland
Martin (NY)
McDonald
Moorhead
Russo
Trible
Vento
Young (FL)

□ 1410

The Clerk announced the following pairs:

On this vote:

Mr. Vento for, with Mr. McDonald against.

Mr. Leland for, with Mr. Russo against.

Mr. Burgener for, with Mr. Young of Florida against.

Mr. Goldwater for, with Mr. Lee against.

Mr. Forsythe for, with Mr. Moorhead against.

Mrs. BOUQUARD, Mr. KINDNESS, and Mr. SHAW changed their votes from "yea" to "nay."

Mr. THOMAS changed his vote from "nay" to "yea."

So the conference report was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Min. cooperation

U.S. Congr.

December 10, 1981

Dear Senator Mathias:

Thank you so much for a most enjoyable luncheon last week. I was delighted to have had the opportunity to discuss issues relating to multilateral development assistance. Your strong support for these programs is greatly appreciated.

Please also extend my thanks to Robert Russell for his suggestions on how to expand our public affairs agenda in the United States. It is clear that a better public understanding of The World Bank is essential.

Best wishes for a Merry Christmas.

Sincerely,

A.W. Clausen

The Honorable
Charles McC. Mathias
Chairman
Subcommittee on International
Economic Policy
Committee on Foreign Relations
4229 Dirksen Senate Office Building
United States Senate
Washington, D.C. 20510

P.Riddleberger/bli

December 10, 1981

Dear Senator Kasten:

It was a pleasure to meet with you briefly last week. There are a number of issues relating to multilateral development assistance in which we have mutual interests and I am looking forward to discussing these with you in more detail in the near future.

Best wishes for a Merry Christmas.

Sincerely,

A.W. Clausen JC

The Honorable Robert Kasten
Chairman
Subcommittee on Foreign Operations
Room S-128, The Capitol
Washington, D.C. 20510

PRiddleberger/bli

December 10, 1981

Dear Senator Inouye:

It was indeed a pleasure to meet you last week and to tell you personally how much your strong support for multilateral aid is appreciated. I look forward to discussing The World Bank and IDA with you in the near future.

Best wishes for a Merry Christmas.

Sincerely,

A.W. Clausen

The Honorable Daniel Inouye
105 Russell Senate Office Building
United States Senate
Washington, D.C. 20510

PRiddleberger:bi

12.4.81

Helen

I showed minutes

to Senator

Mathias & thank

for the opportunity

to discuss views at

lunch.

Second mention

(tape)

Bob Russell's
name &
also thank for
his suggestions
as to how we
can build
greater support
for the Wood Bank
& IDA.
(in which will help

2

Also - ask
Murrie -
why not invite
in Bob Hartington,
and DAN INOUYE

Appointments for Friday, December 4, 1981

9:30 President's Council

12:30 Lunch on Capitol Hill
with Senator Mathias - Room S-330
Senator Kasten
~~Mr. James Bond (Sen.Mathias' Aide)~~
Mr. Robt. Russell " "
M. Benjenk

3:00 Mr. Thahane (at his request)

4:00 V.P. of Republic of The Gambia
Mr. Assan Musa Camara
Saihou S. Sabally, Min.Fin.& Trade
Ousman A. Sallah, Ambassador of The Gambia
Jabez Ayo Langley, Perm.Sec., Min'y of Economic Planning & Indust.Dev.
Horace, Monday, Chief Exec., Natl. Investment Board
Mohamed N. Bobb, Sr.Protocol Officer Min'y of External Affairs
David Knox
Michel Palein, Div. Chief

'E' LOBBY CLOSES AT 6 p.m. - CAR WILL BE AT 'F' ENTRANCE ← ?

F for Flak?

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WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. A. W. Clausen
(through Mr. M. P. Benjenk)

DATE: December 2, 1981

FROM: Peter Riddleberger PR

SUBJECT: Senate Luncheon

December 4. Senator Charles Mathias (R-Md.) 12:30 p.m. in Room S-330 of the Capitol. He will be joined by Sen. Robert Kasten (R-Wis.) and staff aides James Bond and Robert Russell. (See memo attached.)

Sen. Kasten is responsible for reducing IDA from $820 million to $532 million in the Senate Foreign Aid Appropriations bill. However, during negotiations with the House on the Continuing Resolution (the one vetoed by President Reagan) he showed some willingness to compromise at a higher level. He should be persuaded to do the same the next time around.

Attachment

PR:sb

RECEIVED

1981 DEC -2 PM 10: 06

OFFICE OF THE PRESIDENT

Jan Beale
224-4654

follow
Dec 4
date

11-13-81
this luncheon
is now
scheduled

10-8-81

FOR ~~NOVEMBER 12~~ DEC. 4

Luncheon with Senator Mathias

~~Time: 12:30~~
Place: Room S330 - Senate side of the Capitol
car can drive under the steps

S-330 is a private office of Senator Mathias. It is on the Senate Side of the Capital Building on the 3rd floor. A policeman will direct you to the Documents Room. Upon entering the Documents Room proceed through a barred door directly ahead, go to back of documents to ramp and turn right into hall on the right is entrance to S-330. Also Documents staff are helpful in directing

WORLD BANK

OFFICE OF THE PRESIDENT

Mr. Clausen,

For information. This memo will be placed in your appointments folder for November 11 and 12.

Mr. Benjenk will attend your lunch with Rep. Jerry Lewis on Nov. 11.

We shall call Sen. Mathias's office to see if Mr. Benjenk can also attend the lunch on Nov. 12.

O.L.

11/06

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WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. A. W. Clausen (through Mr. M. P. Benjenk) DATE: November 5, 1981

FROM: Peter Riddleberger

SUBJECT: Congressional Lunches

1. November 11. Rep. Jerry Lewis (R-Calif.) and his aide Morris Goldman. They are expected in your office at 12:30 p.m.

Rep. Lewis represents the Palm Springs and surrounding desert area of Southeast California. A two-term forty seven year old arch-conservative, he joined the Appropriations Subcommittee on Foreign Aid this year.

At the urging of Rep. Bill Young (R-Fla.) he has made opposition to multilateral aid his cause celebre. Shuffling his staff for this purpose, he recently hired Morris Goldman, who authored the attached article suggesting the Bank be turned into a private corporation. Goldman has had several meetings with Bank staff on this issue. His preconceived notions have made these conversations something less than useful. He lectures more than he listens.

Accordingly, Lewis' understanding of the Bank is rather limited. He has promised to offer an amendment to reduce IDA funding if and when a foreign aid bill ever comes to the floor.

2. Dec. 4 ~~November 12~~. Senators Charles Mathias (R-Md.) Robert Kasten (R-Wis.) and staff aide James Bond. 12:30 p.m. in Room S-330 in the Capitol.

Sen. Mathias is a strong and consistent supporter of multilateral aid. As Chairman of the Foreign Relations Subcommittee on International Economics, Mathias helped to guide the IDA-6 and GCI authorization bills through the Senate last year with only token opposition.

Sen. Kasten is Chairman of the Appropriations Subcommittee on Foreign Aid. Just last week he prevailed in cutting back the FY82 IDA request from $820 million to $532 million. His reasoning is that IDA-6 should receive no more over three years than did IDA-5 ($2.4 billion). See Committee report attached.

A thirty eight year old Freshman, Kasten comes to the Senate after serving two terms in the House in the mid-1970s. He is new to the field of international economic development, and has relied heavily on the advice of Jim Bond. Bond has followed multilateral aid closely for three years. He feels strongly that IDA credits to India should be sharply reduced.

Attachment

cc: Mr. Frank Vogl

PR:sb

Calendar No. 369

97TH CONGRESS, 1st Session | SENATE | REPORT No. 97-266

FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATION BILL, 1982

NOVEMBER 3 (legislative day, NOVEMBER 2), 1981.—Ordered to be printed

Mr. KASTEN, from the Committee on Appropriations, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany S. 1802]

The Committee on Appropriations reports the bill (S. 1802) making appropriations for foreign assistance and related programs for the fiscal year ending September 30, 1982, and for other purposes and submits the following explanation of its recommendations.

Amounts in new budget authority

Fiscal year 1981 appropriations	[1] $11,892,241,444
Fiscal year 1982 amended budget estimate	[2] 7,588,168,683
Amount of bill as reported to House	[3] 7,594,280,064
Amount of bill as reported to Senate	7,250,083,804
Bill as recommended to Senate compared to:	
1981 appropriations	−4,642,157,640
Amended budget estimate	−338,084,879
House reported bill	−344,196,260

[1] Includes $5,515,521,000 for U.S. participation in International Monetary Fund.
[2] Does not include $125 million requested for the Multinational Force and Observers, provided in Public Law 97-51.
[3] H.R. 4559.

TITLE I

MULTILATERAL ECONOMIC ASSISTANCE

MULTILATERAL DEVELOPMENT BANKS

In testimony before the Committee in which he presented justification in support of United States contributions to the multilateral development banks, the Secretary of the Treasury made the following statement regarding the future of U.S. participation in those institutions:

> The long-term nature of the development process, the importance of the U.S. position in the banks to other countries and institutions, the wide ranging public and congressional commentary on the role and activities of the banks and the serious nature of our own budget situation have reinforced our view that the United States needs to develop a long-term policy and planning perspective for the banks. It is our intention to establish an effective overall policy framework for future U.S. participation in the banks and to identify the major policy objectives which should be pursued in any future replenishment negotiation.
>
> Accordingly, the administration is conducting an assessment of all the various factors which should bear on U.S. participation in the banks. No decisions will be taken on any of the pending replenishments until the administration's policy review is complete.
>
> We look forward to discussing the results of the assessment with the Committee and we will welcome your views.

The Committee strongly supports the administration's plan to conduct an assessment of U.S. participation in these institutions. For too long these institutions have operated unchecked and without significant input from their members. Rather, they have been run by international bureaucrats, who seem to be interested in measuring success more in terms of how much money can be spent in any particular year rather than with the quality of the projects and programs that they fund. The World Bank and IDA, especially, have been guilty of this method of operation. Hopefully the administration's assessment will help find a way to persuade the MDBs that success and progress must be measured in qualitative terms, and not simply in quantitative ones.

Some of the other aspects with which the Committee has concern and which it hopes the administration will examine closely are as follows:

The Committee questions the increasing practice by these institutions to fund a particular project with both "hard loan" money and "soft loan" money. One conclusion which can be drawn from this

practice is that the country involved is simply using the institution to finance projects it should be financing itself.

None of these institutions have been sufficiently interested in project implementation. The emphasis has instead been on design and funding, and then simply going on to the next project without regard to whether or not a particular project is being implemented properly.

The Committee continues to be concerned with the salary structure of these institutions. While some improvement has been made, clearly there are many instances of compensation which simply cannot be justified.

The Committee's main purpose in detailing some of these concerns is to underscore its belief that much work toward improving these institutions needs to be done. It applauds the administration's efforts, but hopes that this assessment will not simply be a rehash of past efforts aimed at the same goal.

INTER-AMERICAN DEVELOPMENT BANK

Appropriation, 1981	$251,547,047
Budget request, 1982	221,251,201
House allowance	221,230,477
Committee recommendation	221,230,477

The administration's budget request for the Inter-American Development Bank in fiscal year 1982 totals $221,251,201. Included in this request is $46,251,201 for paid-in capital and $175,000,000 for the Fund for Special Operations, the Inter-American Development Bank's soft loan window.

The Inter-American Development Bank was founded in 1959 as a regional development bank set up to assist the developing countries of the Western Hemisphere. The United States, by a wide margin, has been the principal donor to this institution since its founding. For obvious reasons the United States has a more direct interest in this particular institution than it does in the other regional banks.

The Committee has had some concern with the management of this institution, and it therefore hopes that the recent changes in both the U.S. administration and in the bank itself will lead to some improvement.

The Committee recommends the appropriation of $221,230,477, of which $48,053,477 is for paid-in capital and $173,177,000 is for the Fund for Special Operations.

Tables reflecting historical U.S. contributions to the Inter-American Development Bank, as well as the current replenishment, follow:

INTER-AMERICAN DEVELOPMENT BANK

CUMULATIVE CONTRIBUTIONS

[Dollars in millions]

Fiscal years 1959–80	Total	U.S. share	U.S. percent of total
Paid-in	$1,657.5	$575.1	34.7
Callable	11,878.5	4,121.8	34.7
FSO	6,589.2	3,665.1	55.6

CURRENT REPLENISHMENT [1]

	Total replenishment (all members)	U.S. share [1]	United States as a percent of total	Appropriated of U.S. share	Appropriated as percent of U.S. share
Paid-in	$597.7	$206.2	34.5	$44.2	21.4
Callable	7,371.0	2,543.0	34.5	544.6	21.4
FSO	1,750.0	700.0	40.0	175.0	25.0

[1] Authorization legislation for $274.7 million capital and $70 million FSO pending.

In addition to the amount recommended for paid-in capital, the Committee is including bill language which will provide for a limitation on the subscription of callable capital totaling $609,582,129.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Appropriation, 1981	$32,788,555
Budget request, 1982	159,458,301
House allowance	146,889,040
Committee recommendation	146,889,040

The administration's budget request for the International Bank for Reconstruction and Development for fiscal year 1982 totals $159,458,301. This request contains the initial U.S. contribution to its share of the General Capital Increase. The GCI will double the resources of the World Bank from approximately $40 billion to $80 billion. The U.S. share of this amount is $8 billion, approximately $660 million in paid-in capital with the remainder to be subscribed in callable capital.

The Committee recommends the appropriation of $146,889,040, $12,569,261 below the administration's request.

Tables reflecting historical U.S. contributions to the World Bank, as well as the current replenishment of these resources follow:

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

ACTUAL U.S. SUBSCRIPTIONS

[Dollars in millions]

Fiscal years 1946–80	Total	U.S. share	U.S. percent of total
Paid-in	$3,687.7	$838.2	22.7
Callable	33,714.4	7,663.3	22.7
Total	37,402.2	8,501.5	

CURRENT REPLENISHMENT

[Dollars in millions]

	Total authorized (all members)	U.S. share [1]	United States as a percent of total	U.S. share appropriated
Paid-in	$3,000.0	$658.3	21.9	0
Callable	41,041.3	8,149.3	19.9	0
Total	44,041.3	8,807.6		

[1] Authorization legislation pending.

In addition to the amount recommended to be appropriated, the Committee is including bill language which provides for the subscription of callable capital totaling $1,678,305,878.

INTERNATIONAL FINANCE CORPORATION

Appropriation, 1981	
Budget request, 1982	$14,447,900
House allowance	14,447,900
Committee recommendation	14,447,900

The administration's budget request for the International Finance Corporation in fiscal year 1982 totals $14,447,900.

The International Finance Corporation, part of the World Bank group, has as its purpose the furtherance of economic development by promoting private investment in the developing countries. The activities of this particular institution are distinct from the others in that loans are made without a Government guarantee and the Corporation takes equity participations.

The Committee recommends the appropriation of the full budget request. Tables reflecting historical U.S. contributions to the International Finance Corporation follow:

INTERNATIONAL FINANCE CORPORATION

ACTUAL U.S. CONTRIBUTIONS

[Dollars in millions]

Through fiscal year 1980	Total	U.S. share	U.S. percentage of total
Paid-in capital	$353.5	$121.1	34.3

CURRENT REPLENISHMENT

[Dollars in millions]

	Total	U.S. share	U.S. percentage of total	U.S. share appropriated
Paid-in capital	$550	$111.5	22.3	$97

INTERNATIONAL DEVELOPMENT ASSOCIATION

Appropriation, 1981	$520,000,000
Budget request, 1982	820,000,000
House allowance	850,000,000
Committee recommendation	532,000,000

The administration's budget request for the International Development Association (IDA) in fiscal year 1982 totals $820 million.

The administration's request for fiscal year 1982 represents the second contribution by the United States to the sixth replenishment of the International Development Association. Led by this Committee, Congress has rejected the original administration plan to fund the sixth replenishment over a 3-year period. In its report on the supplemental appropriation bill for fiscal year 1981, which contained the first contribution for IDA VI, the Committee made it clear that it was not going to support a level of funding over the 3-year period in excess of the amount which was provided under the fifth replenishment. That amount is $2.4 billion. The Committee is pleased that the administration has recognized that a 3-year payment period is too short and has therefore supported a 4-year stretch-out.

In accordance with the Committee's position, as stated in the report accompanying the fiscal year 1981 supplemental bill, a position which was adopted by the Senate, it recommends the appropriation of $532 million.

Tables reflecting historical U.S. contributions to the International Development Association, as well as the current replenishment of IDA, follow:

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Actual U.S. Contributions to the International Development Association—[Dollars in millions]

Fiscal years 1974–80	Total	U.S. share	U.S. percent of total
Contribution	$18,956.9	$6,233	32.9

INTERNATIONAL DEVELOPMENT ASSOCIATION

6th Replenishment—[Dollars in millions]

	Total replenishment (all members)	U.S. share [1]	United States as percent of total	Appropriated of U.S. share	Appropriated percent of U.S. share
6th replenishment	$12,000.0	$3,240.0	27.0	0	0

[1] Authorization pending.

ASIAN DEVELOPMENT BANK

Appropriation, 1981	$139,611,996
Budget request, 1982	116,211,948
House allowance	117,295,314
Committee recommendation	123,811,720

The administration's budget request for the Asian Development Bank totals $116,211,948, of which $4,961,948 is for paid-in capital and $111,250,000 is for the Development Fund, the Asian Development Bank's soft loan window.

