Folder Title:	Clausen Papers - United States Congress Correspondence - Correspondence 05
Folder ID:	1774086
Series:	Alphabetical [subject] files
Dates:	01/01/1983 - 12/31/1983
Subfonds:	Records of President A. W. Clausen
Fonds:	Records of the Office of the President
ISAD Reference Code:	WB IBRD/IDA EXC-09-3957S
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Clausen's: Correspondence with Congress 1983.

The World Bank Group
Archives
1774086
A1995-265 Other #: 6 Box # 209464B
Clausen Papers - United States Congress Correspondence - Correspondence 05

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

Executive Director

December 12, 1983

Dear Senator Heflin:

Your note to Mr. A.W. Clausen, President of the World Bank and the International Finance Corporation, transmitting a letter from your constituent, Mr. Inman P. Ellis, President, OPICO, has been referred to this office for reply.

Since Mr. Ellis' concerns are directly related to a project being funded by the U.S. Agency for International Development, rather than the World Bank Group, I have referred your letter to Mr. Kelly C. Kammerer, Director, Office of Legislative Affairs, at AID for an appropriate response.

If I can be of any further assistance on any World Bank related matters, please do not hesitate to let me know.

Sincerely,

James B. Burnham
U.S. Executive Director

The Honorable Howell Heflin
United States Senator
United States Senate
Washington, D.C. 20510

cc: Mr. V. Roy Southworth ✓ OK. VRS 12/14/83

#1716 - logged out

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

A. W. CLAUSEN
President

December 8, 1983

Dear Senator Heflin:

Thank you for bringing Mr. Ellis' letter to our attention. I have passed it on to Mr. James Burnham, the Executive Director who represents the United States in the Bank and in the Corporation.

Sincerely,

V. Roy Southworth
Administrative Assistant
to Mr. Clausen

The Honorable Howell Heflin
United States Senator
United States Senate
Washington, D. C.

CC: James Burnham

1716

United States Senate

RE: Mr. Inman P. Ellis
President
OPICO
P. O. Box 849
Mobile, Alabama 36601

Respectfully referred to:

Mr. A. W. Clausen
President
International Finance Corporation
1818 H Street
Washington, D.C. 20433

Because of the desire of this office to be responsive to all inquiries and communications, your consideration of the attached is requested. Your findings and views, in duplicate form, along with return of the enclosure, will be appreciated by

Howell Heflin

U.S.S.
Howell Heflin

HH/msb
Form #2

OPICO®

POST OFFICE BOX 849 154 ST. LOUIS STREET MOBILE, ALABAMA 36601 USA
PHONE: (205) 438-9881 CABLE: OPICO MOBILE TELEX: 505462 REGISTRATION OFFICE: PANAMA

November 15, 1983

Senator Howell Heflin
728 Hart Building
Washington, D.C. 20510

Dear Senator Heflin:

This is a follow up on my letter of October 17th having to do with US AID furnishing 300 Japanese manufactured trail bikes to Uganda. In talking with some personnel at the US AID that Mr. Gordon Martin of your office put me in touch with, I stumbled across another instance of our tax dollars being used to purchase foreign manufactured goods to send to a third nation.

Again in this case it is Uganda receiving the goods and it involves 11,000 bicycles plus parts. Under a section of the law which AID functions, Section 941, they are required to buy U.S. except that they can under certain circumstances buy from less developed countries. This section was probably passed by Congress a number of years ago when our nation's economic picture was entirely different than that which we are evidencing today.

This current tender for bicycles has been awarded to the Texind Corporation of Bombay, India for 11,000 bicycles plus parts, CIF U.S.$657,786.50.

It is my understanding from personnel at the US AID office that the contract has not been signed as they are awaiting funding documents from the AID Banking Division.

This is another example that I think clearly points to the need for an urgent revision of the law to prevent our tax dollars from buying merchandise from other countries.

I talked with Mr. Murray Bender who is Vice President of Sales and President of the Export Company of Murray Ohio Manufacturing in Brentwood, Tennessee. He tells me that he was aware of this bid and that the specifications were written around a 28" wheel whereas no U.S. manufacturer manufactures to these specifications. Apparently a 26" wheel is standard in the U.S. I do not see why if this country is going to give $657,786.50 worth of bicycles to Uganda, the Ugandians can not be happy with 26" wheels.

I do urge that something be done to change this law to prevent any further expenditure of tax dollars with any third person country when we have people in this country who are not working. We suffer enough difficulty in our exports because of the high dollar versus other currencies. Also there is no way that U.S. labor can be competitive against Indian labor so certainly the Indians are going to have a great advantage; plus, of course, it is a shorter distance to ship from India to Uganda than from the U.S. to Uganda.

Please let me know the results of your talks with A.I.D.

Regardless, no loophole should stand in the way of our spending U.S. tax dollars with U.S. firms to help our friends such as Uganda who certainly need our help and we are delighted that our country can provide assistance.

Sincerely,

O P I C O

Inman

Inman P. Ellis
President
IPE/ksd

cc; Mr. Gordon Lawless, President
Alabama District Export Council
c/o Phifer International Sales, Inc.
P.O. Box 1700
Tuscaloosa, Alabama 35403

Mr. Murray Bender
Murray Ohio Manufacturing
P.O. Box 268
Brentwood, Tennessee 37027

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

A. W. CLAUSEN
President

October 7, 1983

Dear Senator DeConcini:

I am returning your letter, addressed to Mr. Clausen, concerning Yvonne Durazzo's interest in employment with the Federal Reserve. You may have intended this for Mr. Volcker.

Sincerely,

V. Roy Southworth
Assistant to the President

The Honorable
Dennis DeConcini
United States Senator
United States Senate
Washington, D. C. 20510

Enclosure

FORM NO. 1643
(4-80)

THE WORLD BANK

ROUTING SLIP	DATE: September 15,1983

FROM THE VICE PRESIDENT
EXTERNAL RELATIONS

NAME	ROOM NO.
Mr. Clausen	E.1227

	APPROPRIATE DISPOSITION		NOTE AND RETURN
	APPROVAL		NOTE AND SEND ON
	COMMENT		PER OUR CONVERSATION
	FOR ACTION		PER YOUR REQUEST
X	INFORMATION		PREPARE REPLY
	INITIAL		RECOMMENDATION
	NOTE AND FILE		SIGNATURE

REMARKS:

Copies of Patterson letters to Pres. Reagan + Tip O'Neill are being sent to Mr. de Larosière.

FROM:

M.P. Benjenk

RI

U.S. HOUSE OF REPRESENTATIVES

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

September 15, 1983

The President
The White House

Dear Mr. President:

I am writing regarding the upcoming World Bank - IMF Annual Meeting to be held in Washington later this month. I look forward to your address to the Meeting and strongly encourage you to use this opportunity to add some much-needed flexibility to the U.S. negotiating stance on IDA VII, the upcoming seventh replenishment of resources for the World Bank division which makes development loans to the world's poorest countries.

In meetings last summer with me and with representatives of other IDA donors countries, the United States has been rigid in promoting a replenishment level substantially lower than that preferred by other donors and far short of the level needed to promote development for the world's poor. I have been extremely disappointed by reports I have received about the U.S. position at the IDA Deputies meeting in Tokyo in July. Especially disturbing are reports that the U.S. representative to that meeting indicated that Congressional opinion is the main obstacle to agreement to a more adequate funding level for IDA. This strongly contradicts my understanding of Congressional sentiment.