The Asian Development Bank continues to be the best managed of the mutlilateral development banks. The Committee would encourage the administration to take a hard look at this institution with an eye toward recommending to the other banks that they follow ADB's example.

The Committee recommends the appropriation of $123,811,720, of which $4,713,851 is for paid-in capital and $119,097,869 is for the Development Fund.

Tables reflecting historical U.S. contributions to the Asian Development Bank, as well as the current replenishment follow:

ASIAN DEVELOPMENT BANK

ACTUAL U.S. SUBSCRIPTIONS/CONTRIBUTIONS

[Dollars in millions]

Through fiscal year 1980	Total	U.S. share	U.S. percent of total
Paid-in	$1,641.8	$222.3	13.5
Callable	6,628.8	897.1	13.5
Asian Development Fund	2,485.7	381.2	15.3
Bank total	10,754.3	1,500.7	13.9

CURRENT REPLENISHMENT

[Dollars in millions]

	Total authorized (all members)	U.S. share	U.S. percent of total	U.S. share appropriated
Paid-in	$500.4	$81.4	16.3	$51.6
Callable	4,503.5	732.8	16.3	464.6
Asian Development Fund	2,150.0	[1] 445.0	20.7	.....

[1] $378.3 ADF authorized in fiscal year 1980. Authorizing legislation for remainder pending.

The Committee is recommending bill language which will provide the necessary authority for the United States to subscribe to $42,632,409 of callable capital.

AFRICAN DEVELOPMENT FUND

Appropriation, 1981	$41,666,667
Budget request, 1982	58,333,333
House allowance	58,333,333
Committee recommendation	41,666,667

The administration's budget request for the African Development Fund for fiscal year 1982 totals $58,333,333.

The African Development Fund, while associated with the African Development Bank, is a separate institution with separate decisionmaking processes. The Fund provides concessional loans to the least developed countries in Africa.

The Committee recommends the appropriation of $41,666,667, the same as provided in the previous fiscal year.

Tables reflecting historical U.S. contributions to the African Development Fund, as well as the current replenishment follow:

AFRICAN DEVELOPMENT FUND

ACTUAL U.S. CONTRIBUTIONS TO AFRICAN DEVELOPMENT FUND

[Dollars in millions]

Fiscal years 1974–80	Total	U.S. share	U.S. percent of total
Contribution	[1] $757.1	$75	9.9

[1] Converted from fund units of accounts (FUA) at one FUA equal to United States $1.11.

CURRENT REPLENISHMENT

[Dollars in millions]

	Total authorized (all members)	U.S. share	U.S. percent of total	Appropriated of U.S. share	Appropriated as percent of U.S. share
2d replenishment	$735	$125	17	$25	20

AFRICAN DEVELOPMENT BANK

Appropriation, 1981	$17,986,679
Budget request, 1982	
House allowance	
Committee recommendation	

The administration has not requested, nor has the Committee provided, any funds for the African Development Bank in fiscal year 1982.

Until the African Development Bank has voted to allow non-regional members to become members of that Bank, there is no reason to go forward with any appropriations. The Committee is prepared to reconsider its position should this situation change.

The Committee is providing information on the current capital subscriptions and proposed capital subscriptions to the African Development Bank:

AFRICAN DEVELOPMENT BANK

ACTUAL U.S. SUBSCRIPTIONS

[Dollars in millions]

Current capital subscriptions	Total	U.S. share	U.S. percent of total
Paid-in	$367.9		
Callable	1,103.8		
Total	1,471.7		

Proposed capital subscriptions	Total	U.S. share	U.S. percent of total	U.S. share appropriated
Paid-in	$1,215.4	$89.9	7.4	
Callable	3,646.2	259.8	7.4	
Total	4,861.6	359.7	7.4	

This news item appeared on page 30 of the September 18, 1981 issue of:

The Wall Street Journal

The Trouble With the World Bank

By Jerry Lewis

This summer, Congress authorized U.S. participation in a general capital increase for the World Bank which doubles its size to over $80 billion. Also authorized are additional U.S. payments of $3.24 billion to the International Development Association, the World Bank affiliate providing 50-year loans at no interest to impoverished nations, such as India and Red China. These actions, particularly the latter, have so divided the House of Representatives that for the third year in a row a foreign-aid appropriations bill may not pass Congress.

On one side of the battle over World Bank funding is the Reagan administration, congressional liberals and large commercial banks. The opposition consists of many of the President's staunchest supporters in Congress.

The administration supports the bank to honor non-binding foreign aid initiatives begun in the Carter years. Liberals want to maintain wealth redistribution programs from the West to the Third World. Commercial banks want their foreign loans protected by the World Bank's presence.

These are insufficient reasons for taxing U.S. citizens to send financial aid abroad. Before voting to spend more, we should be asking, What is the purpose of our foreign aid programs? Are there more efficient aid vehicles? What leads to economic development in poor nations? Can the World Bank stimulate these forces? Congress has spent little time examining these questions.

The World Bank and its affiliates have evolved into the major multilateral vehicle for expression of American interest in the developing world. Though denounced by Communists as a prime promoter of capitalistic ideas, the bank on closer examination is a decidedly noncapitalistic organization. It is owned and controlled by governments doing business with other governments. If it were a privately held development bank, financing marketplace rather than statist solutions, maybe there would be substance to the Communist criticism.

As the administration struggles to form a foreign aid policy, it would be refreshing to see the sense of innovation shown in reorienting domestic programs transferred to the international arena. Domestically we have just agreed to privatize the National Consumer Cooperative Bank. The concept of privatization is sound. Perhaps it could be applied to the World Bank to invigorate our maligned foreign-aid efforts.

Not an Effective Instrument

Recent U.S. foreign aid has a record of failure. The program is not an effective instrument capable of meeting U.S. objectives and helping friendly nations develop. This is due in part to lack of focus.

There has been no consistent set of humanitarian, political, economic or military goals to which U.S. aid was directed. Perhaps consistency wasn't wanted or felt necessary, since foreign aid was regarded as "walking around money" for the Secretary of State. From this perspective, the purpose of these funds was simply to influence foreign governments. What use was made of the money by the recipients was of secondary interest.

I reject this notion. If we are going to provide funds abroad, they should be given in a way that helps rather than hinders friendly economies. We should be supporting private enterprise over bureaucratic planning. And we should evaluate the effectiveness of our aid programs, not by the amount of money transferred but by results.

The World Bank is symptomatic of past shortcomings in the U.S. foreign aid program. Created by U.S. initiative after World War II to help finance reconstruction, the bank has transformed itself into a conduit for multilateral development assistance from economically mature countries to less developed countries (LDCs). From funding roads, dams, irrigation systems and electrical networks, the bank has shifted over 40% of its lending into what it calls new-style social projects to achieve "growth with equity." As a result the bank has become more involved with income redistribution, land reform, population control and other social issues.

The bank's critics contend that it has not promoted economic progress in the LDCs but has retarded it. In its zeal to move money from the West the bank has induced LDCs to accept uneconomic capital intensive and social engineering projects at the cost of increasing national debt, taxes and bureaucracy, while decreasing private sector activity.

One suggestion, which could permanently resolve some of the bank's major weaknesses, is to allow it to become a free-standing private financial institution.

The bank has been unable to foster the prime conditions for development—sound economic policies and stable political environments. Economic success stories such as the U.S., post-World War II Japan and West Germany, modern Taiwan, South Korea, Hong Kong and Singapore all have a common factor—reliance on private enterprise to organize most economic activity.

The World Bank could play an important role in LDC development if it would condition its loans on the elimination in Third World economies of price controls, nationalized industries, high tax rates, government subsidies, state monopolies, trade restrictions and impediments to private capital flows.

The Reagan administration recognizes this and is trying to turn the multilateral banks into positive forces for LDC development. For example, there is the recent U.S. veto of a concessional Inter-American Development Bank loan to Guyana, which wanted a subsidized loan to aid its ailing rice farmers. The U.S. Treasury pointed out that rice farmers would be better served by eliminating Guyanese government pricing regulations, a main cause of the poor rice production.

But the administration faces serious pitfalls in improving the performance of the World Bank. It is unlikely that less market-oriented major members such as France and Canada would allow the bank to enforce stringent free-market principles as conditions for receiving loans. Moreover, many of the bank's staff are hostile to marketplace solutions and the over-emphasis on external capital flows as the key factor in development.

One suggestion, which could permanently resolve some of the bank's major weaknesses, is to allow it to become a free-standing private financial institution. It would remain the flagship of development banks, but it no longer would have a direct pipeline into the treasuries of Western nations for subsidized capital replenishments. More importantly a private World Bank would have an entirely changed incentive structure to mandate lending policies more conducive to economic development.

Proponents of the bank point to the soundness of its lending, its efficient operations, its earnings and now, to its new private enterprise-oriented president. These are the essential elements of a successful private financial institution.

Discipline of Market Forces

Privatizing the bank would subject it to the discipline of market forces; it could attract capital to lend to LDCs only for projects deemed worthwhile by the market. As a private bank it would no longer receive capital infusions from governments, and its viability and growth would depend on its ability to earn a profit on the spread between its borrowing and lending rates.

As long as the bank paid sufficient dividends to stockholders, it could channel any amount of capital to LDCs of its choice without criticism by outsiders and without burdening taxpayers in developed nations. A private World Bank could also increase its one-to-one gearing ratio of loans to capital, to expand its lending without going through the difficult process of requesting replenishments of capital from owner nations.

No longer would the bank have an incentive to move ever-increasing amounts of money. It would have to ensure that its loan projects were productive and that conditions in borrowing nations were conducive to economic growth, and thus repayment. Just as private banks scrutinize the financial standing of loan applicants and may recommend changes in balance sheets to obtain loan approvals, a private World Bank could condition its loans on changes in LDC economic policies which retard growth.

Of course the reorganization of the World Bank would be complex, but research indicates it is feasible. For example current "soft" or zero interest loans and social lending projects of the bank which are not attractive to private capital, to the extent they are worthwhile, could be carried out through expanded bilateral aid programs or new, more effective multilateral grant efforts. After some restructuring of its portfolio, the stock of the bank could be traded on public stock exchanges and be an attractive investment.

Privatizing the World Bank is one idea which may help put focus in our ineffective and seemingly aimless foreign-aid programs. The goal is to increase international stability by promoting sound economic development. While U.S. concern for the world's less fortunate is a legitimate foreign policy objective, this concern has yet to be translated into programs that work. New ideas are needed. The basic premises of existing aid efforts require prompt re-examination. Programs that prove ineffective must be halted if American taxpayers are to get a fair return for their foreign aid sacrifices.

Mr. Lewis, Republican Congressman from California, is a member of the House Foreign Operations Subcommittee of the Appropriations Committee, which approves U.S. funding for the World Bank.

This is the Complete Article Quoted in Earlier Development News

IMF TO LOAN INDIA $5.6 BILLION

HON. JERRY LEWIS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Friday, November 6, 1981

● Mr. LEWIS. Mr. Speaker, it has come to my attention that the International Monetary Fund (IMF) will vote next Monday to approve the largest loan in its history. The recipient is India, which will receive $5.6 billion over 3 years at a below market rate of interest in the range of 10 percent. Unlike most IMF loans which have a maturity of 3 to 5 years and are for short-term balance-of-payments problems, this is a 4- to 10-year loan with the proceeds being used for other purposes.

This loan raises a number of concerns which I would like to bring to the attention of my colleagues. First, India is perhaps the best example of a country obtaining large amounts of U.S. aid who frequently opposes and works against U.S. foreign policies, and does so with impunity. For example, India has developed close military ties with the Soviet Union, exploded a nuclear weapon, refused to condemn the Soviet invasion of Afghanistan, and most recently approved a communique of nonalined countries which maliciously attacked the good name of the United States. Yet we continue to participate in expanded aid programs to this nation. It is as if we are saying to the world, particularly to the Third World, that there is no price to pay for opposition, however unreasonable, to U.S. foreign policies.

Second, India has become one of the largest beneficiaries of foreign aid and subsidized credit. This is so despite the fact that India could borrow substantial sums in private credit markets. The Indian Government has taken the sensible, but selfish, position of obtaining all the concessional loans and grants possible. Why borrow money when you can get it free? However, not only does this Indian policy crowd out the credit requirements of more needy nations, but it creates a nearly insatiable demand for expanded U.S. foreign aid.

Third, this loan will allow the Indian Government to further tighten its control over its private sector. The proceeds of the loan, in part, will be used for increased government investments in domestic industries. A large amount of the blame for the poor performance of the Indian economy can be attributed to harmful self-inflicted economic policies such as price controls, exchange rate controls, subsidies and nationalized industries. Foreign aid and concessional loans have been helping finance these unsound economic policies.

Fourth, India has been the largest borrower from the International Development Association (IDA) of the World Bank. IDA, which is undergoing a major expansion, provides 50-year credits at zero interest to the most impoverished countries. India has received 40 percent of all IDA lending. It appears inconsistent for IDA's largest borrower to be receiving the IMF's largest loan with these terms. India's ability to obtain such a loan would indicate that is no longer needs to remain an IDA borrower.

Finally, there is the concern that the IMF may be changing its role from an organization which has aided nations in mitigating short-term balance-of-payments problems. The World Bank has generated much criticism for moving away from hard development lending and toward international welfare. Certainly there should be widespread opposition to the IMF's moving in a similar direction, yet a 4- to 10-year loan at concessional interest rates would imply that it may indeed be also moving to become another international welfare institution.

Last year the U.S. provided an appropriation of some $5.5 billion to the IMF. I am certain this action would not have been taken if there had been any idea that we would be confronted with a $5.6 billion IMF loan to India the following year.

It is my understanding that the administration has yet to adopt a position for Monday's vote. I would urge my colleagues to make their views known on this matter.●

Ml Cong.

December 10, 1981

Dear Mr. Sanders:

Thank you very much for a copy of Chuck Percy's floor statement vis-a-vis an increase in the 1982 contribution to IDA. He said it well and all of us at The World Bank are grateful to him.

Please convey my thanks to Senator Percy for sending me his statements and for his continued and outspoken support.

Sincerely,

A.W. Clausen

Mr. Edward G. Sanders
Staff Director
United States Senate
Committee on Foreign Relations
Washington, D.C. 20510

cc:P.Riddleberger-w/copy inc.

HH:bli

United States Senate

COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, D.C. 20510

November 25, 1981

Mr. Thomas Clausen
World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Clausen:

Senator Percy asked that I send copies of his recent floor statement on the importance of increasing our 1982 contribution to IDA. We will continue to push for the full appropriation, but recognize that it will be a steep uphill struggle.

Senator Percy would appreciate any thoughts you might have as to how he could be helpful in that effort.

Sincerely,

Edward G. Sanders
Staff Director

EGS/mc

Enclosure

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OFFICE OF THE PRESIDENT

cator of U.S. willingness to assert a leadership role in the multilateral institutions.

With best wishes.

Sincerely,

DONALD T. REGAN.

Mr. INOUYE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. MATHIAS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MATHIAS. Mr. President, I have the greatest respect for the judgment of the chairman of the subcommittee, the manager of the bill, and I appreciate the arguments that he has made here this afternoon in support of his position, arguments that I think reflect the austerity of the times and the difficult economic situation with which these United States find themselves.

But I feel that in the final analysis I have to come down on the side of the Senator from Hawaii, who has presented I think the stark reality of this situation.

We are not only in tough times in the United States, but we are in tough times in the world, and there has never been a time when it has been more important for us to be able to communicate in an effective and pragmatic way with the rest of the world, and that really is what is at issue here.

It is arming the President, arming the Government of the United States in order to be effective in the world.

What the Senator from Hawaii is doing is merely pressing the budget requests that have been made by the President. I do not think anyone who is familiar with the general policy and position of the Reagan administration would accuse this administration of being spendthrifts. I do not think that anyone would accuse this administration of wasting money deliberately.

And the amendment of the Senator from Hawaii really reflects the careful judgment of the President and Secretary of State and the other responsible officials of the administration.

I believe that this is a budget request that should be taken just as seriously as the request for any weapons system that we propose to add to our arsenal. We should take it just as seriously as any budget request for a defense item because the security of the United States depends upon a great number of things, and among those factors that affect our security and our vital interests are economic factors that can be heavily influenced by the kind of investment which is represented by the President's budget request.

I think we should keep firmly in mind that that is what we are talking about. We are not talking about some wild expenditure that is being proposed as an individual wish by a Member of the Senate. We are talking about the official request of the President as expressed in his budget.

That budget carefully considered, reduced to a bare minimum, reflects the judgment of the highest officials of Government as to what is necessary for our security and for the protection of our vital interests.

This is not an eleemosynary act. This is not some charity that we are proposing. This is an expenditure to promote the vital interests of this country and I think that is the way the Senator from Hawaii has expressed it.

Therefore, I think that it not only makes eminently good sense to support the amendment of the Senator from Hawaii, but that it also is a necessary thing to do, necessary in the judgment of the President, necessary in the judgment of the Secretary of State, and I think necessary in the judgment of any American who takes a realistic view of the world as it is today and as it is likely to be tomorrow.

So, Mr. President, I intend to vote in favor of the amendment of the Senator from Hawaii.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. PERCY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PERCY. Mr. President, I want to commend my distinguished colleague from Hawaii who certainly, although he did not sit in on the months of deliberations and many, many sessions we had with David Stockman and others in the administration on IDA, has alertly gathered the spirit of the matter.

If we do not fulfill the President's request in this regard, we are going to unnecessarily bring up all kinds of questions as to what our intentions really are. After all, this agreement was worked out after many, many, many months of negotiating with 32 countries, and we have now taken a 3-year program and stretched it out to over 4, backloaded heavily in the final years.