Mr. President, as chairman of the House subcommittee which will consider the IDA authorization request, I hope to see the Administration work more closely with our fellow donors and with Congress to arrive at an IDA level which can be supported by a majority of members of the House and Senate. The $750 million level now under discussion is so low as to represent a disturbing vote of no confidence in World Bank President Clausen and a repudiation of the Treasury Department's comprehensive 1982 assessment of the value of U.S. participation in the multilateral development banks. I believe a U.S. annual contribution of $950 million to $1 billion would be supported by the Congress if it had the strong backing of the Administration.

The World Bank and IDA are doing a good job under President Clausen. They are helping to teach sound economic principles around the world, bettering lives and bringing hope of peaceful change to people in troubled lands. I strongly urge that the Administration reconsider its position in time for the September 24 negotiating session.

Sincerely,

Jerry M. Patterson

Jerry M. Patterson

U.S. HOUSE OF REPRESENTATIVES

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

September 14, 1983

The President
The White House

Dear Mr. President:

On August 17, I wrote to you to express concern about a news release that the National Republican Congressional Committee mailed to some of my supporters and to the newspapers in my home district. As you know, the release accused me of voting "to support communism rather than the people of this country," when I voted against a restrictive amendment to the IMF bill offered by Congressman Gramm of Texas. I am writing again to emphasize how strongly my colleagues have reacted against these accusations and how deeply support for the IMF legislation has been undercut by the NRCC's statement.

Since Monday when Congress returned to Washington, I have heard from a number of my colleagues who feel they can no longer support the Administration's request for an IMF authorization. These members feel, as I do, betrayed that support for your position and the position of the House Minority Leader was represented as traitorous by a Republican organ. All of the ground that your Administration and the Democratic and Republican House leadership gained by hard effort in the weeks prior to passage of the bill has been lost. Sixty to eighty votes are in jeopardy because of members' outrage over the NRCC action.

As I wrote last month, it is imperative that you respond directly to the press statement so that members are assured that our support is appreciated and will not be again misrepresented. I am concerned that you have not responded to my letter or to the wild accusations of the Republican Congressional Committee.

As chairman of the Subcommittee on International Development Institutions and Finance of the House Banking Committee, I am deeply concerned about the world economy and I believe passage of the IMF legislation is vitally important. The bill passed the House by only six votes. A majority of House Republicans opposed it. Many members, like myself, who voted for the Administration's position on the bill are uncertain that we can do so again in the absence of any word from you on the NRCC's attack. Discussions with other members this week have convinced me that there is no possibility that a Conference Report on the IMF can pass the House unless there is a persuasive and unequivocal response from the White House to the scurrilous cant that has been spread across the country relative to this legislation.

Mr. President, I urge you to respond as soon as possible.

Sincerely,

Jerry M. Patterson

Jerry M. Patterson

U.S. HOUSE OF REPRESENTATIVES

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

September 14, 1983

The Honorable Thomas P. O'Neill
Speaker of the House of Representatives

Dear Mr. Speaker:

I am writing to encourage you to delay the appointment of conferees on the IMF Authorization until President Reagan addresses his party's recent red-baiting over the Gramm Amendment. I was one of the Democratic supporters of the IMF bill targeted by the National Republican Campaign Committee for attack over the Gramm amendment. On August 17, I wrote to the President to explain the need for a strong White House response to the NRCC's accusation that members who opposed the Gramm amendment were promoting communism.

I have still not received a reply to that letter. After speaking with other House members, it is clear to me that in the absence of a persuasive and unequivocal statement from the President condemning the NRCC's action, any Conference Report on the bill has no chance to pass the House.

I encouraged my colleagues to vote against the Gramm Amendment and for the bill, but I do not feel that we can ask Democratic members to walk that plank again given the Republican party's outrageous conduct. I appreciate your consideration of my views.

Cordially,

Jerry M Patterson

Jerry M. Patterson
Chairman
Subcommittee on
International Development
Institutions and Finance

THE WORLD BANK

Office of the President

Sept. 21

Senator James McClure (Republican-Idaho)

Mr. Stanton says Sen. McClure is very conservative and not a friend of the Bank.

Judy Maguire adds that he is 100% against IDA and all foreign aid appropriations. He votes against the Bank every chance he gets, i.e. last December he voted to cut $100 million out of IDA (Sen. Jesse Helms' amendment).

MH

P.S. Sen. McClure's wife, Louise, is President of International Club No. 1 to which Mrs. Clausen belongs.

file

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

A. W. CLAUSEN
President

August 2, 1983

Dear Mark:

As you know, the signing of the Supplemental Appropriations Bill on Saturday completed a FY83 contribution of $945 million to the International Development Association.

We at The World Bank greatly appreciate the efforts of the Appropriations Committee on behalf of IDA, and we are especially grateful to you for your personal contributions and support. Two of your members, Senators Kasten and Inouye were very helpful and their patience and willingness to cooperate in conference deserve special recognition by all of us.

After several years of uncertainty, the results of the Supplemental and the pledge of the Committee to complete IDA-6 next year have done wonders for the image of the United States in the eyes of its fellow donor countries.

Please extend to your Committee the sincere thanks of the staff and the Board of Directors of The World Bank.

Sincerely,

Tom

The Honorable Mark Hatfield
Chairman, Senate Appropriations Committee
322 Hart Senate Office Building
Washington, D.C. 20515

bcc: Senators Kasten)
Inouye) with handwritten notes
Wm. Stanton

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

A. W. CLAUSEN
President

August 2, 1983

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Sincerely,

Tom

The Honorable Mark Hatfield
Chairman, Senate Appropriations Committee
322 Hart Senate Office Building
Washington, D.C. 20515

Senator Kasten: Many thanks for your work in the conference! I understand your personal efforts made this full amount possible.

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

A. W. CLAUSEN
President

August 2, 1983

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Please extend to your Committee the sincere thanks of the staff and the Board of Directors of The World Bank.

Sincerely,

The Honorable Mark Hatfield
Chairman, Senate Appropriations Committee
322 Hart Senate Office Building
Washington, D.C. 20515

Senator Inouye — Many thanks for your efforts and your strong support of IDA over the years! We are most appreciative.

file

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

A. W. CLAUSEN
President

August 2, 1983

Dear Congressman Whitten:

As you know, the signing of the Supplemental Appropriations Bill completed a FY83 contribution of $945 million to the International Development Association.

Please accept our thanks to the Appropriations Committee for their fine efforts on behalf of IDA. My colleagues and I appreciate the special and personal contributions of several Committee members on both sides of the political aisle. We know full well of Congressman Conte's initial leadership and the willingness of Congressmen Kemp and McHugh to cooperate. Congressman Long's assistance in coordinating everyone's efforts also did not escape our attention. And, of course, we are aware of your invaluable contribution in making all this possible.

On behalf of the staff and Board of Directors of The World Bank, please extend to your Committee our sincere thanks. Congressmen Gray and Stokes will be especially pleased to know that this money will be applied to the projects in sub-Sahara Africa as we had previously mentioned.

Sincerely,

Tom Clausen

The Honorable Jamie Whitten
Chairman, House Appropriations Committee
2314 Rayburn Building
Washington, D.C. 20515

bcc: Congressmen Silvio Conte)
Jack Kemp)
Matt McHugh) with handwritten notes
Louis Stokes)
Bill Gray)

Wm. Stanton

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

A. W. CLAUSEN
President

August 2, 1983

Dear Congressman Whitten:

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Sincerely,

A

The Honorable Jamie Whitten
Chairman, House Appropriations Committee
2314 Rayburn Building
Washington, D.C. 20515

Silvio — Many thanks for everything!