I think the intention and good faith of the United States would be subject to considerable question around the world if the Senate now simply preempted the President on this and destroyed the careful continuity that has been worked out and the negotiating process that has brought us to the stage that we agreed to with the Senate authorizing committee and the President.

There are a number of reasons to support an amendment to bring our contribution to IDA up to the President's request level. These include the importance of IDA's role in furthering development, our strategic interest in many of the countries which receive loans from IDA, and maintenance of U.S. negotiating credibility with our allies.

IDA lends to the poorest countries on Earth. I am in complete accord with the President's view that developing countries must increasingly rely on investment and lending from the private sector. However, many of the countries which receive loans from IDA have not yet reached the stage where they are attractive risks for that sector. They need more educated labor forces, and a minimal infrastructure of basic roads, power, water, and food production before they will be able to attract much private capital. IDA loans help these countries meet some of these requirements.

I speak, having had some 25 years of experience in investing in countries abroad. I can assure those who are urging us to invest in those countries, I can say that until such time as there is that basic infrastructure, which no private sector can privately finance, they are not going to be prepared. So what we need to do is to put the seed money in that will attract that private capital, that will attract the technology and know-how that will flow once the basic needs have been met, and that is the whole purpose of IDA. That was the original concept from the beginning. It has worked wondrously well. It has taken certain economies that were at one time desperate up to the stage where they are now attractive for private loans, attractive for private investment, attracting not only capital but technology and know-how to their countries; and IDA can literally phase itself out of those countries and the private sector can take over. But we have a lot of countries today that are a long ways from that, and they need our help.

Many of the countries which receive assistance from IDA are of strategic importance to the United States, including Pakistan, Kenya, and the Sudan. We are increasing our bilateral assistance to some of these countries to help them defend themselves against external aggression and improve the lives of their citizens. It hardly makes sense to imperil a multilateral program which provides these same countries with financing from many countries.

Let us just take Pakistan alone. Both administrations, the Carter administration and the Reagan administration, both independently studying this situation of a nation that is strategic to us; a nation beset on one side with an invasion of Afghanistan; endangered because of the Iran-Iraq war, and put in a particularly strategic position because of total change in the evolutionary, revolutionary, process that is going on in Iran. We now are reaching out on a bilateral basis. Two U.S. administrations in a row, have believed it worthwhile to provide military and economic assistance to Pakistan, to bolster it up and give it a sense of security that it desperately needs right at this time.

How much better for us to be able to go to them and, with part of this loan and aid assistance that they need, do it through the World Bank? We know what happens when we bilaterally provide money to countries. Look at the billions of dollars that were forgiven in India alone.

There have not been defaults on the World Bank. There will not be defaults because they value highly the credit rating they have with an international organization of that stature. But many, many times there is resentment built up when we are doing these things and making loans that more properly could be done through the multilateral banks.

Further delay in meeting expected U.S. contributions to the IDA replenishment

will seriously call into question the good faith and dependability of the United States. The United States took an extra year to finally authorize our participation in the replenishment. During that time, in order to allow IDA to keep making commitments, other industrial countries advanced $1.5 billion in their own funds, even though they had the clear legal right to withhold their contributions until the United States was ready to meet its obligations. They have decided not to do this any longer. This means that every dollar we withhold from IDA results in an additional $2.7 billion being withheld by other countries. Thus, cutting the President's request by $300 million results in a total restriction on IDA lending of $1.1 billion.

This kind of disregard for our commitments to other industrial countries and to the financial impact on the poorest countries in the world will clearly have an impact on our credibility in other areas. We seek the cooperation of both industrial countries and developing countries in many areas which are important to us, ranging from defense relationships to international efforts to deal with communications and environment. If we seem to be capricious and undependable in one area, we are likely to undercut our negotiating ability in others.

I can simply say that if the Senate does this today, if we undercut the President's program, there was no use going to Cancun. All of the work that he did down there, a one-on-one basis with some 20 country leaders, would be for naught if we reverse it, if we show that he is so impotent that he cannot make a commitment of this kind, negotiated over many months by a previous administration and endorsed by this administration. We simply cannot undercut the President of the United States in this area.

And, as the arithmetic shows, it would really work adversely to the interest of the United States of America if we did so.

So I commend my distinguished colleague for his amendment. I urge that the amendment be accepted by the floor manager of the bill, Senator KASTEN, with whom we have all enjoyed working in these areas. We admire the tough-fisted and hardheaded approach in these areas. Someone has to be in that position. In this case, however, I do think when other hardheads, along with his—Secretary of Treasury Regan, Secretary Haig, Judge Clark, and David Stockman, himself—when they all have concurred that the basic program that they have laid out and that we have somewhat modified is the bottom line in this area, I think we ought to back them up and support them.

Mr. KASTEN addressed the Chair.

The PRESIDING OFFICER (Mr. COCHRAN). The Senator from Wisconsin.

Mr. KASTEN. Mr. President, I would like to thank the Senator from Illinois for his kind comments and to say that it has been my pleasure in working with him. I unfortunately find myself in opposition with him on this particular issue, although I do not disagree with anything the Senator has said in his strong statement on behalf of increased IDA funding.

The fact is, Mr. President, that we are in a difficult financial position. And I think that the proponents of IDA, frankly, should be satisfied that we are at the level that we have had last year, and that, of course, is the Senate position.

The fact of the matter is that we have found ourselves cutting all sorts of programs—domestic programs, programs which are hitting American citizens. And there is not support, at least not in this Senator's State—and I am not so sure there is much support at plant gates or among people anywhere in this country—to increase funds in this particular area at a time when we are cutting back spending in so many others.

I would also like to remind the various proponents that this is the Senate position; it is the Appropriations Committee position. But we are going to conference. And I think that with our position at this particular level, our position being that we ought not to increase the funding for the soft-loan window of the World Bank, but we should not decry it either. Their position has been for huge increases. And somewhere in between, I think we might find a ground that would be a whole lot more acceptable to the distinguished chairman of the Foreign Relations Committee and also to the ranking minority member of this committee.

But I cannot, Mr. President, agree to this amendment and I must reluctantly, despite my strong respect for the leadership on both sides of the aisle of the Foreign Relations Committee, I must reluctantly oppose this amendment at this time.

● Mr. DANFORTH. Mr. President, I wish to express my support for the amendment offered by the Senator from Hawaii. The amendment would reinstate the full $820 million requested by the administration for the U.S. contribution to the International Development Agency (IDA VI) in fiscal year 1982. The amount of money appropriated by the Committee on Appropriations for this purpose, $828 million less than the previously reduced administration request, falls far short of American obligations and threatens once again to damage our credibility as a reliable participant in international development assistance efforts.

I oppose this reduction in our fiscal year 1982 contribution for the same reasons I opposed a similar reduction proposed by the Appropriations Committee in May during consideration of the Supplemental Appropriations and Rescission Act of 1981 (H.R. 3512). These reasons include:

First, the United States made a commitment in 1979 to contribute a specific amount to IDA. Our credibility is at stake. The administration has already made a major change in that commitment by stretching out our payments. Another reduction in this installment would once again bring into question our ability to live up to this international obligation.

Second, we must not lose sight of the facts and purpose behind the number being debated. We are talking about the U.S. contribution to an organization that we helped create over 20 years ago, an organization that loans money to the poorest of the world's poor so that they might develop, so that they might grow enough to feed themselves.

Finally, the amendment is fully supported by the administration. These are not numbers that someone pulled out of a hat. They are the product of much thought and extended consultation with our allies.

Take a closer look at IDA.

A multilateral development bank, IDA offers low-interest loans to the world's poorest countries. Almost 75 percent of the lending now goes to the countries with a per capita income of less than $360.

IDA loans are targeted to the lowest income groups within the recipient countries, aimed at increasing prospects for long-term self-sufficiency. The loans are repaid in full by borrowers and the money is recycled.

Almost one-half of the loans are used to advance agriculture and rural development, and to increase badly needed food production.

More than 30 percent of IDA lending goes to African nations, with such important countries as Egypt, Kenya, Pakistan, and the Sudan highly dependent on the program.

It is important to note that IDA VI, the sixth replenishment of the International Development Association, represents an international agreement, a commitment by our Government to 32 other donor countries. In December 1979, all of the donor countries agreed on a $12 billion replenishment for 3 years beginning July 1, 1980.

The U.S. share of the arrangement is $3.24 billion, or 27 percent of the total. This is a decline from our 42-percent share at the inception of IDA.

IDA VI lending was already delayed by 1 year pending approval of the U.S. commitment. By the time the United States got around to offering our first installment, other participant countries had already finalized their offers and had even advanced IDA $1.9 billion. But the IDA cannot continue lending under an annual threat of the United States reneging on its agreed share.

The U.S. contribution of $500 million for the first installment was already less than half the amount proposed by the last administration. Instead of paying off our share in three equal installments of $1.080 million as originally anticipated, we will now be stretching our payments to 4 years. This change has already led some to question our commitment. The further reduction proposed by the Appropriations Committee further jeopardizes our participation in the replenishment effort.

The United States has always prided itself for being a tried and true leader in the international economic scene. I simply cannot understand why the committee is willing to jeopardize that position once again.

The President reaffirmed the administration's support of multilateral institutions in Cancun last month. We should and must stand by these obligations.●

December 1, 1981

Dear Messrs. Richmond and Evans:

Thank you for your letter inviting me to serve on the Advisory Council of the Congressional Arts Caucus Education Program.

While I personally applaud your goal of strengthening private support for the arts and humanities, I am sure you will understand that as President of the World Bank — a specialized United Nations agency with 141 member governments — it would be inappropriate for me, as an international civil servant, to be associated with national organizations which follow particular legialative subjects, even if their activities are as worthwhile as yours.

Nevertheless, I wish you every success with your program.

Sincerely,

(Signed) A. W. Clausen AWC

Mr. Fred Richmond
Chairman
Mr. Tom Evans
Vice-Chairman
Congressional Arts Caucus Education
Program
2441 California St., N.W.
Washington, D.C. 20008

JLMaddux:mwm
November 19, 1981

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Congressional Arts Caucus Education Program

Washington, D.C. 20008

Congressman Fred Richmond
Chairman

Congressman Thomas B. Evans
Vice-Chairman

Phyllis Wyeth
Secretary

Jack deSimone
Treasurer

2441 California St., N.W.
(202) 226-2456

November 6, 1981

A. W. Clausen, President
World Bank
1818 H Street, NW
Room 51227
Washington, DC 20433

Dear Mr. Clausen:

As Chairman and Vice-Chairman of the Congressional Arts Caucus Education Program, we hope you will join our Advisory Council with other distinguished artists and arts supporters. Our goal is to include the leaders of all the arts disciplines and organizations in America so that we will truly represent the arts community. You will help us to achieve this goal.

We expect each Advisory Council member individually to define his or her degree of involvement. Because of your active and personal commitment to the arts, we believe that your association will, in itself, encourage additional membership and strengthen our Program. We know that your advice will be invaluable.

The Education Program -- the nonprofit, research arm of the 154-member Congressional Arts Caucus -- was initiated to inform the national arts community of the legislation and issues affecting the arts. It was launched this June in response to requests for information from arts supporters throughout the country. We have already published two newsletters, and are establishing a Speakers' Bureau and a Clearinghouse on Arts Legislation.

Our membership drive for the Education Program has now generated the support of 3,000 individuals. These people, who come from every sector of society and represent all walks of life, are deeply concerned about the future of the arts in America.

We are enclosing some material on the Program. If you have any questions or need additional information, please contact Ms. Rhoda Glickman, Director of the Education Program, at (202) 226-2456.

Because of today's challenges facing the arts, we need an expression of your interest now more than ever. Please complete the enclosed form and return it in the postage paid envelope.

Your sensitivity and personal awareness will be critical in helping us strengthen the arts community. Together we can generate a deeper national commitment to the arts in America.

We look forward to hearing from you soon. Thank you for your interest and consideration.

Yours sincerely,

Fred Richmond
Chairman

Tom Evans
Vice-Chairman

FWR:rg

Enclosures

Congressional Arts Caucus Education Program
Washington, D.C. 20008

Congressman Fred Richmond
Chairman

Congressman Thomas B. Evans
Vice-Chairman

Phyllis Wyeth
Secretary

Jack deSimone
Treasurer

2441 California St., N.W.
(202) 226-2456

CONGRESSIONAL ARTS CAUCUS EDUCATION PROGRAM

Purpose

The Congressional Arts Caucus Education Program is a nonprofit, tax-exempt organization which provides information concerning the progress of arts legislation in Congress and issues which affect the arts community.

Background

Because of the growing public awareness of the importance of the arts in society, the Congressional Arts Caucus was launched in December 1980--the first time in history that such a caucus was formed. Within three months, more than 130 Members had joined the Caucus, making it one of the largest caucuses in Congress. Currently, there are 157 Members from 39 States, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, and American Samoa.

During the first few months of its existence, the Arts Caucus received numerous letters and telephone calls requesting information from persons across the country. In order to serve this constituency the Congressional Arts Caucus Education Program was formed. Over 3000 persons joined the Program during the initial membership drive. These persons receive Capitol Arts Report, a newsletter providing up-to-date information on the status of arts legislation.

Membership

The Congressional Arts Caucus Education Program, which has the bipartisan support of over 150 Members of the United States Congress, is open to anyone who shares a concern for the role of the arts in America.

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WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. A. W. Clausen
(through Mr. M. P. Benjenk)

DATE: October 6, 1981

FROM: Peter Riddleberger

SUBJECT: Congressional Correspondence

I attach letters to a number of key members of Congress enclosing your Annual Meetings speech.

In addition to those requested by you, I include other Chairmen and Ranking Minority members of those Subcommittees which have responsibility for World Bank legislation.

I also attach a letter to Wall Street Journal Editor Bob Bartley.

Attachments

PR:sb

October 6, 1981

Dear Sil:

I enclose the text of my first speech to the delegates of last week's World Bank/International Monetary Fund Annual Meetings. In it I spell out what the priorities of the Bank should be over the next few years, and draw special attention to the needs for increased energy and food production.

My hope is that both public and private investment in developing nations will be used in the most efficient and effective way.

I would welcome your comments.

Sincerely,

A. W. Clausen

The Honorable
Silvio O. Conte
2300 Rayburn House Office Bldg.
Washington, D.C. 20515

October 6, 1981

Dear Jack:

I enclose the text of my first speech to the delegates of last week's World Bank/International Monetary Fund Annual Meetings. In it I spell out what the priorities of the Bank should be over the next few years, and draw special attention to the needs for increased energy and food production.

My hope is that both public and private investment in developing nations will be used in the most efficient and effective way.

I would welcome your comments.

Sincerely,

A. W. Clausen

The Honorable
Jack F. Kemp
2235 Rayburn House Office Bldg.
Washington, D.C. 20515

cc: Mr. Clausen's Office

PR:sb

October 6, 1981

Dear Jerry:

I enclose the text of my first speech to the delegates of last week's World Bank/International Monetary Fund Annual Meetings. In it I spell out what the priorities of the Bank should be over the next few years, and draw special attention to the needs for increased energy and food production.

My hope is that both public and private investment in developing nations will be used in the most efficient and effective way.

I would welcome your comments.

Sincerely,

A. W. Clausen

The Honorable
Jerry Lewis
327 Cannon House Office Bldg.
Washington, D.C. 20515

cc: Mr. Clausen's Office

PR:sb

October 6, 1981

Dear Mr. Long:

I enclose the text of my first speech to the delegates of last week's World Bank/International Monetary Fund Annual Meetings. In it I spell out what the priorities of the Bank should be over the next few years, and draw special attention to the needs for increased energy and food production.

My hope is that both public and private investment in developing nations will be used in the most efficient and effective way.

I would welcome your comments.

Sincerely,

A. W. Clausen

The Honorable
Clarence D. Long
Chairman, Subcommittee on Foreign
Operations
2407 Rayburn House Office Bldg.
Washington, D.C. 20515

cc: Mr. Clausen's Office

PR:sb

October 6, 1981

Jerry

Dear Mr. Patterson:

I enclose the text of my first speech to the delegates of last week's World Bank/International Monetary Fund Annual Meetings. In it I spell out what the priorities of the Bank should be over the next few years, and draw special attention to the needs for increased energy and food production.

My hope is that both public and private investment in developing nations will be used in the most efficient and effective way.

I would welcome your comments.

Sincerely,

A. W. Clausen

The Honorable
Jerry M. Patterson
Chairman, Subcommittee on International
Development Institutions and Finance
2238 Rayburn House Office Bldg.
Washington, D.C. 20515

cc: Mr. Clausen's Office

PR:sb

October 6, 1981

Dear Mr. Evans:

I enclose the text of my first speech to the delegates of last week's World Bank/International Monetary Fund Annual Meetings. In it I spell out what the priorities of the Bank should be over the next few years, and draw special attention to the needs for increased energy and food production.

My hope is that both public and private investment in developing nations will be used in the most efficient and effective way.

I would welcome your comments.

Sincerely,

A. W. Clausen

The Honorable
Thomas B. Evans, Jr.
316 Cannon House Office Bldg.
Washington, D.C. 20515

cc: Mr. Clausen's Office

PR:sb

October 6, 1981

Dear Senator Kasten:

I enclose the text of my first speech to the delegates of last week's World Bank/International Monetary Fund Annual Meetings. In it I spell out what the priorities of the Bank should be over the next few years, and draw special attention to the needs for increased energy and food production.

My hope is that both public and private investment in developing nations will be used in the most efficient and effective way.

I would welcome your comments.

Sincerely,

A. W. Clausen

The Honorable
Robert W. Kasten, Jr.
Chairman, Subcommittee on Foreign
Operations
221 Russell Senate Office Bldg.
Washington, D.C. 20510

cc: Mr. Clausen's Office

PR:sb

October 6, 1981

Dear Senator Inouye:

I enclose the text of my first speech to the delegates of last week's World Bank/International Monetary Fund Annual Meetings. In it I spell out what the priorities of the Bank should be over the next few years, and draw special attention to the needs for increased energy and food production.

My hope is that both public and private investment in developing nations will be used in the most efficient and effective way.

I would welcome your comments.

Sincerely,

A. W. Clausen

The Honorable
Daniel K. Inouye
105 Russell Senate Office Bldg.
Washington, D.C. 20510

cc: Mr. Clausen's Office

PR:sb

October 6, 1981

Dear Senator Dodd:

I enclose the text of my first speech to the delegates of last week's World Bank/International Monetary Fund Annual Meetings. In it I spell out what the priorities of the Bank should be over the next few years, and draw special attention to the needs for increased energy and food production.

My hope is that both public and private investment in developing nations will be used in the most efficient and effective way.

I would welcome your comments.

Sincerely,

TC

A. W. Clausen

The Honorable
Christopher J. Dodd
363 Russell Senate Office Bldg.
Washington, D.C. 20510

cc: Mr. Clausen's Office

PR:sb

October 6, 1981

Dear Senator Mathias:

I enclose the text of my first speech to the delegates of last week's World Bank/International Monetary Fund Annual Meetings. In it I spell out what the priorities of the Bank should be over the next few years, and draw special attention to the needs for increased energy and food production.

My hope is that both public and private investment in developing nations will be used in the most efficient and effective way.

I would welcome your comments.

Sincerely,

A. W. Clausen

The Honorable
Charles McC. Mathias, Jr.
Chairman, Subcommittee on International
Economic Policy
358 Russell Senate Office Bldg.
Washington, D.C. 20510

cc: Mr. Clausen's Office

PR:sb

October 6, 1981

Dear Paul:

I enclose the text of my first speech to the delegates of last week's World Bank/International Monetary Fund Annual Meetings. In it I spell out what the priorities of the Bank should be over the next few years, and draw special attention to the needs for increased energy and food production.

My hope is that both public and private investment in developing nations will be used in the most efficient and effective way.

I would welcome your comments.

Sincerely,

A. W. Clausen

The Honorable
Paul Laxalt
315 Russell Senate Office Bldg.
Washington, D.C. 20510

cc: Mr. Clausen's Office

PR:sb

October 6, 1981

Dear Bill:

I enclose the text of my first speech to the delegates of last week's World Bank/International Monetary Fund Annual Meetings. In it I spell out what the priorities of the Bank should be over the next few years, and draw special attention to the needs for increased energy and food production.

My hope is that both public and private investment in developing nations will be used in the most efficient and effective way.

I would welcome your comments.

Sincerely,

A. W. Clausen

The Honorable
C.W. Bill Young
2266 Rayburn House Office Bldg.
Washington, D.C. 20515

cc: Mr. Clausen's Office

PR:sb

September 24, 1981

Dear Lou:

Thanks for your note and the engaging copy of the review of Paper Money. Reading it, I couldn't help but imagine myself as one of those exogenous variables that doesn't fit into the computer model.

How very much I am aware of and appreciate the support of the Hill's Joint Economic Committee. We could certainly use more of this kind of support. There is no question in my mind that one of my most critical tasks here is to promote understanding and backing of Bank programs in this country. I hope that we may depend upon friends like you to help others understand the important work the Bank Group is doing and the considerable benefits this work brings to America and its economy.

Warm regards.

Sincerely,

A. W. Clausen

Mr. Louis Krauthoff
Joint Economic Committee
Congress of the United States
Washington, D.C. 20510

DG:OL:ml

526

Congress of the United States

JOINT ECONOMIC COMMITTEE
(CREATED PURSUANT TO SEC. 5(a) OF PUBLIC LAW 304, 79TH CONGRESS)
WASHINGTON, D.C. 20510

Aug 28, 1981

Dear Tom -

Apropos of our conversation last night at the Jeffries, I am sure you will be interested and amused by this revised of Paper Money that I worked on with my friend, and sometimes boss, Dick Bolling.

As you may not know, our Committee has always been your strongest supporter on the hill. Our only three recommendations on foreign policy in our 1981 Annual Report were right down you alley. (See attached)

Please forgive the informal scribble, my secretary is on holiday.

Wishing you many years of good luck,

Sincerely

Lou Krauthoff

V. INTERNATIONAL ECONOMIC POLICY

Recommendation No. 30: International Financial Institutions

We support an enlarged role for the International Monetary Fund and the World Bank to deal with oil-induced economic adjustment, and we support an enlarged role for oil-exporting nations in programs administered by these institutions.

The world economy has adjusted in the short term about as well as could be expected to the huge 1979 OPEC price hikes and to the more modest increases that occurred in 1980. However, the extent of the adjustment and accommodation to these oil price increases has been far from uniform. Thus, the non-oil exporting Less Developed Countries (LDC's) have experienced mounting payments problems of disturbing proportions. Ten years ago, the debt service payments of the 12 major non-oil exporting LDC's totaled $1.1 billion, about 6 percent of export earnings. In 1980, after a decade of sharply mounting oil prices, such payments totaled $16 billion, fully 16 percent of export earnings. Debt service payments could reach 21 percent of their export earnings in 1981. Since 1973, as much as one-half of the rise in debt has financed oil imports. The implications of these burdensome debt increases for the development programs of the LDC's are disturbing.

In response to the developments, the International Monetary Fund (IMF) and World Bank are expanding their aid and financing programs, and many commercial banks are rescheduling and increasing their loans. Such increased financial assistance is important, not only to the LDC's, but to the world economy generally. Moreover, oil-exporting nations should be encouraged to undertake a greater fraction of recycling in cooperation with the IMF and the World Bank.

Recommendation No. 31: Promote Worldwide Growth

The United States must work to foster economic growth and financial stability around the world, and particularly in the non-oil exporting LDC's, which now purchase 27 percent of our manufactured exports. We should support fair and reciprocal efforts to achieve freer and more open trade and capital flows in order to promote growth and adjustment in developed and developing countries.

Middle-income developing countries have joined Europe and Japan as key targets for American exporters. A substantial portion of total U.S. exports (35 percent in 1979) and an even higher percentage of manufactured exports (40 percent) are now destined for the developing world. The OPEC group has become an important market in itself (some 12 percent of U.S. exports), but the non-oil producing

Recommendation No. 29: Standby Wage-Price Control Authority

The Administration has disbanded the Council on Wage and Price Stability. While COWPS had lost effectiveness, the stubborn nature of the wage-price spiral may require some form of incomes policy. We are willing to support an Administration initiative for standby wage-price control authority. Such authority should only be invoked as part of a comprehensive anti-inflation strategy.[2]

The measures we have recommended so far in this chapter will help stabilize prices in the long run by reducing costs, increasing productivity, and by cutting the momentum of the core rate of inflation. While they should be implemented as soon as possible, we can expect them to have little short-term effect.

President Reagan has correctly recognized the importance of short-term symbolic actions to catch the public's attention as a prelude to a full-fledged assault on inflation. His hiring freeze, regulatory freeze, abolition of the Council on Wage-Price Stability and cuts in government travel and consulting have all contributed to a public expectation that dramatic and effective action against inflation will soon be forthcoming.

We applaud the intent of the President's initial actions and share the Administration's recognition that further steps may be necessary to root out deeply ingrained inflationary expectations. The American people have a long history of unfulfilled government promises to reduce inflation from past Administrations. They base their inflationary expectations much more on the inflation they observe in the supermarket and the department store, than on government pronouncements. The new President has proposed an extensive economic program which will be fully debated by the Congress. Yet, that program, if enacted, will operate on prices indirectly and with a lag at best and, therefore, may not effectively curb inflationary expectations. We believe that the Congress must cooperate with the President in fighting inflation and should not deny the President a full range of policy options for dealing with double digit inflation, including standby wage-price control authority if requested by him. Providing such authority, however, should be contingent upon the introduction of the comprehensive and productivity-enhancing anti-inflation program discussed above.

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[2] Senator Bentsen has provided additional views on this section at the end of this Report.

countries buy more than twice as much. For some industries, the developing country markets are critically important. In 1979, almost half (some $24 billion) of U.S. capital goods exports were destined for the developing world.

The United States is now so tied to the rest of the world that slow growth in the developing countries has become dangerous to our own domestic economic health. America has long responded to the plight of the world's poor with generosity and determination. The more recent emergence of the developing countries as a critical export market adds to the importance of a successful U.S. international development strategy.

After the first oil price shock in the early 1970's, many of the middle-income countries were able to maintain their growth plans by borrowing heavily in international capital markets. The latest jump in world energy prices, however, has seriously imperiled the economic prospects of non-oil producing members of the middle-income group. The existing debt burden and the growing reluctance of international banks to increase their lending to the developing world will make it more difficult to finance current account deficits.

Most of the middle-income countries are gradually adapting to higher energy prices. There has been an acceleration in the search for new sources of energy and an attempt to meet more of the oil burden through aggressive exporting. A severe cutback in the rate of economic growth could sharply reduce the demand for capital equipment with only modest savings in energy. With some international banks approaching their statutory lending limits and many channeling their funds to different markets, the middle-income countries will have to turn to the multilateral development banks and more importantly to the International Monetary Fund. Both the World Bank and the IMF have sought to adapt themselves to the new problem of long-term structural payments imbalances that have been a by-product of higher energy prices. The World Bank is increasing its emphasis on program rather than project lending and at the same time is moving to aid countries in planning for long-term structural adjustment.

Recommendation No. 32: Replenish IDA

> **World Bank lending to lower income developing countries has played a vital role in furthering international development. At the same time, it preserves a Western presence in many parts of the world and helps build the export markets of the next decade. The Congress should act favorably on the sixth replenishment of the International Development Association.**

For the OPEC or non-oil producing middle-income countries, the economic future depends upon putting new resources to efficient use or obtaining foreign capital to maintain domestic growth rates. The outlook for the lower income developing countries is considerably less bright.

During the 1970's, the per capita growth rates of the lower income countries (1.6 percent per year) lagged well behind the economic performance of the middle-income group. The likelihood of additional

increases in the real price of oil coupled with stagnant world demand for their exports will only compound their difficulties.

For the most part, lower income developing countries do not have ready access to international capital markets and often find even full cost World Bank loans beyond their means. Bilateral foreign assistance programs of the industrial countries and OPEC remain valuable sources of foreign exchange. In many cases, however, bilateral assistance funds have not kept pace with inflation.

Concessional loans from the World Bank and other multilateral development institutions have also become important to many lower income countries. The International Development Association (IDA), the soft loan affiliate of the World Bank, lent some $1.4 billion in fiscal year 1980.

Without a new infusion of capital, IDA will exhaust its current resources in March of 1981. The World Bank is seeking to augment IDA's lending capacity but cannot act without U.S. concurrence. Legislation authorizing U.S. participation in the sixth IDA replenishment passed the Senate last summer and should receive favorable consideration by Congress this year.

VI. REVIEW OF THE CURRENT SERVICES BUDGET AND THE PRESIDENT'S ECONOMIC GOALS

Current Services Budget

Section 300 of the Congressional Budget Reform and Impoundment Control Act requires the President to submit a Current Services Budget to Congress on or before November 10 of each year. This budget is intended to project the estimated budget authority and outlays needed to conduct existing programs under unchanged policies for the next fiscal year. To the extent mandated by law, these current services estimates take into account the impact of anticipated changes in economic conditions, such as unemployment, inflation, beneficiary level changes, pay increases, or benefit changes. Preparation of a Current Services Budget was mandated to provide the Congress with adequate information and a benchmark data base for use in assessing new budget proposals and in preparation of the budget for the next fiscal year.

To ensure availability of this data in a timely fashion, the Act originally required the Joint Economic Committee to report to the Budget Committees by December 31 with a review and evaluation of the estimates and economic assumptions utilized in the Current Services Budget. Compliance with the two dates set forth in the Congressional Budget Reform and Impoundment Control Act would result in current services estimates which do not parallel those utilized in preparation of the Administration's budget, submitted in January of each year. In order, therefore, to comply with the intent of that Act, waivers have been granted frequently since passage of the Act to permit inclusion of current services budget estimates with annual budget submissions. This adjusted timetable has been found to be satisfactory.

Recommendation No. 33

> **The Congressional Budget Reform and Impoundment Control Act of 1974 should be modified to require submission by the President of a Current Services Budget by January 31 of each year, with the Joint Economic Committee evaluation to follow by March 1. This change would make the law consistent with the present satisfactory practice.**

The economic assumptions presented in the Current Services Budget are identical to those presented in the previous Administration's fiscal year 1982 budget documents. For purposes of comparison, we have prepared our own economic assumptions which depict the economic

outlook in the absence of policy changes. The estimates, summarized in Table VI–1, were developed utilizing the program assumptions noted in the recent Administration's Special Analysis of the Budget for Fiscal Year 1982.

TABLE VI–1.—JOINT ECONOMIC COMMITTEE CURRENT SERVICES BUDGET ECONOMIC ASSUMPTIONS

[Calendar years]

Economic assumptions	1981	1982	1983
Gross national product [1]	2,858.2	3,238.0	3,611.9
Constant 1972 dollar GNP [2]	0.7	2.8	1.5
Unemployment rate [3]	7.9	7.5	7.8
Urban Consumer Price Index [2]	11.5	10.0	9.3
GNP implicit price deflator [2]	10.2	9.8	9.3

[1] Billions of current dollars.
[2] Percent change, 4th quarter over 4th quarter.
[3] Percent, 4th quarter.

Examination of the Current Services Budget in light of these assumptions reveals that the Federal deficit in calendar 1981 may be slightly larger than projected by the Carter Administration. This is the result of slower growth in tax receipts this year due to a lower level of economic growth than assumed in the Carter Administration's projections.

This increase in the deficit magnifies the concern of the Committee with the explosive growth in Federal outlays. Over the past six years, the growth in such outlays has averaged $56 billion. Yet, efforts to slow this growth in outlays must confront the reality that the bulk of Federal outlays are mandated by statute or spent to honor contracts and obligations made in past years.

In fiscal year 1981, for example an estimated 75.9 percent of Federal budget outlays are of a relatively uncontrollable nature, as summarized in Table VI–2. Projected defense outlays proposed by the Carter Administration represent an additional 15.3 percent, leaving less than 10 percent of all fiscal year 1981 outlays devoted to controllable civilian programs. These civilian program outlays will total $65.1 billion in fiscal year 1981, but were projected to decline to $63.4 billion in fiscal year 1982 by the Carter Administration and to comprise only 8.5 percent of all outlays that year.

Inflation also complicates the problem of reducing Federal outlays. The current services estimates for fiscal year 1982 reveal that over 30 percent or $230 billion of total outlays are indexed to the Consumer Price Index, including social security and supplemental security payments, and railroad, veterans, and Federal employee retirement benefits. Inflation directly affects a host of prior-year Federal contracts and obligations containing escalator clauses as well. And outlays for both Medicare and Medicaid programs, while not indexed, rise with the increase in service-provider charges. As a result, half or more of all Federal outlays march in step with inflation, either as a consequence of legal mandate or by private convention.

Union Calendar No. 5

97TH CONGRESS, 1st Session } HOUSE OF REPRESENTATIVES { REPORT No. 97–5

THE 1981 JOINT ECONOMIC REPORT

REPORT

OF THE

JOINT ECONOMIC COMMITTEE CONGRESS OF THE UNITED STATES

ON THE

JANUARY 1981 ECONOMIC REPORT OF THE PRESIDENT

TOGETHER WITH

ADDITIONAL VIEWS

MARCH 2, 1981.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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(Created pursuant to sec. 5(a) of Public Law 304, 79th Cong.)

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CONTENTS

Paper Money by 'Adam Smith'

reviewed by Richard Bolling

'Adam Smith,' as most readers know, is the pen name of George J. W. Goodman, whose new book Paper Money has been on the Best-Seller list for well over the magical 10 weeks. What readers might not realize is that the market success of Paper Money means that in a short part of a year Mr. Goodman already has had more influence on the economic thinking of the world than the original Adam Smith had for the rest of the century after he wrote Wealth of Nations in 1776.

This is not just a quirk of the communications revolution, but of the fact that Mr. Goodman is easier to read. A lot of Mr. Goodman's fame and fortune came from his first Best-Seller, The Money Game, but his writings and accomplishments are very far from a one-joke show.

As a matter of fact, he is one of the most eclectic figures in our intellectual firmament. He has been a Rhodes Scholar, an editor of several national magazines, a very successful manager of a mutual fund and now — in addition to being a venture capitalist — he is an active Board member in several successful enterprises.

I mention Mr. Goodman's success syndrome because of the fact that most of the recent Best-Sellers in the money field have been by men whose main commercial success is making a dollar out of doomsday.

There has been a spate of how-to-profit-from-Armageddon type books. Howard Ruff From A To Z had one of the largest advance printings of any financial book ever, and his last chiller sold over 3 million copies. A recent CBS special pointed out that two of the worst prediction records are held by Mr. Ruff and Harry Browne, while Douglas Casey's Crisis Investing became last year's Number One non-fiction Best-Seller by making the economic future sound as scary as a chapter out of Jaws.