Tom

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

A. W. CLAUSEN
President

August 2, 1983

Dear Congressman Whitten:

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Sincerely,

A

The Honorable Jamie Whitten
Chairman, House Appropriations Committee
2314 Rayburn Building
Washington, D.C. 20515

Jamie - Without you we would not have gotten the full amount. Hope you will help us on IDA 7!

Tom

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

A. W. CLAUSEN
President

August 2, 1983

Dear Congressman Whitten:

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Sincerely,

A

The Honorable Jamie Whitten
Chairman, House Appropriations Committee
2314 Rayburn Building
Washington, D.C. 20515

Congressman Joe Hugh – Many, many thanks! Your support is greatly appreciated!

Tom

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

A. W. CLAUSEN
President

August 2, 1983

Dear Congressman Whitten:

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Sincerely,

A

The Honorable Jamie Whitten
Chairman, House Appropriations Committee
2314 Rayburn Building
Washington, D.C. 20515

Congressman Stokes - Many thanks!
Your support is greatly appreciated!

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

A. W. CLAUSEN
President

August 2, 1983

Dear Congressman Whitten:

As you know, the signing of the Supplemental Appropriations Bill completed a FY83 contribution of $945 million to the International Development Association.

Please accept our thanks to the Appropriations Committee for their fine efforts on behalf of IDA. My colleagues and I appreciate the special and personal contributions of several Committee members on both sides of the political aisle. We know full well of Congressman Conte's initial leadership and the willingness of Congressmen Kemp and McHugh to cooperate. Congressman Long's assistance in coordinating everyone's efforts also did not escape our attention. And, of course, we are aware of your invaluable contribution in making all this possible.

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Sincerely,

A

The Honorable Jamie Whitten
Chairman, House Appropriations Committee
2314 Rayburn Building
Washington, D.C. 20515

Congressman Gray - Many thanks!
Your support is greatly appreciated!

FORM NO. 1768
(6-81)

REPORTS ROUTING SLIP	DATE: July 25, 1983

NAME	ROOM NO.
Mr. Southworth	E 1227

	APPROPRIATE DISPOSITION		NOTE AND RETURN
	APPROVAL		NOTE AND SEND ON
	CLEARANCE		PER OUR CONVERSATION
	COMMENT		PER YOUR REQUEST
	FOR ACTION		PREPARE REPLY
X	INFORMATION		RECOMMENDATION
	INITIAL		SIGNATURE
	NOTE AND FILE		**URGENT**

REMARKS:

With reference to Mr. Clausen's letter to Sen. Heinz.

FROM:	ROOM NO.:	EXTENSION:
W. J. Cosgrove	H-2-103	32064

R1

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

8-2-83

DATE July 22, 1983

TO Mr. W. J. Cosgrove, Director, ADM

FROM R. T. McGovern, Chief of ADMPR RTM

EXTENSION 60320

SUBJECT Results of World Bank Opening (Bid No. 83-155)

In an effort to response to Mr. Heinz's concerns on the above subject, Globe Security Systems ranked number 2 in the cost analysis. However, the technical analysis, client references and financial capabilities are still under investigation by Procurement and Security Divisions of ADM.

International and Globe representatives will meet with the Bank's staff the week of July 25th to discuss their technical proposal(s), and to clarify several items of concern with each proposal to include Health, Life Insurance, and necessary general liability insurance provisions.

International and Globe Security firms are being interviewed and will be given due consideration and notified of the results as soon as decision have been made. The lowest evaluated firm in view of technical, cost and other considerations shall be notified by Sept. 7th.

Your interest in this award is appreciated.

WHJ/RTM/as

cc: Mr. Townsend
Mr. Johnson
Contract File

Bill Cosgrove has met with representatives of Globe Security. He reports that their questions about the qualifications of the low bidder have been satisfactorily addressed.

Roy
7/28/83

Congress

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

A. W. CLAUSEN
President

July 7,1983

Dear John:

Thank you for sending the material on Globe Security System's bid for the Bank's security personnel contract. I have sent it to my colleagues in our Administrative Services Department and they will be in touch with Globe shortly concerning their questions on the qualifications of the winning bidder.

It was good talking with you and I appreciate your bringing this matter to our attention.

Sincerely,

The Honorable John Heinz
United States Senate
Washington, D. C. 20510

CC: Mr. Cosgrove
Administrative Services
with incoming

BC: M. Paijmans

UNITED STATES SENATE
WASHINGTON, D. C. 20510

JOHN HEINZ
PENNSYLVANIA

965

June 30, 1983

Mr. A.W. Clausen
President, The World Bank
1818 H Street, NW
Washington, DC 20433

Dear Ted:

Confirming our recent telephone conversation, I have enclosed an attachment regarding Globe Security System's bid on World Bank Bid No. 83-155.

As I mentioned, they want to be sure that the low bidder is fully qualified for the contract, as explained in the attached memo.

Again, thank you for your time on the phone. I appreciate your attention in this matter.

Sincerely,

John

John Heinz
United States Senate

HJH:rjc

M E M O R A N D U M

TO: S. Harrison Dogole

FROM: Anthony J. Petronio

RE: Results of World Bank Bid opening (Bid No. 83-155)

DATE: June 22, 1983

Out of 19 bidders, Globe was the 2nd lowest bidder on the World Bank. Our proposal reflected an estimated total cost (payroll taxes, insurance, direct-costs & management fee) of $2,014,781 for the first year. The amount was approximately $23,000 higher than the low bidder, International Security Corp.

As you may recall, the specifications require the successful contractor to furnish high liability insurance coverage ($15,000,000). This, of course, is no problem for us since our limits through Kidde far exceed that. I do not, however, have any knowledge as to whether the low bidder has such insurance coverage. My guess is that, if they don't, their bid price will not allow them to purchase it specifically for this contract and still make a profit on this contract. In fact, I'm sure the market for such coverage is tight, therefore, they might have a tough time securing it even if they could afford it.

Our proposed fee includes minimal profit far below our normal profit level for this size of contract. We bid it "close to the vest" in an attempt to obtain this prestigious organization as a client.

This contract covers several facilities. The individuals we are dealing with are:

Contracting Officer - Bill Johnson
Chief of Security - Bob Townsend
Operations Chief - Q. T. Barlow

jlk

cc: Bruce Oxman

~~Dear Carin~~

6-24

Senator Heinz -

Comment

Contract for Security

Personnel World Bank.

Globe Security Systems.

Not the low bidder - by #134

a $2 MILLION CONTRACT.

Company is very qualified.

& has the Insurance Coverage.

W

R1

July 19, 1983

The Honorable
John Tower
United States Senate
Washington, D.C. 20510

Dear Senator:

copy attached

As Mr. Clausen said in his letter to you of July 11, 1983, he has asked me to write to you regarding your request for information concerning the possibility of a role for the World Bank in financing sales of International Harvester tractors to Tanzania.

I am sure that you know that World Bank loans and IDA credits are normally made for specific project-related purposes. At this time, we do not have any funds available for the purchase of tractors under any of our existing projects in Tanzania. Because of its general economic situation, Tanzania is not considered eligible for Bank loans and is eligible only for IDA credits, and I know you are also aware of the very limited amount of IDA funds available to us for lending now. Given the current state of the Tanzanian economy, and the worldwide shortage of new aid funds, we believe that lending (by all donors) to Tanzania would best be directed at the rehabilitation of existing infrastructure rather than investment in new capital. Thus, spare parts for existing tractors, rather than more new tractors, would be of the most immediate benefit in Tanzania.