I do not mean to imply that impressive academic credentials are required in order to write a good book on economics. I do believe, however, that academic theory — although admittedly sometimes pretty far out — is not like abstract art. Beauty, in economic theory, is not just in the eyes of the beholder — it has a great deal to do with the odds of a policy working.

Preservation of Community

This does not mean that Mr. Goodman's prescriptions are always beautifully balanced and crystal clear, but he does strive for sanity throughout. More important, where some writers urge people to look out only for Number One and be prepared to head for the hills with their precious metals, stores of canned food and weapons to keep

Paper Money

by 'Adam Smith'
335 pp. $13.95
Summit Books New York

out the neighbors, he counsels preserving a sense of community. He considers the doomsayers and dog-eat-dog school as the financial version of born-again preaching. They offer damnation ("you will lose everything"), and then redemption ("you are saved if you read this").

It is a pleasure, therefore, to read someone who can explain the perils of the past and highlight some of the hopes of the future. What he is trying to do is give us "an account of how we got to where we are and a sketch of some events that may lie ahead."

This he does very skillfully because Mr. Smith can both write and count. His sophisticated statistical counting, indeed even computer operations, seem simple to the layman.

Light on the Malady

In Paper Money he has built an understandable bridge between what is happening out there in the world of high finance and the world we live in day to day. He can even shed some light on the main malady behind Paper Money — chronic inflation — and how it has managed to persist so long at such high rates that it has, unfortunately, been practically institutionalized.

He never lists them all *seriatim,* but he manages to touch on all the goodies that different sectors of the economy have accumulated and to which they hang on tenaciously.

The retirement people have their index pensions, the unions have their COLAs, the farmers have their price supports, the home owners their inflation-induced hedge against inflation, the bankers their fluctuating interest rates, the businessmen their price escalators, the rich their tax shelters, the poor their welfare systems escalated by a concerned Congress, and Government its practically-secret tax increases through bracket creep.

This real world includes economists, to whom we turn for reassurance, who just are not very sure of themselves. And it is this lack of certainty that leaves an opening in the economics world which Mr. Goodman believes is filled by those who sound very certain in contending that the world is going to Hell in a handbasket.

This void produces doomsters who do not have to be as careful as the mainstream economists, and who are free to wave magic wands which develop intense audiences. This ability to attract popular audiences is part of the problem itself — promoted as a kind of irrational expectation which feeds on itself (*quae vide,* the Granville caper, January 6).

Meteorologist at the Flood

Although many people feel that being an economist today is like being a meteorologist at the time of the flood, economics continues to be a burgeoning business, partly because there is more interest in the financial world than I have seen since I first came to Washington in 1948 — much less agreement, but much more discussion.

It makes an interesting exercise to speculate on what brought economists to their present low estate. The increasing numbers who are out to make a buck—some of whom have already been discussed—are part of the problem. Certainly the lunatic fringe and hustlers have helped shed light on the increasingly obvious fact that economists are getting more like lawyers — some of whom are just guns for hire.

The lawyers can always retreat behind the basically fair concept that every citizen is entitled to the best

defense. If this sort of thing is transposed into economics, it ends up with the doctrine that no set of figures neatly compiled or no computer run, no matter how badly programmed, is not entitled to its day in court.

The problem is not that some of these figures and charts are off the wall. They are not. Off-the-wall suggests a sort of haphazard or random selection in haste.

'I Can Prove It for You'

Some of the things that have been turning up as economic doctrine are very carefully worked backward from a preordained or mystically arrived at number that happens to serve the client very well: "Tell me what you want to prove, give me a computer, and I can prove it for you." So the people operating on the fringes that are projecting the unprojectable with certainty have helped give economists a bad rap.

I think Mr. Goodman would agree that King Arthur held Camelot together partly because he had Merlin. Not that Merlin's forecasts were always right — claiming that was not his mystic style. The important thing is that people thought they were right — which was easy since they were sensible and Delphic. Hence Camelot's great expectations, no doubt, seemed quite rational to them at the time.

Mr. Goodman cautions that we should not shoot the piano player, because the poor fellow is doing the best he can. He points out that the people who pay the economists want answers right away — which leads him back to his version of the classic economist-on-a-desert island story wherein the protagonist "assumes a can opener" in order to solve the food problem.

No wonder malaise is not a disease of the unintelligent. As Mr. Goodman points out, there is one atmosphere when a powerful king is on the throne, and yet another after the king is dead, his heir is a six-year-old son and the dukes are battling for position.

Mr. Goodman explains that the main problem plaguing economists is exogenous variables. That means that anything that is an outside force that does not fit into the computer model or the equilibrium or the formula admittedly can throw the answer way off — but don't complain to the economists about it.

The trouble these days is that life is more and more full of exogenous variables. The Ayatollah or the bullet that struck down President Kennedy describes one sort. The anchovies disappearing off the coast of Peru and the Russian wheat crop failure in the early '70s are another kind.

Ominous Cauldron

But then you get a lot of more and more intangible emotions mixed up in the equations. Let's start with a fairly tangible one like the price of gold, which is based partly on fear, partly on greed and partly on possible panic. Add to the mixed brew in this ominous cauldron a strong dash of OPEC, and you've got a potion that Merlin would only feed to rival forecasters.

Economic models work best when the future resembles the past, as it did through the early '30s. Models essentially have no way of forecasting behavioral changes — although some economists are more clairvoyant than others, which would mean that their forecasts are apt to be more accurate.

Hence it can be deduced — though Mr. Goodman does not — that supply-side computer modeling possibly has been flawed because the description of the economy as the supply-siders

would like it to be cannot be rooted in historical data since we have not been there yet (all the talk about the Kennedy tax cut comparisons to the contrary notwithstanding).

Mr. Goodman does not offer easy solutions. He tries to make us think. He likes paradoxes and knows that things are not always what they seem to be at the moment to the man in the street.

He asks, for instance: "Is the spending of big Government the cause of our inflation? West Germany's Government takes a larger percentage of national output than ours, but its inflation rate is less. Is the money supply the cause of inflation? The money supply in Switzerland and West Germany has been increasing at a faster rate than ours, but they have lower rates of inflation than we do."

Ironies and Paradoxes

Had he written his book later, I think he would have found some additional paradoxes and ironies abounding in our nation's Capital, where it is widely thought that cuts in income maintenance programs are likely to reduce the work effort of the near-poor while tax cuts for the upper-income families are expected to generate new savings for investment.

Increasingly cognitive dissonance is abroad in the land. One wonders if the hot Summer is affecting one's thought processes.

For instance, in technology where the US is perceived to be falling behind the rest of the world, funding for education and scientific research is being cut. It is said that Government should stay out of people's private lives, but the same people are promoting a Constitutional amendment prohibiting abortion.

Likewise, Federal spending is said to cause inflation because it is wasteful and inefficient, but military spending should be vastly increased.

And further, the free market should determine the worthiness of any product or service, yet we should curtail Japanese imports of cars even though we have a fuel import problem.

Meanwhile, the President belittles the judgment of financial markets, which seems peculiar for an Administration that has as much faith in markets as this one professes to have (and not just the rational-expectationists).

This seems especially strange since the Administration economists' projections have all along counted on the foresight of the markets to translate policies whose objective consequences could only come slowly into immediate beneficial effects.

Refuse to Bet Their Bundles

The President should not be unhappy with the market, which is supposed to be a passive messenger, but with its message: That Americans refuse so far to bet their bundles on his program.

Of course, what some people see as a mandate other people see as a really cloudy crystal ball. Among the current role reversals of the political parties, it is the Republicans this Summer who are defending planned deficits against Democratic attack, as well as advocating tax cuts not just to arrest inflation, but to sustain incipient recovery.

And yet the President, who is a free-enterprise hero, gets alternating votes of no-confidence from the securities markets that he seems so determined to re-invigorate.

Credibility today is what is most important in fighting inflation. Credibility is also growing more and more

important in company bookkeeping along with soundness, as well as continuity, in the earnings record.

Then, too, credibility is important in the maintenance of high interest rates. When a patient has the flu, relieving the fever is an important part of the treatment. No physician is going to try and cure flu by driving up fever.

Treatment Makes It Worse

Unfortunately, iatrogenic illness, illness induced or aggravated by a physician and addressed in Paper Money, is becoming distressingly familiar. So seems to be iatrogenic inflation — made worse by the treatment prescribed to check it: Super-high interest rates.

In a way Paper Money is a bridge from the world we used to live in to the new world that has emerged in the last decade or so. While the author does not pretend to make the changes always seem logical — exogenous factors never are — he does tell both what happened and how. We come away much better equipped to view the worldwide inflation and some of its attendant problems.

I am very enthusiastic about his sensitive and perceptive treatment of this change because I know that it is far from an easy exposition.

When I was Chairman of the Joint Economic Committee in 1978, we embarked on a Special Study On Economic Change which we have just finished publishing. Its underlying thesis is that economic, social, political, international, and technical conditions have changed, and are still changing markedly.

This suggests that conventional wisdom and established economic tools may not be equal to meeting the challenge of making sound policies in the economic sphere.

The venerable laws of economics have not been repealed, but all guiding principles presuppose a certain environment of conditions, customs, and practices; and when these change, the implementation of new policies and the modes of adjustment have to change also.

Warm, Comfortable Margin

We can generally agree with one of Mr. Goodman's conclusions that the warm, comfortable postwar feeling of being in control of our destiny is gone and as he writes, so "is the warm, comfortable margin for error. We may muddle through the world's financial problems, but there are some dangerous flash points ahead."

Meanwhile, everyone will be pleased to know that he thinks that the equity market of the US has a great future — in fact, he comes close to saying that it's practically the only game left in town.

One of his insights into the future has to do with "the Kingdom" (obviously not the eternal one in heaven, but the 55-year old one in the desert). He puts a throwaway line in the mouth of a Jimmy-the-Greek type of economist who says that the Saudis have a six to five chance of surviving the decade intact.

So as the reader gets to the bottom line of Paper Money, it is safe to say, without giving away the plot — as they say in movie reviews — that what happens to our economy may depend a great deal on future exogenous variables. □ □ □

Disturbing Lessons in Monetarism

by Anthony Harris

London: The British Treasury and The Bank of England are locked in a worried debate: How to define a crisis.

US readers, who may well imagine from television and press reports that these gentlemen have only just stopped choking on the smoke from the street riots, may be a little surprised at this example of British *sang froid*. But it looks different at close quarters.

The officials are talking about monetary disturbances, not civil ones — although the two sets of events are connected. Indeed, one might say that the one fatal casualty of our much-exaggerated riots (there were none in hot blood) has been (in a purely symbolic sense) Professor Milton Friedman.

All this is going to take some explaining.

First, a little history. Prime Minister Margaret Thatcher is widely perceived, both at home and overseas, as a ruthless monetarist, who in her determination to check inflation through market forces has pushed the UK into its sharpest-ever slump to teach everyone a lesson. Everything must be sacrificed to monetary targets.

Passionara of the Markets

The truth is rather different. Mrs. Thatcher is indeed as enthusiastic as President Ronald Reagan about rolling back the state and achieving strength through freedom, a *passionara* of the marketplace. But her monetarism has never been more than skin deep.

Monetary control is simply a means to an end. The end is to impose realistic disciplines on price-setters. She was told that control of the money supply would stabilize the value of money, and so achieve this end. Pragmatically, she was a monetarist.

Events did not work out according to this program. Monetary growth was not controlled, but went on at twice the target rate. Yet instead of stimulating the economy at the expense of inflation, this overshoot was accompanied by an unprecedented rise in the exchange rate.

No Explosion of Militancy

The overshoot, in turn, provoked the slump. As predicted, British labor found itself priced out of world markets, and out of many of its home markets too. However, this was not because of another explosion of militancy. Wage settlements in exposed industries were very moderate last year, an average of perhaps 7%. Sterling, by contrast, rose more than 30%, trough to peak.

A violent change in attitudes was certainly achieved, with some occasionally spectacular results: Rolls Royce, for example, raised labor productivity in its aircraft engine plants by 50% in one year, and a further 25% the next. If and when a recovery can be arranged, the whole experience may yet pay off.

The damage has been deep, however, and the outbreak of looting among the young urban poor, who are suffering up to 40% unemployment, has dramatized it.

FINANCIER

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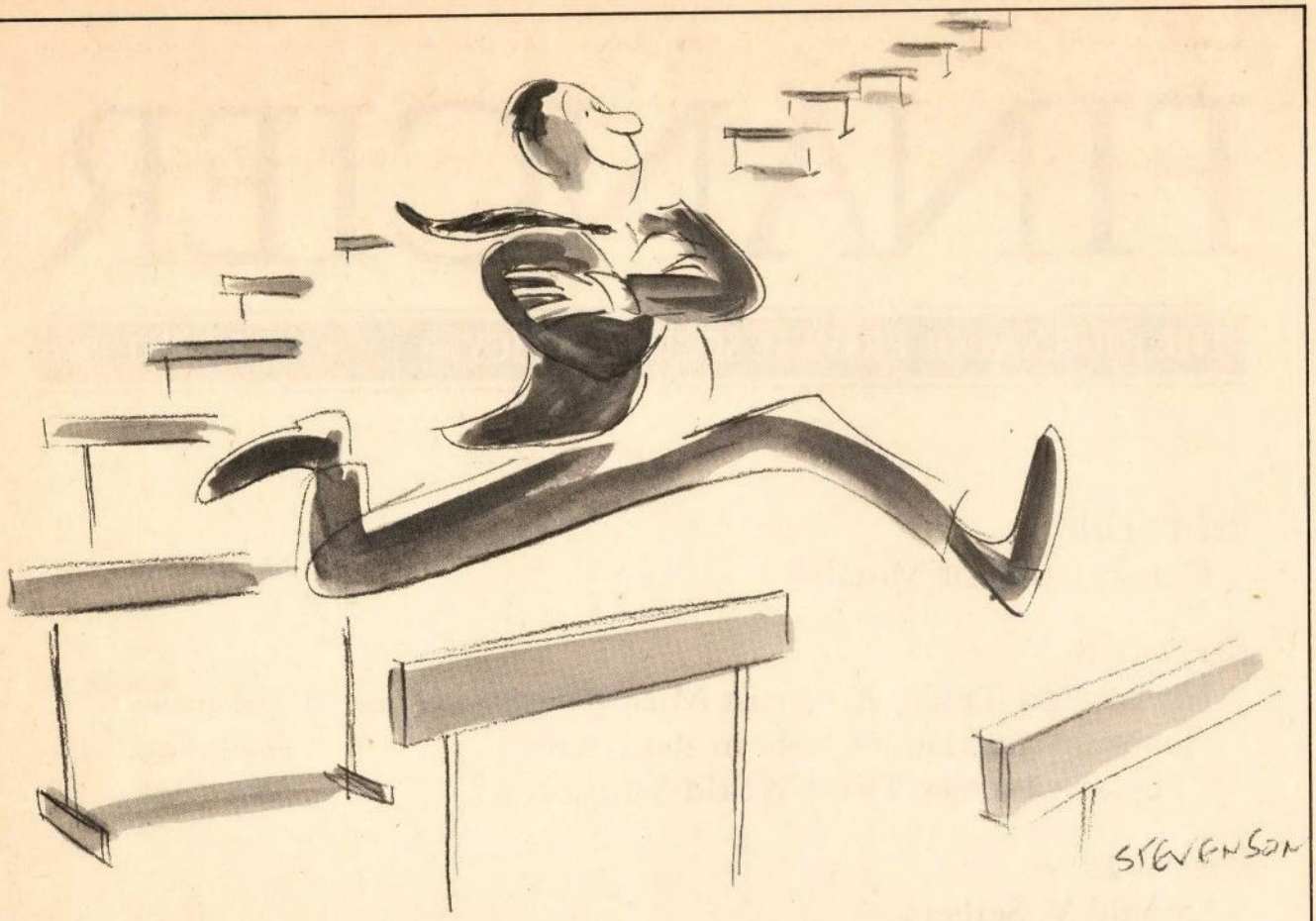

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HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515

JAMES R. JONES
OKLAHOMA

21 September 1981

9-30-81

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

Dear Tom:

Thank you for your kind note concerning H.R. 4346, the "Wisemen's bill." I'm pleased our effort to take action on your excellent report has proved successful so far, and I appreciate your support. The bill has already attracted both co-sponsors and media attention, and the prospects for hearings are improving. Now, if only the Japanese would follow our lead!

I share your hope that the U.S.- Japan Economic Relations Group will continue its activities. It would be a shame if we were to lose such a valuable source of information and advice at the time when we need it most.

I hope your transition from Bank of America to Bank of the World has gone smoothly--I've heard that you are already doing an admirable job. If I can ever be of service to you, please do not hesitate to let me know.

With best wishes,

Sincerely yours,

JAMES R. JONES, M.C.

August 28, 1981

Dear Jim:

I'm a bit tardy in gratefully acknowledging your interest in the work of the U.S.-Japan Economic Relations Group and in thanking you for your co-sponsorship of H. R. 4346. It's a good bill and one that deserves strong support.

I really hope that the activities of the Group will continue. Although I realize that I may be a bit prejudiced because of my past participation as a member, it appears to me that the track record evidenced by the Report rendered to the President of the United States and to the Prime Minister of Japan demonstrates the potential for contributions to improved U.S.-Japan relations.

In any event, Jim, many thanks for your pushing this matter forward.

Sincerely,

A. W. Clausen

The Honorable James R. Jones
Committee on Ways and Means
U. S. House of Representatives
Washington, D.C. 20515

AWC:nks

August 28, 1981

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In any event, Bill, many thanks for your pushing this matter forward.

Sincerely,

A. W. Clausen

The Honorable Bill Frenzel
Committee on Ways and Means
U. S. House of Representatives
Washington, D.C. 20515

AWC:nks

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Olivier Lafourcade (through Mr. H. Martin Koelle) HMK. DATE: August 26, 1981

FROM: Peter Riddleberger PR

SUBJECT: U.S. Japan Trade Relations Legislation

I attach a copy of the bill H.R. 4346, to implement certain recommendations of the so-called "Wisemen's Group", and a press release issued by Rep. James Jones (D-Okla.) relating thereto.

I have checked with all three Committees to which this bill has been referred. None have scheduled hearings, although something may occur in October. The staff I spoke to do not expect this legislation to become law this year. The sponsors would be happy just to generate a little attention on the subject.

Recommendation:

If Mr. Clausen chooses to write a letter of endorsement, he should do it as a member of the United States-Japan Economic Relations Group, not as President of the World Bank.

Attachments

PR:sb

97TH CONGRESS
1ST SESSION

H. R. 4346

To implement certain recommendations of the United States-Japan Economic Relations Group report of January 1981, to assist in continued long-range improvements in United States-Japan relations, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 30, 1981

Mr. JONES of Oklahoma (for himself, Mr. GIBBONS, and Mr. FRENZEL) introduced the following bill; which was referred jointly to the Committees on Foreign Affairs, Ways and Means, and Post Office and Civil Service

---

A BILL

To implement certain recommendations of the United States-Japan Economic Relations Group report of January 1981, to assist in continued long-range improvements in United States-Japan relations, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. PURPOSE OF ACT.

The Congress, aware that—

(1) Japan and the United States are longstanding partners and friends and are the world's major economic powers, in that they lead in the development of new

products and technologies and together produce approximately 35 per centum of the world's new output and engage in nearly 20 per centum of the world's trade; and

(2) the Japan-United States Economic Relations Group's January 1981 report to the Prime Minister of Japan and the President of the United States found that "a generally healthy economic and political relationship exists between Japan and the United States"; is also aware that the report noted that "a number of problems need to be addressed to improve the bilateral relationship and enhance the effectiveness of the two countries in cooperatively dealing with global challenges." It is, therefore, the purpose of this Act to implement certain recommendations of the Japan-United States Economic Relations Group so as to ensure the long-range continued improvement in bilateral relations between the two nations.

TITLE I—RECOMMENDED EXECUTIVE ACTIONS

SEC. 101. UNITED STATES-JAPAN CABINET LEVEL CONSULTATIONS.

The Congress, in view of the fact that—

(1) the economic power of the United States and Japan are a major factor in world relations and development, the world economy, and international monetary developments;

(2) the internal economic and sectoral programs of each of such nations increasingly impact the other nation in such areas as defense, agriculture, banking, science, transportation, health, labor, and general commerce; and

(3) in the past the relations between the two nations have on occasion been strained because of a real or perceived lack of true bilateral consultation and discussion;

hereby urges the President to seek institutional ways to ensure more adequate consultation and discussion by the United States with Japan, and, in order to encourage dialog and understanding at senior levels of the executive branch, to encourage relevant Cabinet officers to meet and consult with their counterparts in Japan on a regular basis.

SEC. 102. MEDIUM-TERM AGRICULTURAL SUPPLY AND PURCHASE COMMITMENTS.

The Congress finds that—

(1) Japan is heavily dependent on imports of foods despite an intensive and costly agricultural system;

(2) this heavy level of imports is an understandable cause of concern by Japan in the context of its national security in the event of international emergencies; and

(3) although the United States is the principal source of Japan's agricultural imports and Japan is the largest purchaser of United States agricultural exports, in the past temporary United States export controls on certain agricultural products have caused Japan to be concerned about the reliability of the United States as a food supplier.

In view of the foregoing, and the fact that the United States has medium-term agricultural supply and purchase commitments with other nations, the President is urged to explore in discussions with Japan the possibility of arranging with Japan medium-term supply, purchase, and storage commitments for agricultural products. Such commitments should be administered through the private sector and designed to meet Japan's security and consumer needs, as well as the price and planning needs of United States agricultural producers.

TITLE II—DISCUSSIONS AND STUDIES REGARDING UNITED STATES-JAPAN RELATIONS

SEC. 201. JAPAN-UNITED STATES INTERPARLIAMENTARY GROUP.

(a) ESTABLISHMENT; FUNCTIONS; TERMS OF MEMBERS.—Not to exceed twelve Members of Congress shall be appointed to meet jointly, and at least annually and when Congress is not in session (except that this restriction shall not apply during the first session of the Ninety-seventh Con-

1 gress or to meetings held in the United States), with repre-
2 sentatives of the House of Representatives and the House of
3 Councillors of the Japanese Diet for discussion of common
4 problems in the interests of relations between the United
5 States and Japan. Of the Members of Congress appointed for
6 the purposes of this section (who shall hereinafter collectively
7 be referred to as the "United States group") half shall be
8 appointed by the Speaker of the House from Members of the
9 House and half shall be appointed by the President of the
10 Senate from Members of the Senate. Such appointments shall
11 be for the duration of each Congress.

12 (b) REPORT TO CONGRESS.—The United States group
13 shall submit to the Congress an annual report regarding its
14 activities under this section.

15 (c) AUDITING OF ACCOUNTS.—The certificate of the
16 Chairman of the House delegation or the Senate delegation
17 to the Japan-United States Parliamentary Group shall be
18 final and conclusive upon the accounting officers in the audit-
19 ing of the accounts of the United States group.

20 **SEC. 202. TRADE STUDY GROUP.**

21 (a) JAPAN-UNITED STATES TRADE STUDY GROUP.—
22 The Secretary of Commerce may grant funds (but not more
23 than $50,000 in any fiscal year) to the Japan-United States
24 Trade Study Group, a voluntary group of businessmen and
25 government officials from both nations that was organized in

1 Tokyo, Japan, in August 1977 for purposes of resolving
2 trade problems and misunderstandings between the two
3 countries, to pay for up to 50 per centum of the reimbursable
4 costs incurred by such group during each of the fiscal years
5 occurring after September 30, 1982, and before October 1,
6 1987.

7 (b) TRADE STUDY GROUP FOR THE UNITED STATES
8 AND OTHER NATIONS.—The Secretary of Commerce may
9 grant funds (but not more than $100,000 in any fiscal year)
10 to trade study groups for the United States and other coun-
11 tries (if such groups are formed of businessmen and govern-
12 ment officials of the United States and such other countries
13 and if organized essentially like the Japan-United States
14 Trade Study Group) to pay for up to 50 per centum of the
15 reimbursable costs incurred by the group during each of the
16 fiscal years referred to in subsection (a).

17 (c) For purposes of this section, the term "reimbursable
18 costs" means expenses associated with arranging meetings of
19 the trade study group in the foreign nation concerned and
20 researching, printing, and publicizing the reports prepared by
21 the group.

22 **SEC. 203. INFORMATION ON JAPANESE PRODUCTIVITY.**

23 In consultation with the Government of Japan and pri-
24 vate groups in Japan, the Comptroller General of the United
25 States shall conduct a comprehensive study of recent and

1 current trends in Japanese productivity in selected basic and
2 high technology industries. The study shall include—
3 (1) data on rates of change in productivity be-
4 tween certain Japanese and United States industries;
5 (2) possible reasons for any differences in such
6 productivity growth; and
7 (3) a discussion of Japanese procedures, both gov-
8 ernment and private, which may be relevant to United
9 States society and culture and which may improve pro-
10 ductivity.
11 Such study shall also discuss quality control circles, both
12 their advantages and disadvantages, and the role they play in
13 overall Japanese productivity. The study shall draw on past
14 studies and ongoing research of the Government Accounting
15 Office, other agencies, and private researchers. Portions of
16 the study may be contracted to Federal Government agencies
17 or nongovernment researchers. The study shall be submitted
18 to the Congress by January 1, 1983.

19 **SEC. 204. REPORTS ON COMPARATIVE ENERGY EFFICIENCY**
20 **DURING FISCAL YEARS 1982 THROUGH 1986.**

21 The Secretary of Energy shall submit an annual report
22 to the Congress on the comparative energy efficiency be-
23 tween the United States and Japan (expressed in British
24 thermal units per common unit of industrial output) for not
25 less than twenty significant industrial processes during the

1 five-year period beginning on October 1, 1981. Data for the
2 reports shall be obtained in consultation with the Govern-
3 ment of Japan and may include data provided by industry
4 associations in the United States and Japan.

5 TITLE III—AMENDMENTS TO, AND ACTIONS
6 UNDER, EXISTING LAW FOR PURPOSES OF
7 IMPROVING JAPAN-UNITED STATES RELA-
8 TIONS

9 **SEC. 301. EXPORT OF OIL AND COAL TO JAPAN.**

10 Section 7 of the Export Administration Act of 1979 (50
11 U.S.C. App. 2406) is amended—

12 (1) by amending subsection (d)(3) to read as
13 follows—

14 "(3) Notwithstanding any other provision of this section
15 or any other provision of law, including subsection (u) of sec-
16 tion 28 of the Mineral Leasing Act of 1920, the President
17 may export oil—

18 "(A) to any country pursuant to a bilateral inter-
19 national oil supply agreement entered into by the
20 United States with such nation before June 25, 1979;

21 "(B) any country pursuant to the International
22 Emergency Oil Sharing Plan of the International
23 Energy Agency; and

24 "(C) to Japan during such period as—

"(i) a bilateral agreement is in effect providing for the sale to, or the exchange with, the United States by Japan of an equal amount of crude oil, from whatever source, and

"(ii) a bilateral agreement is in effect between the United States and Japan providing for the coordination, and if appropriate the joint funding, of nonpetroleum energy research and development projects.";

(2) by redesignating subsections (g) through (j) as subsections (h) through (k), respectively;

(3) by striking out "subsection (g)" in subsection (j) (as redesignated by paragraph (2)) and inserting in lieu thereof "subsection (h)"; and

(4) by inserting immediately after subsection (f) the following new subsection:

"(g) COAL AGREEMENTS.—This Act shall not apply to amounts of coal specified in any bilateral coal agreement with one or more foreign governments that specifies guaranteed access to such foreign markets and guaranteed supply by the United States. To the extent possible, such bilateral agreements shall contain commitments for foreign private or public investment, loans, or loan guarantees with respect to the transportation and port operations necessary to export the quantity of coal specified therein.".

1 **SEC. 302. TRADE IN SEMICONDUCTORS.**

2 The President is urged to utilize the authority and pro-
3 cedures granted by section 102(b) of the Trade Act of 1974
4 (19 U.S.C. 2112) to negotiate a trade agreement with Japan,
5 the European Economic Community, and other countries or
6 instrumentalities thereof, as appropriate, providing, on a
7 basis of mutuality, for (1) a substantial reduction in, or elimi-
8 nation of, rates of duty existing on January 1, 1982, on semi-
9 conductors and integrated circuits (provided for in items
10 687.65, 687.70, and 687.75 of the Tariff Schedules of the
11 United States (19 U.S.C. 1202); and (2) the reduction or
12 elimination of nontariff barriers to international trade in semi-
13 conductors, integrated circuits, and related high technology
14 electronic products.

15 **SEC. 303. FOREIGN LANGUAGE TRAINING AND FOREIGN AREA**
16 **STUDIES IN FEDERAL AGENCIES.**

17 Title 5 of the United States Code is amended—

18 (1) by inserting immediately after the first sen-
19 tence of section 3396(c)(1) the following: "Sabbaticals
20 shall be encouraged in order to develop knowledge of
21 other countries among appropriate Senior Executive
22 Service personnel. Such sabbaticals may include lan-
23 guage training and study in fields necessary to provide
24 for a full understanding of areas, regions, or countries
25 in which such language is commonly used."; and

1 (2) by inserting ", including the need for modern
2 foreign language training and for study in fields neces-
3 sary to provide for a full understanding of the areas,
4 regions, or countries in which such language is com-
5 monly used" immediately before the period at the end
6 of the first sentence of section 4113(a).

○

HR 4346

OFFICE OF CONGRESSMAN JAMES R. JONES
203 Cannon House Office Building
Washington, D.C. 20515
July 30, 1981

Congressman James R. Jones (D-Okla), William Frenzel (R-Minn), and Sam Gibbons (D-Fla) today introduced legislation to implement some of the recommendations made by the U.S.-Japan Economic Relations Group, which is better known as the "Wisemen's Group."

"The Wisemen's report, one of the most penetrating and thoughtful studies of U.S.-Japan economic relations I've read, has received a lot of attention in Japan, but is almost unknown in the U.S.," Jones said. "We hope our legislation will bring the report to the attention of the American public, spur discussion of the need for cooperation between our two countries, and make some concrete improvements in our trade relations."

The bill contains provisions in the areas of energy; trade in high-technology products; education, consultation, and exchange; resolution of trade disputes, and agricultural cooperation.

Because of the federal government's budget constraints, Jones noted, "the steps we have suggested must have a very limited budget impact. We believe, however, that our legislation provides measures that will be effective without being costly."

The provisions of the bill include:

A measure to permit the "swap" of Alaskan oil for Japanese-owned petroleum which would reduce transportation costs, benefitting consumers in both nations;

Encouragement of bilateral coal agreements in order to provide a stable and long-term market for U.S. coal, improve the balance of trade, and encourage Japanese investment in the American coal industry, transportation, and port facilities;

A request that the President use his statutory authority to negotiate a liberalization of world trade in semi-conductors, provided that the U.S., Japan, and the European Community are all willing to make a substantial reduction in their tariff and non-tariff barriers in this area;

A GAO study, to be completed by the end of 1982, on those factors involved in Japanese productivity gains which might be "exportable" to the U.S. to boost our lagging productivity;

A study by the Secretary of Energy comparing the energy efficiency of at least 20 industrial processes in the U.S. and in Japan;

Limited funding of no more that $50,000 annually for the Trade Study Group to further its work in resolving trade disputes, and a $100,000 fund for establishing similar groups in other nations where U.S. businessmen experience particular difficulties;

Encouragement of negotiations designed to utilize private sector mechanisms to secure long-term supply and purchase commitments by the Japanese for U.S. agricultural products in order to provide stable markets for American farmers, reassure the Japanese about the security of their food supplies, and encourage them to rationalize their agricultural sector and relax their barriers to American agricultural imports;

Establishment of an interparliamentary union with Japan, similar to those the U.S. has with Canada and with Europe;

Encouragement of Cabinet-level consultations between the U.S. and Japanese governments;

Increased emphasis on country and language studies in the training programs available to civil servants and the Senior Executive Service.

Because the bill concerns issues which fall under multiple committee jurisdictions, "we do not expect speedy passage of the bill in its entirety," Congressman Frenzel said. "But we are hopeful the bill will focus some needed attention on the Wisemen's suggestions as to how we can improve our trade relations with Japan."

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JAPAN-UNITED STATES ECONOMIC RELATIONS GROUP

Japan Chairman:
Nobuhiko Ushiba

Executive Director:
Tadashi Yamamoto
9-17 Minimi Azabu, 4 ch.
Minato-ku, Tokyo 106
Phone 446-7781

U.S. Chairman:
Robert S. Ingersoll

Executive Director:
~~Jack B. Button~~
~~11 DuPont Circle, NW,~~
~~Room 802~~
Washington, DC 20036
Phone (202) 673-6157
2000 L St., N.W.
Suite 613

August 6, 1981

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

Dear Mr. Clausen:

Last week I discussed the Trade Subcommittee Bill calling for implementation of the Wisemen's recommendations with Bob Ingersoll, Hugh Patrick, and Ed Spencer. They were all quite pleased with it and are hopeful that it will broaden interest in work of the Group.

In terms of substance, only two issues were brought up for possible revision. First, Ed Spencer suggested eliminating the recommendation in the Bill calling for a Comptroller General Study on Productivity and instead recommended a White House Conference on Productivity as proposed in the January report.

Second, following criticism by an Energy Company of the oil swap recommendation, we re-evaluated its merit. After consulting with a wide range of private sector individuals and government officials late last week, we concluded that the Group should continue to advocate lifting the current restriction.

Members appreciate your offer of assistance and believe that a letter of support would be appropriate and beneficial.

Best regards,

Scott Davidson

Scott Davidson
Acting Executive Director

L'229
July 20

JAPAN-UNITED STATES ECONOMIC RELATIONS GROUP

Japan Chairman:
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Executive Director:
Tadashi Yamamoto
9-17 Minami-Azabu 4-chome
Minato-ku, Tokyo 106
Phone (03) 446-7781

5-14-81

A

U.S. Chairman:
Robert S. Ingersoll

Executive Director:
Jack B. Button
11 DuPont Circle, NW,
Room 802
Washington, DC 20036
Phone (202) 673-6157

April 27, 1981.

Memorandum

To: U.S. members
Mr. Jack Button
From: Tadashi Yamamoto
Subject: Our contact with the Japanese government

I would like to bring you up to date on our contact with the Japanese government officials, particularly in connection with the forthcoming summit meeting in May. Ambassador Ushiba and I have had a few meetings with the Foreign Ministry officials, and requested their cooperation in making sure that the joint communique or the post-conference press conference will make a reference to our report and our future activities. We emphasized that such a reference will be vital to make our further efforts to promote the report and encourage implementation of various recommendations in the report more effective. We emphasized that it is particularly important to have the new American administration pay more attention to our work, and the summit meeting can be a useful opportunity to do just that. The Foreign Ministry officials have assured us that they are proposing to make such a reference in the post-conference communique or press conference, and have advised us further that the reference may be made to some of the recommendations in the actual discussion by the Prime Minister.