Another factor relevant to the specific opportunity for financing International Harvester tractors under World Bank auspices is the requirement that under our loans and credits companies must compete freely in the international market place for contracts. The enclosed pamphlet, "Guidelines for Procurement under World Bank Loans and IDA Credits" contains detailed information about these procurement procedures.

I have enclosed another pamphlet, "Making the Most of Business Opportunities from World Bank Projects", which outlines how firms can get information about specific Bank-financed projects which may have components that directly relate to their services or products. While there do not exist such opportunities under World Bank projects in Tanzania at this time for agricultural tractors, there may be other projects in other countries in which tractor supply may be required.

./.

Finally, I would suggest that Manley Imports and Exports, Inc. might wish to contact Ms. Carol Stitt in our Information and Public Affairs office (202-477-4779) in the Bank's Washington, D.C. headquarters for additional details or further information or any aspect of the World Bank's lending operations and business opportunities associated with these operations. That office also conducts regular briefings for the business community.

I am sorry that we cannot be directly helpful in this matter, but I hope the suggestions made above will be useful.

Sincerely yours,

Hans Wyss
Acting Vice President
Eastern Africa Region

Attachments

Cleared with and c.c.: Messrs. Kraske, Wijnand, Southworth
Ms. Stitt

C.c.: Mr. Calderisi (o/r)

NAnderson/DADunn:jm

July 11, 1983

Dear Senator Tower:

Thank you for your letter concerning the possibility of a role for The World Bank in financing tractor sales to Tanzania. I have passed the material you sent on to my colleagues in our East Africa Region. They will be in touch shortly with the information you requested.

Sincerely,

A. W. Clausen

The Honorable
John Tower
United States Senate
Washington, D. C. 20510

bcc: Mr. Wapenhans

RSouthworth:MH

JOHN TOWER
TEXAS

COMMITTEES:
ARMED SERVICES
CHAIRMAN
BANKING, HOUSING, AND
URBAN AFFAIRS
BUDGET

United States Senate

WASHINGTON, D.C. 20510

950

July 1, 1983

Mr. A. W. Clausen, President
World Bank
1818 H Street, N.W.
Suite E 1227
Washington, D.C. 20433

Dear Mr. Clausen:

Enclosed is correspondence I have received from Mr. John Manley of New Braunfels, Texas. Mr. Manley is interested in selling 1000 International Harvester tractors to Tanzania. It is my understanding from the Department of State that Tanzania has a critical need for agricultural machinery of this type.

The primary problem at this time, of course, is financing. I would very much appreciate your informing me as to any possible role that the World Bank could take in this matter.

Thank you for your assistance.

Sincerely,

John Tower

John Tower

JGT/rhd

Enclosure

RI Copies to: M. Benjenk W. Stanton

Congress of the United States

JOINT ECONOMIC COMMITTEE

(CREATED PURSUANT TO SEC. 5(a) OF PUBLIC LAW 304, 79TH CONGRESS)

Washington, D.C. 20510

7/19

July 8, 1983

1001

7-31-83

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

Dear Mr. Clausen:

We would like to thank you for hosting the breakfast for House Members on Tuesday, June 28, to discuss the World Bank and its role in promoting economic development in developing countries.

The breakfast proved to be an excellent way for Members to express their concerns and ask questions about Bank policies in an informal, off-the-record setting. Due to your fine leadership of the discussion, many came away from the meeting with a better appreciation of the pressing needs of developing countries and the role that your institution is playing in assisting them. We share your view that there should be more regularized consultations between the multilateral financial institutions and the Congress and we would be glad to lend our assistance in promoting this process in the future.

Thank you again for your time and hospitality.

Sincerely,

LEE H. HAMILTON

CHALMERS P. WYLIE

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: March 11, 1983

TO: Mr. A. W. Clausen and Mr. M. P. Benjenk

FROM: J. William Stanton JWS.

EXTENSION: 72173

SUBJECT: Meeting with Senator Pete Domenici - March 11th - P.M.

I had an enjoyable meeting with Senator Domenici. The main points he made were:

1. He would like to have lunch with the President. Although the very near future is crowded, he would see that his secretary contacts me in this respect.

2. He will send to me some amendments that he wants me to take a look at.

3. Money for IDA will definitely be in the Senate Budget Resolution.

I thought the meeting with Matt McHugh went very well. On the way back to the hill he again expressed his willingness to do what he can on the Supplemental and will keep in touch with me.

Were you satisfied with your lunch on Wednesday? Anything to report on the G.IV issue that I should pass on to Martin Paichmans?

Bill -

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

copy

March 11, 1983

Honorable Connie Mack
Member of Congress
United States
House of Representatives
504 Cannon Bldg.
Washington, D.C. 20515

Dear Connie:

On the way back to the Bank Mr. Clausen mentioned your conversation with him.

The President said he would be most pleased to meet you and asked me if I could come up with a format where we could get 4-5 or perhaps 6 Congressmen together for just a good old fashioned bull-session about the Bank.

The President further asked what kind of a format would be best?

Having just left after 18 years, I know exactly the calls upon one's time. However, it always comes down to how much interest does one have in a particular subject.

If it is alright with you, I'll give you a call in a few days and we will go from there.

Sincerely,

J. William Stanton
Senior Advisor
External Relations

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: June 21, 1983

TO: Mr. A.W. Clausen
Mr. Munir P. Benjenk

FROM: J. William Stanton J.W.S.

EXTENSION: 72173

SUBJECT: Appointments with Senator Baker and Congressman Kemp

6-22-83

Senator Baker - Wednesday, June 22, 10:30 a.m., Room S-233, The Capitol

I explained to Jim Cannon, Senator Baker's Chief of Staff, that we had no particular crisis or problem to burden him with (letter attached).

We should express to Howard that while we see Administration officials from time to time, we wanted him to know, personally, that we are "well aware of who controls the purse strings." We can also state that the Bank should be of more help to the individual senators than it has in the past and that another reason for this visit is to express our desire to be of assistance. We should also point out that you asked that a program be initiated to better educate the American people on the role of the Bank, and especially the jobs that it provides for American industries and that the Bank will help where there is no national constituent to back up a Senator's support.

Congressman Kemp - Wednesday, June 22, 11:00 a.m., 2252 Rayburn Building

The visit with Jack Kemp is of a more personal nature. You can express that you have learned from very reliable sources that it was his initiative and leadership that got the full amount of the Supplemental through the House. You can also state that you are hoping that this same leadership will carry over to completing IDA-6 in FY84.

Jack Kemp's support for the Supplemental was secured for two reasons: (i) a coalition with Matt McHugh got him $134 million for the President's Security Programs; and (ii) the fact that over 80% of the funds were going to Sub-Saharan Africa (specifically, he has a close relationship with Sudan and during the May-June period $96 million in credits were going there).

Jack will quickly turn the subject away from IDA to the big picture of taxes, the domestic economy and reform of the monetary system. He once said he hoped you realized that the high rate of taxation in these small countries in Africa practically assures that no recovery will be possible. He strongly opposes high tax rates, and hopes you feel the same way?

If he gives you a chance you might ask him if he would be willing, on another occasion, to listen to a little logic on why the U.S. should not decrease its commitment to IDA by more than 30%? Strictly educational.

JWS:jv

June 20, 1983

Mr. Jim Cannon
Office of Senate Majority Leader Baker
Room S-233 - The Capitol
Washington, D.C. 20515

Dear Jim:

Mr. Clausen has a meeting scheduled with Senator Baker for Wednesday, June 22 at 10:30 a.m. I will be accompanying him. Mr. Clausen requested the meeting for the sole purpose of touching base with the Senator and there is no particular problem or crisis in mind.

The Bank has, for many years, been the primary long-term lender of development funds to Third World countries. This is in contrast to our sister institution, the IMF, which lends for short-term, structural adjustment purposes.

Our activities before Congress at the moment center around the following:

- Supplemental Appropriations Bill. The House version contains the full request by the Administration for $245 million for IDA (the International Development Association) to complete the FY83 request for the Sixth Replenishment. The House was sold on the full amount for two reasons: (i) the other 31 donor countries to IDA have completed paying their share of IDA-6. The U.S. is one year late and, in order to complete IDA-6 next year, the $245 is almost essential; (ii) almost 90% of the Supplemental funds will go directly to countries in Sub-Saharan Africa. The Black Caucus, at the encouragement of the African Ambassadors, took this on as an issue. Most republicans in the House did not want to get into this issue.

  The Senate version contains $125 million. Senators Hatfield, Kasten and Inouye have said that they will come out at the $245 figure or close to it.

- FY84 Funding. The Sixth Replenishment is scheduled to be completed in FY84 in Congress. The amount remaining is $1.095 billion, plus what comes out of the Supplemental, short of the $245 million. The House shows an inclination to "get it over with."

Mr. Clausen may mention that he has to complete negotiations for IDA-7 by this fall. In FY84 the Bank will operate basically on the money received from the U.S. in IDA-6, plus $2 billion donated by other countries to IDA-6 over and above their original subscriptions. At the moment the U.S. Treasury is talking about a U.S. contribution of $2.25 billion over 3 years for IDA-7. IDA-6 was for $3.24 billion over 3 years. This 30% cut in the face of such an obvious need for additional funds is a subject Mr. Clausen may or may not mention. However, he has some strong views on the issue.

Finally, Mr. Clausen may point out that, while the IMF adjustment loans may buy time for the Third World, only development projects financed over many years will give them the stability to buy American-made products and pay back these short-term loans. In recent years, almost 40% of all U.S. exports have gone to Third World countries, more than to Europe and Russia combined.

Please call if there are any questions.

Many thanks,

Bill

J. William Stanton
Senior Adviser
External Relations

May 19, 1983

Dear Jack:

I tried to reach you today to express my thanks for your efforts before the House Appropriations Committee in support of the International Development Association. Bill Stanton has told me that, without your key leadership role, the funds for IDA would have been in grave jeopardy.

I am leaving Saturday for the Far East. Upon my return early next month, I will ask Bill to set up a date for you to have lunch with us and a couple of our top management people. I hope you can work this into what must be a very busy schedule.

My colleagues at The World Bank and the millions of individuals in sub-Saharan Africa who will benefit from these funds, thank you.

Sincerely,

A.W. Clausen

The Honorable Jack Kemp
Member of Congress
2252 Rayburn Building
Washington, D.C. 20515

JWStanton/--:jv

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

A. W. CLAUSEN
President

April 11, 1983

Dear Jack:

Thanks for the invitation to participate in your conference on monetary and trade issues. You have certainly chosen an important topic and your participants are absolutely first-rate.

It is indeed a tempting offer, and I truly wish it could be possible for me to join you. But my schedule that day is already booked with a breakfast speech before the Trilateral Commission and a Board meeting here at the Bank. As you know, we're now in an extremely busy period. The fiscal year is drawing to a close and, with the agenda facing the Board on that day, the meeting promises to be an all-day affair.

I leave today for a two-week trip to Europe and will be discussing many of the same issues you will cover with Prime Minister Thatcher, Chancellor Kohl, Prime Minister Lubbers of The Netherlands and Prime Minister Fanfani of Italy.

Your efforts are indeed important, Jack, and I wish you every success with the conference. With any luck, we'll see some real progress coming out of Williamsburg.

Warm regards.

Sincerely,

A. W. Clausen

The Honorable
Jack Kemp
U. S. House of Representatives
Washington, D. C. 20515

RSouthworth:MH

795

JACK KEMP

April 6, 1983

A. W. Clausen
President
World Bank
1818 H St., N.W.
Washington, D.C. 20433

speech to Subsidiary Commission at breakfast + Hea Board

Dear Tom,

Professor Robert Mundell and I are holding a one-day working conference in Washington on May 17, 1983 to discuss international monetary and trade issues and to offer suggestions for reforms prior to the upcoming Williamsburg Summit. Attendance is by invitation only and will include distinguished academicians, financial officers and bankers from here and abroad, as well as the media, members of Congress and officials from the Reagan Administration.

Professor Mundell and I will serve as co-chairmen. Dr. Henry Kissinger has agreed to present a luncheon address. Secretary of State George Shultz will join us in the morning, along with other senior U.S. officials. Jacques Chirac, Mayor of Paris, will present an address. Invitations have been issued to Robert Triffin, Arthur Laffer, Randall Hinshaw, Otmar Emminger, James Meade and many others who will comment, from various perspectives, on the current exchange rate system and offer suggestions for reforms.

Of the 125 participants, we are forming a small distinguished working party of 15 to 20 individuals. It is an honor to invite you to join us as a member

of this group. We would also like you to participate in a mid-afternoon panel discussion, giving your thoughts and suggestions on what should be on the Williamsburg agenda.

I will be writing shortly with more details. If you could respond now with a preliminary indication whether your participation is at all possible, my office phone is 202/225-5265 and the address is 2252 Rayburn House Office Building, Washington, D.C. 20515.

This will be a working session that we hope will serve as a catalyst for promoting fresh ideas in this key arena of debate. We hope you can be with us on the 17th. Your participation would add greatly to the agenda.

Sincerely,

Jack Kemp

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A W CLAUSEN
WORLD BANK
1818 H STREET NORTHWEST
WASHINGTON DC 20433

PLEASE RESERVE MAY 17 FOR A ONE DAY WORKING CONFERENCE IN WASHINGTON
TO DISCUSS INTERNATIONAL MONETARY, TRADE AND CURRENCY REFORM AND
TO OFFER POSSIBLE SUGGESTIONS TO THE AGENDA FOR THE WILLIAMSBURG
SUMMIT. ONE HUNDRED LEADING ACADEMICIANS, BANKING, FINANCE AND
GOVERNMENT LEADERS ATTENDING, BY INVITATION ONLY.
HENRY KISSINGER TO KEYNOTE LUNCHEON.
SECRETARY GEORGE SHULTZ MAKING APPEARANCE.
WILL WRITE FURTHER DETAILS.
PLEASE ADVISE IF YOU TENTATIVELY CAN ATTEND.
ROBERT MUNDELL COLUMBIA UNIVERSITY
JACK KEMP MEMBER OF CONGRESS
(202) 225-5265

Breakfast speech
Trilateral - Wash.

15:21 EST

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

A. W. CLAUSEN
President

June 23, 1983

Dear Senator Baker:

I deeply appreciate your taking time out of your schedule to see me yesterday.

When we discussed our desire to see the top figure in the House ($245 million) prevail in the Supplemental, I fully realized that it was a "one-line item", along with over 150 other subjects in the total bill that you have to be concerned with.