On April 21st, Ambassador Ushiba and I visited Mr. Miyazawa, Chief Cabinet Secretary, to submit the letter by the two chairmen to the President and the Prime Minister. Mr. Miyazawa had already read an advance copy of the letter and asked for clarifications on our recommendations on the joint cabinet meetings and the trade ombudsman. Ambassador Ushiba, responding to the skepticisms expressed by Mr. Miyazawa, explained that the Group's proposal is not to hold annual joint cabinet meetings, but to hold such meeting this year when a new administration has assumed power in the U.S. Mr. Miyazawa indicated that the recommendation does make sense if that is the intention of the Group, and implied that he would support such a proposal.

As to the response of the Japanese government to our Report, the inter-agency task force has compiled a report on our Group already, and is ready to discuss the matter with the American government. They are willing to prepare some material for the discussion with the American and Japanese members when we have the joint meeting on May 13-14. On May 13th Foreign Minister Ito will host a luncheon meeting for us and invite representatives from various ministries. After the luncheon discussion will continue with these government officials until around 3:30 p.m. Jack Button may wish to advise Mr. Rashish's office

about this arrangement on the Japanese side, and encourage them to make the proposed seminar on June 19th an inter-agency affair rather than having just the officials from the State Department. (You may have already done so.) In addition to this luncheon/seminar on May 13th, the MITI officials would like to have a dinner discussion on the same day. We are trying to take advantage of this opportunity to have the specialists at MITI to discuss energy issues, particularly the crisis management issue and coal cooperation.

On April 30th, the Japanese members will have a luncheon meeting with the Prime Minister to discuss the forthcoming meeting with President Reagan. It will be, obviously, very good opportunity for us to further impress upon him on the importance of making a reference to our Report. Incidentally, it has been reported by people close to the Prime Minister that one of Prime Minister Suzuki's primary concerns is the very persistent perception in the U.S. regarding the "closed-nature" of the Japanese market. We will tell him that making sure the Report will be read in the U.S. will be the best approach to dispel such perception and at the same time, we should encourage him to think of establishing a trade ombudsman.

JAPAN CENTER FOR INTERNATIONAL EXCHANGE

9-17, MINAMI-AZABU 4CHOME
MINATO-KU, TOKYO, JAPAN

NS GROUP

VIA AIR MAIL

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

U.S. Chairman:
Robert S. Ingersoll

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981.

To: U.S. members
Mr. Jack Button
From: Tadashi Yamamoto
Subject: Appointment of Mr. Yamashita to replace Mr. Muramoto

After some "nemawashi," including consultations with the Keidanren leadership, Ambassador Ushiba formally requested Mr. Isamu Yamashita, Chairman of the Mitsui Engineering and Shipbuilding Company, Limited, and, concurrently, Vice President of the Keidanren, to become a member of our Group, replacing Mr. Muramoto. Mr. Muramoto had agreed to step down from our Group as he assumes the chairmanship of the Japanese Bankers' Association on April 28th. We will make an appropriate announcement on this appointment after the golden week in early May. Mr. Yamashita is prepared to attend our meetings on May 13th and 14th, and he has already cleared his calendar for the proposed San Francisco conference on August 8th and 9th.

Mr. Yamashita's appointment will strengthen our already very close collaborative arrangement with the Keidanren since he is a very active Vice President in that organization. Mr. Yamashita, along with Mr. Morita, plans to attend the Japanese-American Businessmen's Conference in mid-June in New York. We have already asked Mr. Miyoshi of Keidanren to make sure that the Japanese side will prepare some written material commenting on the Japanese businesses' response to our Group. I assume that a similar report is being prepared by Roger Swanson on the American side. In this connection, I would like to report to you that ACCJ plans to have a breakfast meeting with us on May 13th and they will have some written comments on the report in time for that meeting.

JAPAN-UNITED STATES ECONOMIC RELATIONS GROUP

Japan Chairman:
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Executive Director:
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April 27, 1981.

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WORLD BANK

OFFICE OF THE PRESIDENT

7-27-81

Olivier —

Talked with Scott Davidson - Acting Director of the Japan - U.S. Economic Relations Group - and offered my assistance.

He will call and "program me" to write an appropriate letter if needed.

A

WORLD BANK

OFFICE OF THE PRESIDENT

Mr Jack BUTTON

673-6157

Japan-US Economic
Relations Group-

Scott Davidson
"acting director"

229

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C. 20515

SUBCOMMITTEE ON TRADE

July 20, 1981

Mr. Alden W. Clausen
President, International Bank
for Reconstruction & Development
(Japan-U.S. Economic Relations Group)
1818 H Street, N.W.
Washington, DC 20433

Dear President Clausen:

Enclosed is a copy of a U.S.-Japan relations bill which we will be introducing in the near future. This bill seeks to implement a number of specific or general recommendations contained in your excellent report of January 1981.

We would deeply appreciate receiving any comments or observations which you might have on this bill, including the need for deletions, additions, etc.

Sincerely,

James R. Jones
Member of Congress

Bill Frenzel
Member of Congress

Sam M. Gibbons
Chairman

JRJ/BF:WKVc
Enclosure

File No. / / /

File No. / / /

Received / /

Assigned to:

Delivered / /

97TH CONGRESS
1ST SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

Mr. JONES of Oklahoma (for himself and Mr. FRENZEL) introduced the following bill; which was referred to the Committee on __

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1 SECTION 1. PURPOSE OF ACT.

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4 partners and friends and are the world's major economic
5 powers, in that they lead in the development of new
6 products and technologies and together produce
7 approximately 35 percent of the world's new output and
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9 (2) the Japan-United States Economic Relations
10 Group's January, 1981, report to the Prime Minister of
11 Japan and the President of the United States found that
12 ''a generally healthy economic and political
13 relationship exists between Japan and the United
14 States'';

15 is also aware that the report noted that ''a number of
16 problems need to be addressed to improve the bilateral
17 relationship and enhance the effectiveness of the two
18 countries in cooperatively dealing with global challenges.''
19 It is, therefore, the purpose of this Act to implement
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22 improvement in bilateral relations between the two nations.

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24 SEC. 101. UNITED STATES-JAPAN CABINET LEVEL CONSULTATIONS.

25 The Congress, in view of the fact that--

1 (1) the economic power of the United States and
2 Japan are a major factor in world relations and
3 development, the world economy, and international
4 monetary developments;
5 (2) the internal economic and sectoral programs of
6 each of such nations increasingly impact the other
7 nation in such areas as defense, agriculture, banking,
8 science, transportation, health, labor, and general
9 commerce; and
10 (3) in the past the relations between the two
11 nations have on occasion been strained because of a real
12 or perceived lack of true bilateral consultation and
13 discussion;
14 hereby urges the President to seek institutional ways to
15 ensure more adequate consultation and discussion by the
16 United States with Japan, and, in order to encourage
17 dialogue and understanding at senior levels of the Executive
18 Branch, to encourage relevant Cabinet officers to meet and
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20 SEC. 102. MEDIUM-TERM AGRICULTURAL SUPPLY AND PURCHASE
21 COMMITMENTS.
22 The Congress finds that--
23 (1) Japan is heavily dependent on imports of foods
24 despite an intensive and costly agricultural system;
25 (2) this heavy level of imports is an understandable

1 cause of concern by Japan in the context of its national
2 security in the event of international emergencies; and
3 (3) although the United States is the principal
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10 In view of the foregoing, and the fact that the United
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22 SEC. 201. JAPAN-UNITED STATES INTERPARLIMENTARY GROUP.
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24 exceed 12 Members of Congress shall be appointed to meet
25 jointly, and at least annually and when Congress is not in

1 session (except that this restriction shall not apply during
2 the first session of the 97th Congress or to meetings held
3 in the United States), with representatives of the House of
4 Representatives and the House of Councilors of the Japanese
5 Diet for discussion of common problems in the interests of
6 relations between the United States and Japan. Of the
7 Members of Congress appointed for the purposes of this
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1 Study Group, a voluntary group of businessmen and government
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4 problems and misunderstandings between the two countries, to
5 pay for up to 50 percent of the reimbursable costs incurred
6 by such Group during each of the fiscal years occurring
7 after September 30, 1982, and before October 1, 1987.
8 (b) TRADE STUDY GROUP FOR THE UNITED STATES AND OTHER
9 NATIONS.--The Secretary of Commerce may grant funds (but not
10 more than $100,000 in any fiscal year) to trade study groups
11 for the United States and other countries (if such groups
12 are formed of businessmen and government officials of the
13 United States and such other countries and if organized
14 essentially like the Japan-United States Trade Study Group)
15 to pay for up to 50 percent of the reimbursable costs
16 incurred by the group during each of the fiscal years
17 referred to in subsection (a).
18 (c) For purposes of this section, the term
19 ''reimbursable costs'' means expenses associated with
20 arranging meetings of the trade study group in the foreign
21 nation concerned and researching, printing, and publicizing
22 the reports prepared by the group.
23 SEC. 203. INFORMATION ON JAPANESE PRODUCTIVITY.
24 In consultation with the Government of Japan and private
25 groups in Japan, the Comptroller General of the United

1 States shall conduct a comprehensive study of recent and
2 current trends in Japanese productivity in selected basic
3 and high technology industries. The study shall include--
4 (1) data on rates of change in productivity between
5 certain Japanese and United States industries;
6 (2) possible reasons for any differences in such
7 productivity growth; and
8 (3) a discussion of Japanese procedures, both
9 government and private, which may be relevant to United
10 States society and culture and which may improve
11 productivity.
12 Such study shall also discuss quality control circles, both
13 their advantages and disadvantages, and the role they play
14 in overall Japanese productivity. The study shall draw on
15 past studies and on-going research of the Government
16 Accounting Office, other agencies, and private researchers.
17 Portions of the study may be contracted to Federal
18 government agencies or non-government researchers. The study
19 shall be submitted to the Congress by January 1, 1983.
20 **SEC. 204. REPORTS ON COMPARATIVE ENERGY EFFICIENCY DURNG**
21 **FISCAL YEARS 1982 THROUGH 1986.**
22 The Secretary of Energy shall submit an annual report to
23 the Congress on the comparative energy efficiency between
24 the United States and Japan (expressed in BTUs per common
25 unit of industrial output) for not less than 20 significant

1 industrial processes during the 5-year period beginning on
2 October 1, 1981. Data for the reports shall be obtained in
3 consultation with the Government of Japan and may include
4 data provided by industry associations in the United States
5 and Japan.
6 TITLE III--AMENDMENTS TO, AND ACTIONS UNDER, EXISTING LAW
7 FOR PURPOSES OF IMPROVING JAPAN-UNITED STATES RELATIONS
8 SEC. 301. EXPORT OF OIL AND COAL TO JAPAN.
9 Section 7 of the Export Administration Act of 1979 (50
10 U.S.C. App. 2406) is amended--
11 (1) by amending subsection (d)(3) to read as
12 follows--
13 ''(3) Notwithstanding any other provision of this
14 section or any other provision of law, including subsection
15 (u) of section 28 of the Mineral Leasing Act of 1920, the
16 President may export oil--
17 ''(A) to any country pursuant to a bilateral
18 international oil suply agreement entered into by the
19 United States with such nation before June 25, 1979;
20 ''(B) any country pursuant to the International
21 Emergency Oil Sharing Plan of the International Energy
22 Agency; and
23 ''(C) to Japan during such period as--
24 ''(i) a bilateral agreement is in effect
25 providing for the sale to, or the exchange with, the

1 United States by Japan of an equal amount of crude
2 oil, from whatever source, and
3 ''(ii) a bilateral agreement is in effect
4 between the United States and Japan providing for
5 the coordination, and if appropriate the joint
6 funding, of non-petroleum energy research and
7 development projects.'';
8 (2) by redesignating subsections (g) through (j) as
9 subsections (h) through (k), respectively;
10 (3) by striking out ''subsection (g)'' in subsection
11 (j) (as redesignated by paragraph (2)) and inserting in
12 lieu thereof ''subsection (h)''; and
13 (4) by inserting immediately after subsection (f)
14 the following new subsection:
15 ''(g) COAL AGREEMENTS.--This Act shall not apply to
16 amounts of coal specified in any bilateral coal agreement
17 with one or more foreign governments that specifies
18 guaranteed access to such foreign markets and guaranteed
19 supply by the United States. To the extent possible, such
20 bilateral agreements shall contain commitments for foreign
21 private or public investment, loans, or loan guarantees with
22 respect to the transportation and port operations necessary
23 to export the quantity of coal specified therein.''.
24 SEC. 302. TRADE IN SEMINCONDUCTORS.
25 The President is urged to utilize the authority

1 granted by section 102(b) of the Trade Act of 1974 (19
2 U.S.C. 2112) to negotiate a trade agreement with Japan, the
3 European Economic Community, and other countries or
4 instrumentalities thereof, as appropriate, providing, on a
5 basis of mutuality, for (1) a substantial reduction in, or
6 elimination of, rates of duty existing on January 1, 1982,
7 on semiconductors and integrated circuits (provided for in
8 items 687.65, 687.70, and 687.75 of the Tariff Schedules of
9 the United States (19 U.S.C. 1202); and (2) the reduction or
10 elimination of nontariff barriers to international trade in
11 semiconductors, integrated circuits, and related high
12 technology electronic products.
13 SEC. 303. FOREIGN LANGUAGE TRAINING AND FOREIGN AREA STUDIES
14 IN FEDERAL AGENCIES.
15 Title 5 of the United States Code is amended--
16 (1) by inserting immediately after the first
17 sentence of section 3396(c)(1) the following:
18 ''Sabbaticals shall be encouraged in order to develop
19 knowledge of other countries among appropriate Senior
20 Executive Service personnel. Such sabbaticals may
21 include language training and study in fields necessary
22 to provide for a full understanding of areas, regions,
23 or countries in which such language is commonly used.'';
24 and
25 (2) by inserting '', including the need for modern

1 foreign language training and for study in fields
2 necessary to provide for a full understanding of the
3 areas, regions, or countries in which such language is
4 commonly used'' immediately before the period at the end
5 of the first sentence of section 4113(a).

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R. 1

JAPAN-UNITED STATES ECONOMIC RELATIONS GROUP

Japan Chairman:
Nobuhiko Ushiba

Executive Director:
Tadashi Yamamoto
9-17 Minimi Azabu, 4 ch.
Minato-ku, Tokyo 106
Phone 446-7781

2000 L Street, N.W.
Suite 613

U.S. Chairman:
Robert S. Ingersoll

Executive Director:
Jack B. Button
Washington, DC 20036
Phone (202) 673-6157

No reply needed

September 11, 1981

Dear President Carter:

While I was in Japan last week, meeting for the last time with the Japan-United States Economic Relations Group which you and Former Prime Minister Ohira formed in 1979, I learned that you were arriving at the Hotel Okura the afternoon I checked out and departed for Chicago.

I was sorry not to be able to thank you personally for your letter of January 15, in which you graciously expressed your appreciation for the report our Group delivered to your office on January 7, 1981.

Both the Japanese and American governments have taken certain steps to implement our recommendations but, as we go out of business at the end of this month, we are issuing our final report urging both governments to implement more of our suggestions.

You are undoubtedly aware that Prime Minister Suzuki and President Reagan made reference to our first report in their official communique in May of this year and agreed that the two governments "should address the various recommendations for possible implementation." In addition, Secretary of State Alexander M. Haig, Jr., has urged the Advisory Council on Japan-U.S. Economic Relations (a long-standing private business organization) to take action necessary to implement the recommendations we made with respect to the private sector.

Our Group was further encouraged by the introduction in August of a bill by a group of Congressmen from the Ways and Means Committee urging several committess of Congress to take action with respect to a few of our

recommendations and likewise requesting the Administration to implement other suggestions relating to the Executive Branch.

Thank you again for giving us the opportunity of participating in a project which all of our members hope will contribute over the years to the maintenance of sound economic and trade relations between the United States and Japan.

Sincerely,

Robert S. Ingersoll

The Honorable Jimmy Carter
Plains, Georgia 31780

bcc: A.W. Clausen
H. Owen
J. Poulton
E. Spencer
H. Patrick

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

Office of the President

September 4, 1981

Dear Mr. Fascell:

Thank you for your letter of August 11, endorsing the proposal of President Wolfe of the Florida International University for an organization to stimulate cooperation among universities for economic and social development in the Americas.

Dr. Wolfe is in contact with the Bank's Vice President for the Latin America and Caribbean Region, Mr. Ardito-Barletta, regarding the Founding Assembly to be held next March. The possible role of the Bank in such an organization is still under study. We shall be glad to advise if our participation turns out to be feasible.

With thanks for your interest,

Sincerely,

Olivier Lafourcade
Personal Assistant to the President

The Honorable
Dante B. Fascell
House of Representatives
Washington, D.C. 20515

cc: Mr. Barletta w/incoming

August 24

Mr. Clausen:

There is nothing in the log book to indicate that Dr. Gregory B. Wolfe contacted you personally.

Do you know anything about this? If not, we will contact Mr. Tascell to that effect.

n.

8-25-81
NO!