Next month the IDA Deputies will meet in Tokyo to discuss the Replenishment, with special emphasis on the size of IDA-7. The high figure signals to other developed countries that the U.S. will complete IDA-6 in FY84 and they can now get down to the business at hand.

Again, many thanks for being a very patient listener.

Warm regards.

Sincerely,

Tom Clausen

The Honorable
Howard Baker
United States Senate
Room S-233 - The Capitol
Washington, D.C. 20515

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

A. W. CLAUSEN
President

June 23, 1983

Dear Jack:

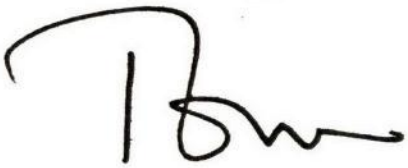
Coming back to the office after our visit, the thought occurred to me that conversations with you are never dull. They are sometimes challenging, always enjoyable, and I thank you for your time and your interest.

Your observations concerning the positive changes that you perceive in the Bank and its leadership in the last couple of years is personally appreciated. Since you mentioned this in the context of discussing a reason why you might be inclined to listen to why the U.S. should not insist on cutting IDA 30%, I don't intend to let you forget the compliment.

Enclosed is the Harvard Speech that I promised to send you. Again, many thanks for your support in general, and especially for your fine efforts on the Supplemental Appropriations Bill.

Warm regards.

Sincerely,



The Honorable
Jack Kemp
Member of Congress
2252 Rayburn Building
Washington, D.C. 20515

Copy - Wm. Stanton
5/27
R. 1

SILVIO O. CONTE
HOUSE OF REPRESENTATIVES
WASHINGTON

FIRST DISTRICT
MASSACHUSETTS

788

May 24, 1983

Dear Tom:

Thank you so much for your kind letter of recent date.

I am pleased I was able to be helpful in assuring that IDA funds remained in the Supplemental Bill and you can be very sure of my continuing support for those programs that help the less fortunate in the world.

As I'm sure you know, we have been very busy up here, but I do hope we can arrange a luncheon in the near future.

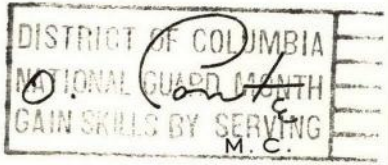
Again, thank you for your thoughtfulness in writing and with warm regards, I am

Cordially yours,

Silvio O. Conte
Member of Congress

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

HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515



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

May 19, 1983

Dear Silvio:

Bill Stanton has told me that it was your leadership that played such a significant part in assuring that funds for IDA remained in the Supplemental Bill before the full Committee. You have a right to be proud of the part that you played in assuring that millions of the less fortunate among us will be given a chance for a better life. Your actions as a responsible legislator have my deepest respect.

Bill tells me that, because of the way you are handling the ball for IDA, I should just stay away from the Committee. However, I do look forward to rescheduling our lunch with you and your members.

Again, my thanks.

Sincerely,

A.W. Clausen

The Honorable Silvio Conte
Member of Congress
2300 Rayburn Building
Washington, D.C. 20515

JWStanton/--:jv

Copy - W. Stanton
June 2/83

R1

813

HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

MATTHEW F. MCHUGH
28TH DISTRICT, NEW YORK

May 31, 1983

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

Dear Tom:

Many thanks for your very thoughtful letter. As usual, Bill Stanton was being overly generous in his praise, but I was certainly pleased that we were able to hold the $245 million for IDA in the House Appropriations bill. I am sure that there will be a struggle over this in conference, as the Senate figure is $125 million. Their number may be for bargaining purposes, that is, to secure some additional military assistance from the House conferees. However, if a strong effort is made to reduce the House number, we will need to bolster up our conferees since they are not the strongest of advocates for IDA. We will do the best we can.

I sincerely appreciate your kind words, and most especially the efforts you and Bill Stanton have undertaken to assure that we on the Hill fully appreciate the importance of maintaining our commitment to IDA.

Best regards.

Sincerely,

Matthew F. McHugh

MFM:dk

May 19, 1983

Dear Matt:

Bill Stanton told me today of the outstanding leadership role that you displayed before the full House Appropriations Committee. I understand that without your leadership and ability to get along with both sides of the aisle, the funds for IDA would have been very much in jeopardy.

You have every right to be proud of your role as a public servant. The direct result of your efforts will be the relief of the suffering of millions of people in this world less fortunate than we. This letter is sent with great respect for your ability and with the gratitude of all of us at The World Bank.

Warm regards.

Sincerely,

A.W. Clausen

The Honorable Matthew McHugh
Member of Congress
2335 Rayburn Building
Washington, D.C. 20515

JWStanton/--:jv

May 19, 1983

Dear Mr. Chairman:

Earlier today I tried to call you to express my personal thanks for your efforts before the House Appropriations Committee in support of the International Development Association. I know that your leadership played an essential role in assuring the passage of the IDA funds in the Supplemental. Please be assured that these funds will be prudently and judiciously applied as soon as the legislative process is completed.

My colleagues at The World Bank and millions of the poorest of the poor in sub-Saharan Africa, join me in expressing our gratitude.

Warm regards.

Sincerely,

A.W. Clausen

The Honorable Clarence D. Long
Chairman
House Sub-Committee on Foreign Operations
2405 Rayburn Building
Washington, D.C. 20515

JWStanton/--:jv

May 19, 1983

Dear Congressman Stokes:

Bill Stanton told me of the outstanding work that you and some of your colleagues have been doing in support of the Supplemental for IDA. He especially highlighted the letter that you and Congressman Gray distributed to your colleagues. Undoubtedly this was a major reason why some members did not pursue an attempt to eliminate funds for IDA in the full Committee.

My colleagues at The World Bank and the people of sub-Saharan Africa who will benefit from these funds join me in expressing our deep gratitude to you.

Sincerely,

A.W. Clausen

The Honorable Louis Stokes
Member of Congress
Room 2304
Rayburn Building
Washington, D.C. 20515

JWStanton/--:jv

May 19, 1983

Dear Congressman Gray:

Bill Stanton has told me of the outstanding work that you and some of your colleagues have been doing in support of the Supplemental for IDA. He especially highlighted the letter that you and Congressman Stokes distributed; Bill felt that this was a major reason why some members did not pursue an attempt to eliminate funds for IDA in the full Committee.

My colleagues at The World Bank, and the millions of poor in sub-Saharan Africa who will benefit from these funds, join me in expressing our thanks to you.

Sincerely,

A.W. Clausen

The Honorable William H. Gray
Member of Congress
Room 204
Cannon Building
Washington, D.C. 20515

JWStanton/--:jv

May 18, 1983

Dear Chuck:

Thanks for your letter concerning the 4th annual conference of the Agri-Energy Roundtable. Sorry for the delay in responding, but it took us some time to coordinate the schedules of our European representatives. I've just been informed that Mahmud Burney, our representative in Geneva, will attend the conference.

It promises to be a lively and productive session, and I look forward to the opportunity to be briefed on its outcome.

Warm regards.

Sincerely,

A. W. Clausen

The Honorable
Charles H. Percy
United States Senator
United States Senate
Washington, D. C. 20510

bcc: Mr. Chatenay

RSouthworth:MH

FORM NO. 89
(2-83)

855

THE WORLD BANK

ROUTING SLIP	Date May 5, 1983

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Benjenk	
Spurs	

	To Handle		Note and File
	Appropriate Disposition		Prepare Reply
	Approval		Per Our Conversation
	Information		Recommendation

Remarks

Would you please prepare reply by May 11.