DANTE B. FASCELL
15TH DISTRICT, FLORIDA

COMMITTEES:
FOREIGN AFFAIRS
CHAIRMAN: INTERNATIONAL OPERATIONS SUBCOMMITTEE
MEMBER: INTERNATIONAL SECURITY AND SCIENTIFIC AFFAIRS SUBCOMMITTEE

GOVERNMENT OPERATIONS
MEMBER: LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE

COMMISSION ON SECURITY AND COOPERATION IN EUROPE
CHAIRMAN

CANADA—UNITED STATES INTERPARLIAMENTARY GROUP
CO-CHAIRMAN, U.S. DELEGATION

CHARLES R. SPEGAN
ADMINISTRATIVE ASSISTANT

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

August 11, 1981

Mr. A. W. Clausen
President
International Bank for Reconstruction
and Development
1817 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Clausen:

I understand you have been contacted directly by Dr. Gregory B. Wolfe, President of Florida International University, regarding a proposal for an organization to stimulate cooperation among universities for economic and social development in the Americas. The proposal grew out of a symposium on that subject convened by Florida International University with a grant from the Organization of American States.

As one who has long been interested in promoting cooperation in the hemisphere, I believe the proposal is meritorious and deserves our interest and support. I trust you will give the proposal attention.

Sincerely,

Dante Fascell

DANTE B. FASCELL
Member of Congress

DBF/Gck

cc: C. Quijano

FLORIDA INTERNATIONAL UNIVERSITY
TAMIAMI CAMPUS • MIAMI, FLORIDA 33199 • (305) 552-2111

OFFICE OF THE PRESIDENT

August 14, 1981

Dr. Nicholas Barletta
Vice President for Latin America
The World Bank
1818 H Street, NW
Washington, DC

Dear Dr. Barletta:

As mentioned in our earlier letter, we are enclosing the provisional schedule and agenda for the Founding Assembly of an Inter-American University Council for Economic and Social Development, to be held March 1 - 3, 1982, in Washington, D.C. We hope that you will set aside these dates and join the University leaders of Latin America, the Caribbean, the United States, and Canada. We would appreciate your earliest confirmation.

On the third day of the Assembly there will be a series of workshops led by senior officials of the multi-lateral development agencies and foundations. These workshops will examine policies and programs and funding sources with special regard to the participation of universities. Insofar as their interests relate to Latin America and the Caribbean, we are also inviting Western European and Japanese foreign aid organizations.

At a later stage, the Assembly staff would be happy to assist you in making hotel reservations and in arranging any individual appointments during the period of your stay in Washington.

We welcome your comments and suggestions.

Sincerely,

Gregory B. Wolfe

Gregory B. Wolfe

INTERAMERICAN UNIVERSITY COUNCIL FOR ECONOMIC & SOCIAL DEVELOPMENT

FOUNDING ASSEMBLY

Preliminary Agenda

Washington, D.C. - March 1-3, 1982

Monday, March 1

8:30 - 9:30 a.m.	Registration
9:30 - 10:30 a.m.	Inauguration
10:45 - 12:30 p.m.	First Plenary Session: Recommendations and report of the Provisional Committee on a proposal for an organization to stimulate inter-university cooperation for social and economic development in the Americas.
2:30 - 5:30 p.m.	Working Committees: "A" - Organization "B" - Program "C" - Finance

Tuesday, March 2

9:00 - 12:30 p.m.	Second Plenary Session Presentation of Committee Reports and Final Conclusions
2:30 - 4:30 p.m.	Third Plenary Session Election of Officers
4:30 - 5:30 p.m.	Closing

Wednesday, March 3

Workshops on Cooperative Development Projects

9:00 - 10:45 a.m. 11:00 - 12:45 p.m.	1) Policies 2) Preparation 3) Operation 4) Funding	Selected representatives of multilateral development agencies will lead workshops on projects in areas such as Agriculture, Urban Development, Energy, Population and Demography, Science and Technology Interchange, Health, Educational Technology and Industrial Development.

July 31, 1981

Mr. Gregory B. Wolfe
President, Provisional Committee
Florida International University
Tamiami Campus
Miami, Florida 33199

Dear Mr. Wolfe:

Thank you for your letter of July 20. Mr. Barletta is now on vacation and will return to the office on August 17. We will be glad to forward to you his comments soon after his return.

With my best regards,

Carlos N. Quijano
Special Adviser to the Vice President
Latin America and the Caribbean Region

bg

Mr. Chujart (Chstable)

FLORIDA INTERNATIONAL UNIVERSITY
TAMIAMI CAMPUS • MIAMI, FLORIDA 33199 • (305) 552-2111

OFFICE OF THE PRESIDENT

July 20, 1981

Dr. Nicholas Barletta
Vice President for Latin America
The World Bank
1818 H Street, NW
Washington, DC 00000

Dear Dr. Barletta:

With the assistance of multi-lateral development agencies, a General Assembly will be convened in February 1982, in Washington, D.C., to create officially a university council for economic and social development, review the initial contributions of donors, and examine the preliminary action-oriented program and projects. Several contributions are in process, including an OAS-funded information exchange and university supported provisional staff.

In 1980, Florida International University received a grant from the Organization of American States to convene a Symposium on "Inter-American University Cooperation for Economic and Social Development". Representatives from 40 institutions of higher education - from Latin America, the Caribbean, Canada, and the United States - concluded that the mission of the universities should expand to address the development needs of their societies. Institutions of higher learning must take an active role in finding solutions to the problems faced by the community, the nation, and the region in which it exists. After three days of discussion, the Symposium participants appointed a committee to meet in Mexico and recommend the structure of a new organization of universities to fulfill this critical mission. The steering committee has requested that I forward a copy of the committee's recommendations to you. We invite you to consider joining us in the founding of the organization.

A new organization of universities is necessary because a new conceptual framework for the function of the university is proposed. Higher education institutions of the hemisphere will cooperate and contribute their training, research, and extension capabilities to resolve priority applied issues. Within this framework, the university will serve society and, in so doing, strengthen its own resources and opportunities for institution building.

We propose that the organization and its small secretariat serve the member universities. It will help to coordinate and promote the execution of development projects by the participating universities. In addition to this assistance, the organization will identify new sources of funding for those projects. It will facilitate cooperative efforts among the sponsoring universities. It is envisioned that development projects will be supported in part by private and public donors of North America, South America, Western Europe, and other regions.

In the near future, we will forward to you the 1980 Symposium Proceedings. Later, we will send you the provisional agenda for the founding assembly. We would like to receive your comments, and we look forward to further consultation with you.

Cordially,

Gregory B. Wolfe
President, Provisional Committee

GBW
Enclosure

On behalf of the Provisional Committee:

Dr. Jaime Ospina	OAS, Washington, D.C.
Dr. Luis Garibay	Rector, Universidad Autónoma de Guadalajara
Dr. Julian Chela Flores	Universidad Simón Bolívar, Caracas
Dr. Maurice Harari	Vice President for International Programs, Washington, D.C., AASCU
Dr. Ivan Lavados	Executive Director, CINDA Santiago, Chile
Dr. John Lombardi	Dean, International Programs Indiana University
Dr. Francois Loriot	Executive Director, Inter-American Organization of Higher Education Quebec
Dr. Mark Rosenberg	Director, Latin American & Caribbean Center, Florida International University
Dr. Helen Safa	Director, Latin American Studies Center University of Florida
Dr. Homero Silva	Rector, Universidad Peruana Cayetano Heredia
Lic. Oscar Soria	Director, Instituto Ajijic, Universidad Autónoma de Guadalajara
Ing. Vicente Valle Herrera	Universidad Autónoma de Guadalajara
Mr. Robert E. Culbertson	Florida International University
Dr. E. Alvaro de la Rosa	Director of Graduate Studies Universidad Autónoma de Guadalajara

ACUERDO AD REFERENDUM

Proposición de un Organismo para Estimular la Cooperación Interuniversitaria para el Desarrollo Económico y Social en las Américas

El Comité provisional designado en la reunión celebrada en la Universidad Internacional de Florida en Noviembre pasado, se reunió en la Universidad Autónoma de Guadalajara, recinto de Ajijic, Jalisco, los días 6 y 7 de Febrero de 1981 con la asistencia de las siguientes personas:

Dr. Luis Garibay
Dr. Gregory B. Wolfe
Dr. Julian Chela Flores
Mr. Robert Culbertson
Dr. Maurice Harari
Dr. Ivan Lavados
Dr. John Lombardi
Dr. Francois Loriot
Dr. Jaime Ospina
[redacted]
Dr. Ed. Alvaro Romo de la Rosa
Dr. Mark Rosenberg
Dra. Helen Safa
Dr. Homero Silva
Lic. Oscar Soria Nicastro
Ing. Vicente Valle Herrera

Acordó lo siguiente:

I. ORGANIZACION

Primero: Proponer la creación del CONSEJO INTERAMERICANO DE COOPERACION ACADEMICA PARA EL DESARROLLO ECONOMICO Y SOCIAL

Segundo: Los objetivos del Consejo serán:

1. Promover acciones de cooperación académica Interamericana, con énfasis en apoyar el desarrollo económico y social. Para este efecto:

   1.1. Promoverá y desarrrollará investigaciones de carácter científico, educativo, económico y social que ayuden a identificar problemas fundamentales del desarrollo nacional y regional.

1.2. Promoverá la mejor utilización de la capacidad académica en la búsqueda de soluciones de los problemas sociales.

1.3. Promoverá y realizará cursos y seminarios en las materias de su competencia.

1.4. Promoverá y editará publicaciones sobre las áreas de su interés.

2. Realizar acciones tendientes a obtener los recursos necesarios para la operación del Consejo y asesorar en las gestiones para conseguir el financiamiento de proyectos en que estén involucrados miembros de la Organización.

3. Promover la distribución de información a través de reuniones, publicaciones, etc., coordinándose para tal propósito con las actividades similares de las instituciones universitarias.

Tercero: Los miembros del Consejo serán:

1. Instituciones de Educación Post-Secundaria.
2. Asociaciones de estas instituciones y otras organizaciones cuyas finalidades coincidan o puedan ayudar al cumplimiento de los objetivos del propio Consejo.
3. Agrupaciones de especialistas cuya pericia y experiencia puedan colaborar a alcanzar los propósitos del Consejo.

Serían requisitos para ser miembro los siguientes:

- Interés, capacidad y competencia.
- Haber realizado actividades significativas en la investigación, formación de recursos humanos y en la investigación educativa.
- Experiencia comprobada en actividades de mejoramiento educativo y de apoyo al desarrollo económico y social.

La condición de miembro será plena cuando se cumplan los requisitos señalados; o asociada, cuando las instituciones aspirantes estén en proceso de reunir tales requisitos.

Cuatro: La Estructura y Gobierno del Consejo serán los siguientes:

1. La Asamblea constituida por instituciones miembros plenos, será la autoridad máxima.

2. Una Junta Directiva integrada por miembros, elegidos en la Asamblea y por el Secretario Ejecutivo.

De ellos, 5 serán representantes de las instituciones miembros y 3 serán personalidades muy distinguidas, que podrían provenir de sectores ajenos al Consejo.

La Junta tendrá un Presidente y un Vice-Presidente, elegidos de entre sus miembros por la Asamblea.

La Junta Directiva, para el mejor desarrollo de sus responsabilidades, designará tres comisiones de apoyo:

Comisión de Finanzas

Comisión de Programas

Comisión de Relaciones y de Promoción de Nuevos Miembros

3. Para ejecutar las decisiones de la Asamblea y de la Junta Directiva habrá un Secretariado Ejecutivo integrado por un Secretario General, designado por la Junta Directiva, y por el personal que se estime conveniente.

Para ayudar al cumplimiento de los propósitos y actividades del Consejo, la Junta Directiva podrá establecer Secretariados Correspondientes en varias regiones del hemisferio.

La sede de la Junta Directiva y del Secretariado Ejecutivo estará en el lugar que decida la Asamblea y podrá cambiarse, si se estimare conveniente, cada dos años.

El plazo de la gestión de los Miembros de la Junta Directiva y del Secretario General será de dos años, con posibilidad de prórroga en sus mandatos.

II. PROGRAMACION

En cuanto a los diversos aspectos de programación del Organismo, deben tomarse en cuenta, como punto de partida y nunca perderse de vista, los siguientes principios básicos:

1. Todo programa, proyecto o actividad debe ser congruente con los objetivos de la organización.

2. Debe intentarse, igualmente, la cuidadosa vinculación de toda actividad de la Organización, con la realidad social y cultural de las comunidades respectivas.

3. El compromiso de cada institución miembro del Consejo por el Desarrollo Económico y Social debe compartirlo toda la comunidad institucional.

Los programas deben abarcar las áreas de Formación Profesional, Investigación y Servicio y podrán ser de corto o de largo plazo. Los programas, proyectos o actividades se darán de acuerdo con prioridades pre-establecidas en áreas tales como la formación de recursos humanos especializados, la educación, la salud, la vivienda, la agricultura, la energía, la explosión demográfica, el intercambio de ciencia y tecnología y el intercambio cultural.

Algunos aspectos programáticos específicos incluirán las siguientes tareas:

1. Formación profesional

   1.1. A corto plazo: perfeccionamiento académico a través de cursos, seminarios y talleres.

   1.2. A largo plazo: programas innovadores de postgrado, buscando que se aparten de los esquemas tradicionales y sus restricciones.

2. Investigación. A Corto Plazo:

2.1. Programas, estudios y proyectos de carácter preferentemente inter-institucional e inter-disciplinario, tomando en cuenta un inventario y evaluación de proyectos.

2.2. Refuerzo y aceleración de programas, estudios y proyectos en operación y realización de proyectos de corto alcance.

A Largo Plazo:

2.3. Estudios de mayor envergadura y alcance, cuya complejidad y profundidad requieren más tiempo.

3. Servicio.

A Corto Plazo:

3.1. Realización de un inventario o censo de instituciones de educación post-secundaria y de los recursos disponibles en ellas, así como el establecimiento de un banco de datos.

3.2. Establecimiento de mecanismos ágiles de intercambio de información que ofrezcan información procesada y seleccionada para facilitar el acceso a ella.

3.3. Intercambio de experiencias y recursos humanos y materiales.

3.4. Edición de un boletín informativo sobre las actividades del Organismo, así como de publicaciones periódicas, libros y monografías.

A Largo Plazo:

3.5. Mayor enlace con el sector productivo a través de la prestación de servicios y producción de bienes.

Debe considerarse como necesario el realizar un diagnóstico previo sobre el campo en que van a incidir las actividades o proyectos concretos y el efectuar evaluación durante el desarrollo de proyectos y al final de los mismos.

Para apoyar las actividades de Formación Profesional, Investigación y Servicio, es conveniente identificar los "núcleos académicos" de excelencia ya existentes y promover el desarrollo de otros nuevos para que contribuyan a un desarrollo autogenerado, en beneficio de las comunidades local, nacional e internacional.

III. MECANISMO DE FINANCIAMIENTO:

El Consejo Interamericano Académico de Cooperación para el Desarrollo Económico y Social tendrá como mecanismo de financiamiento una Comisión de Finanzas que acudirá a las fuentes o modalidades que se enumeran a continuación:

1. La aportación anual de las instituciones o asociaciones que tengan el carácter de miembros plenos, cuyo monto será establecido por la Asamblea.

2. Un porcentaje del overhead de los proyectos ya financiados, con el apoyo del Consejo, en monto que determinará la Junta Directiva.

3. La constitución de un fondo común que sirva para financiar proyectos y actividades propias del Consejo, de acuerdo a las programaciones periódicas que se hagan de estos fondos.

4. El asesoramiento y apoyo para que los miembros del Consejo obtengan financiamiento para sus proyectos particulares.

FORM No. 89
(2.66)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

ROUTING SLIP	Date Aug. 18, 1981

OFFICE OF THE PRESIDENT

Name	Room No.
Mrs. Boskey	

	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 reply for Mr. Clausen's signature. He will have to decline since September 30 is right in the middle of the Annual Meeting.

We will call Ms. Healy after Mr. Clausen has seen the reply with the incoming letter.

Please do. OL

Olivier Lafourcade

From

Advised Mrs. Healy
8/20/81

August 19, 1981

Dear Senator Mathias:

I appreciate the invitation to join you on September 30 at a luncheon discussion with chief executive officers of multinational corporations, on the rate of increase in world population and its relationship to economic growth.

I would very much like to accept because this issue is one on which The World Bank has focused on for quite a long time. If population is expanding at a faster pace than economic growth, a country is in a "no win" situation. Unfortunately, the date falls during the period of the Annual Meeting of the Boards of Governors of the World Bank and the International Monetary Fund and my time is completely taken up with those important activities. I therefore must regret.

Thank you again for the invitation.

Sincerely,

A. W. Clausen

The Honorable
Charles McC. Mathias, Jr.
United States Senate
Washington, D. C. 20510

AWC:vtb

409

CHARLES McC. MATHIAS, JR.
MARYLAND

REPLY TO:
358 RUSSELL SENATE OFFICE BUILDING
WASHINGTON, D.C. 20510

United States Senate

WASHINGTON, D.C. 20510

August 10, 1981

Honorable A. W. Clausen
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20006

Dear Mr. Clausen:

On September 30, I hope that you will be able to join me at a luncheon for chief executive officers of multi-national corporations to discuss the rate of world population increase and its relationship to economic growth. Standard and Poors, in its Forecast for the 80's, has identified this problem as one of the major obstacles to economic vitality.

The luncheon will take place in the Mansfield Room (S-207) of the Capitol at noon, and will include a roundtable discussion on the issue. The Population Action Council is co-sponsoring the program.

When I hear that you can be present, we will send, prior to that date, a report on the subject, prepared by the Congressional Research Service. I know that your presence will go a long way toward making the discussion a success.

Please contact Ms. Monica Healy of my staff at 224-4654 as to whether or not you will be attending.

With best wishes,

Sincerely,

Charles McC. Mathias, Jr.
United States Senator

CM:mhc