Roy Southworth

Please arrange for Fraeder to go (or Chermanday) & draft reply for Pres.

From

CHARLES H. PERCY
ILLINOIS

United States Senate

WASHINGTON, D.C. 20510

855

April 22, 1983

Mr. A. W. Clausen
President
International Bank for Reconstruction
and Development
1818 H Street N.W.
Washington, D.C. 20437

Dear Tom:

A few years ago my colleague, Jennings Randolph, introduced me to the Agri-Energy Roundtable organization. I recently participated in the Roundtable's luncheon meeting with Robert O. Anderson, Chairman of Atlantic Richfield Company (see newsclip).

The Agri-Energy Roundtable is on the cutting edge of so many of our concerns in the developing countries. I am impressed by this group's sound approach to international economic peacekeeping, particularly their pragmatic efforts to generate public/private sector cooperation in developing the Third World.

It is my understanding that the International Monetary Fund will send a delegate to the 4th annual conference of the Agri-Energy Roundtable, May 23-26 in Geneva, Switzerland.

I am hopeful that you might designate a Europe-based representative of the World Bank to attend this timely and important forum.

Sincerely,

Charles H. Percy
United States Senator

CHP:aj

Encl:

ANDERSON: Warns of Deficit Pitfalls

Continued from First Page

The Arco chairman, who combined some middle-sized oil refining and marketing firms into the nation's 48th-largest industrial corporation, said he was delivering a warning as a "concerned entrepreneur, not an economist."

"I'm losing neighbors much too fast," said Anderson, who raises thousands of sheep and cattle on ranch properties in New Mexico. His million acres, an expanse of properties bigger than Rhode Island, make him the nation's largest individual landowner.

'Supplier of Last Resort'

The farm casualties include families in the business for two or three generations, Anderson said. Wheat at $3 a bushel becomes $5 or $6 a bushel when the price is translated into European currencies, he said. Only when other, cheaper supplies are unavailable will customers turn to American goods, he said. "We have become the supplier of last resort."

Paradoxically, the American success in fighting inflation is hampering recovery in the rest of the world. Because elected officials will not cut federal spending, the only weapon to stop inflation domestically has been the Federal Reserve Board's actions in limiting the growth of the money supply, thereby driving up interest rates, Anderson said. These high interest rates make American dollars more attractive than other currencies.

Anderson said that only members of Congress and Presidents can truly stop inflation, but that he despairs of their ability to carry out the politically onerous task.

Federal spending grows each year, despite the well-publicized battles between President Reagan and the Congress over the size of the budget. The Reagan Administration has slowed the rate of growth of spending, but the actual numbers of dollars disbursed keeps rising. President Reagan is asking Congress for a spending budget of $848 billion for the fiscal year starting Oct. 1, an increase of $43 billion over the current fiscal year.

Fear New Inflation

Although prices rose only 3.9% last year, the lowest inflation rate in a decade, Anderson and other business leaders are fearful that inflation could heat up again after several more years of huge budget deficits. Treasury borrowing to finance the deficit could "crowd out" corporate and private borrowers, driving up interest rates and then prices, the pessimists say.

"We believe in a dream that is probably beyond us; it would take a very courageous elected official to make a career of fighting government spending," he said.

While professing great admiration for Volcker's "courage and tenacity" in fighting inflation, Anderson said in an interview that "it may be a time when we need a different medicine. I would question whether the central bank of any country can be the principal lever against inflation."

He said he wants an immediate drop in interest rates, to help stimulate a business revival worldwide and to ease the financial burden on debtor nations that have borrowed massive sums of money. Anderson is engaged in a personal campaign to focus attention on the dollar's strength as an obstacle to world economic recovery.

He would like to see interest rates fall to 8% or 9%, significantly below the current prime rate of 11%. Such a drop could cut in half the carrying charges on the massive amounts of money borrowed by various nations, debts that threaten their economic health, Anderson said.

Failure to bring down interest rates and spark an economic recovery "could permanently alter confidence in our form of government," he warned.

LOS ANGELES TIMES
Business Section, Page 1
Tuesday, February 1, 1983

Healthy Dollar Is at Fault

Arco Chairman Warns Against Deficit Pitfalls

By ROBERT A. ROSENBLATT, *Times Staff Writer*

WASHINGTON—Robert O. Anderson, oil magnate, cattle baron and the biggest individual landowner in the United States, is a worried man these days. He is concerned about farm failures among his New Mexico neighbors, fearful that American goods are being priced out of foreign markets and even a little despairing of democracy's ability to cope with the ravages of worldwide recession and inflation.

The villain is a too-healthy American dollar, which has given rise to a "quiet crisis" that will test the resolution of democratic nations just as World War II did, Anderson—the chairman of Los Angeles-based Atlantic Richfield Co.—said in a recent speech and a wide-ranging interview.

With four senators in the audience, Anderson's speech called for cutbacks in spending to help reduce deficits and bring down interest rates, warning: "If you fail, the next group (of legislators) isn't going to have much of a chance."

U.S. Goods Too Costly

High interest rates are ruining the farmer and crippling industry by making American goods too costly for foreign consumers, Anderson said as Paul A. Volcker, Federal Reserve Board chairman and architect of the high interest-rate policy, listened impassively at a nearby lunch table, puffing on his ever-present cigar.

Always a maverick in the oil business, Anderson said additional taxes on oil, such as an import fee, are "among the more practical alternatives" to help raise money to meet the federal deficit. What's more, he said, the oil industry's cherished goal of removing federal price controls on natural gas should be deferred because "other problems are more pressing."

The most immediate danger, Anderson continued, is the inability of the world economy to recover from its deep business slump because the dollar has become too expensive in terms of other currencies.

Thus, Americans find it more difficult to sell their goods abroad, because the prices have risen for foreign buyers. And all world trade suffers—even transactions not involving Americans—because the dollar is so often used as a standard trading currency.

"I've been in some storms before but this has basic differences," Anderson, a self-described veteran of nine business recessions, said during his speech to the Agri-Energy Roundtable, an organization of legislators and officials concerned with farm and energy issues.

Please see ANDERSON, Page 4

Los Angeles Times

Robert O. Anderson

United States Senate

COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, D.C. 20510

OFFICIAL BUSINESS

Charles H. Percy
U.S.S.

Mr. A. W. Clausen
President
International Bank for Reconstruction
and Development
1818 H Street N.W.
Washington, D.C. 20437

w/ Percy letter

May 18, 1983

Dear Mr. Hollis:

I refer to Mr. Burki's letter to you of March 14 declining the invitation to The World Bank to attend the Fourth Agri-Energy Roundtable in Geneva from May 23 to 26, 1983.

I have been asked to inform you that the Bank's Representative to UN Organizations in Geneva, Mr. Mahmud Burney, will now be available to attend the meeting on May 25 and 26.

Yours sincerely,

L. Peter Chatenay
Senior Adviser, UN Affairs
International Relations Department

Mr. Nicholas E. Hollis
Director
Agri-Energy Roundtable, Inc.
2550 M Street, N.W.
Suite 800
Washington, D.C. 20037

cc: Mr. Burney - Geneva
Mr. Southworth

MMcDonald

FORM NO. 75
(9–78)

THE WORLD BANK

ROUTING SLIP	DATE: 5/25/83

NAME	ROOM NO.
Mr. Southworth	E 1227

	APPROPRIATE DISPOSITION		NOTE AND RETURN
	APPROVAL		NOTE AND SEND ON
	CLEARANCE		PER OUR CONVERSATION
	COMMENT		PER YOUR REQUEST
	FOR ACTION		PREPARE REPLY
	INFORMATION		RECOMMENDATION
	INITIAL		SIGNATURE
	NOTE AND FILE		**URGENT**

REMARKS:

Mr. Burki asked me to say we are sorry about the mix-up on this letter and that in future we will handle.

FROM:	ROOM NO.:	EXTENSION:
Maureen McDonald	E 808	7 8817

NANCY LANDON KASSEBAUM
KANSAS

R.1

United States Senate

WASHINGTON, D. C.

628

April 20, 1983

Dear Mr. Clausen:

Belatedly, thank you for sending me a copy of your lecture. The pace here has been so hectic that what I put aside to do tomorrow is suddenly weeks old.

I am adding your lecture as well as my memory of our conversation to my reference shelf, and I hope our paths cross again soon.

With much appreciation,

Warmest regards,

Nancy

Nancy Landon Kassebaum
United States Senator

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

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

A. W. CLAUSEN
President

March 16, 1983

Dear Senator Kassebaum:

It was a pleasure visiting with you last evening. I thought the exchange of toasts by Prime Minister Lubbers and Secretary of State George Shultz was particularly interesting.

Apropos of our discussions on the need for international understanding and cooperation in order to assure global economic and political stability for the future, I am sending a copy of my Harvard lecture on "Third World Debt and Global Recovery" as promised. I hope you will find it useful as you consider these important issues.

Perhaps we will have another occasion to visit soon.

Sincerely,

The Honorable
Nancy L. Kassebaum
United States Senate
Washington, D. C.

WORLD BANK - CHINA

- China's representation in Bank assumed in May 1980. It is now Bank's sixth largest shareholder with a voting share of 4.61%.

- Economic mission comprising almost 30 staff, spent 2 months in late 1980 gathering data for the Bank.

- Follow-up and sector review is ongoing. EDI has ongoing programs training Chinese technicians.

- Approved Projects - as of April 1983 will total $310 m in IDA credits and $560 m in IBRD loans. Total of

8 870 M

Largest - $100 m ea for IDA and IBRD to help strengthen higher education and research at 26 of China's top universities.

Others - 3 port projects - agriculture, education and research - increase oil production through modern technology.

Possible addition to meeting at 4:15 pm. Doug Bereuter, on his own, invited Congressman Marge Roukema; second term from Ridgewood, N.J. on International Institutions Subcommittee.

Connie MACK, III (42) - Cape Coral, Fla. Born in Philadelphia; president of a bank; member of the Board of Directors of the Miami Branch of the Federal Reserve Bank; Roman Catholic; known as a moderate on Social Issues.

Dan BURTON (44)* - Indianapolis, Ind. Insurance and real estate agent; believed to be a conservative; supported domestic content legislation during the campaign and still warned against inhibiting free trade with Japan.

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* Invited by Congressman Connie Mack personally.

For the man who has read the Congressional Committee Transcripts of the Hearings on IDA - from its inception in the House Banking Committee in March 1960 through the 6th Replenishment Hearings in 1980 - this material will take you 3 minutes.

Bill

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: March 24, 1983

TO: Mr. A. W. Clausen

FROM: J. William Stanton JWS

EXTENSION: 72173

SUBJECT: Capitol Hill: Speaker's Office - Friday, March 25, 1983 - 4:00 p.m.

It was universally recognized among the Speaker's staff that a visit between the President of the World Bank and the Speaker before his departure on Friday would be most useful to the Speaker.

The Speaker's staff have been thoroughly briefed by Caio Koch-Weser. They were extremely impressed with him and they also will be presented briefing papers on the projects to be visited. At the present time the projects are limited to the Shanghai area and include a port improvement project and Frieden University.

It is hoped that you would express your pleasure at the interest of the Speaker in the World Bank and the Bank's efforts in China. It is further hoped that upon the Speaker's return you would ask him if he and his very prestigious delegation would brief you before your visit (hopefully at lunch).

Speaker's staff (but not the Speaker) have several talking points for the trip. For example: what do the Chinese expect from the Bank? What percentage of IDA funds are they expecting? What is their opinion of the Bank? Any ideas or questions you might want the Speaker to ask the Minister of Finance, or others.

You might point out that you have heard that this is the most prestigious official foreign trip that Congress has ever undertaken. First trip abroad by a Speaker of the House was by Carl Albert in 1969. Tip has made 4 or 5 trips. Accompanying him to China are: four Committee Chairmen, two Ranking Minority members, and four members of the Appropriations Committee.

Congressman Conte may be present. Chief of Staff for the trip, Kirk O'Donnell will be there.

Immediately following the Speaker, we are scheduled to meet (at 4:15 - 4:20 p.m.) with six or seven Republican Congressmen. I personally asked Doug Bereuter to be present and to bring the two Republican Freshmen on the House Banking Committee who are also on the Subcomittee on International Institutions. Bereuter took my place on this Subcommittee. I told him we would like to have him for lunch with Patterson and a couple of others after your return from China.

This meeting developed at the request of Connie Mack. We changed it from one to one - and he invited three of his friends.

Personal observations: a very educated group, high percentage of small businessmen; with the exception of Bereuter and Ridge, conservative in outlook and down the road may have to be sold on supporting IDA.

Hope to finish by 5:00 p.m..

JWStanton:ak

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Bob Rice

* Invited by Congressman Connie Mack personally.

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

action

DATE: March 15, 1983

1841

TO: Mr. A. W. Clausen
THRU: Mr. M. P. Benjenk
FROM: J. William Stanton

EXTENSION: 72173

SUBJECT: Meeting with Congressman Connie Mack

March 24 4:30

Do you want to keep your meeting with Congressman Connie Mack on a one to one basis, or can we invite three or four other Republican Freshmen?

I have in mind the Chairman of the Freshmen Class John McCain (Naval Pilot - POW in N. Vietnam) of Arizona, a couple of Freshmen members on the Banking Committee and maybe one more.

If this is agreeable to you, I will ask Mack if it is alright with him.

ok

JOHN McCAIN
FIRST DISTRICT, ARIZONA

COMMITTEE ON INTERIOR
AND INSULAR AFFAIRS

R-1

1123 LONGWORTH BUILDING
WASHINGTON, D.C. 20515
(202) 225-2635

1255 WEST BASELINE ROAD
SUITE 151
MESA, ARIZONA 85202
(602) 897-0892

337

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

March 1, 1983

3-17-83
Save for 3-24 Connie Wade meeting!
A

The Honorable A. W. Clausen
President
The World Bank
1818 H Street, NW
Washington, DC 20433

Dear Mr. Clausen:

Recent hearings before the Subcommittee on Mining, Forest Management and Bonneville Power Administration of the House Interior Committee, of which I am a member, brought a critical Arizona problem into focus when the subject of an International Finance Corporation loan to Mexico was discussed.

These hearings were intended, in part, to explain why a $50 million loan to modernize and expand the copper production facilities of the Compania Mineria de Cananea was approved in light of two major factors confronting our own domestic copper industry. The loan, which was approved on July 15, 1982, was at approximately the same time that U. S. smelters were experiencing unprecedented declines in demand and price, production cutbacks and rising inventories. Additionally, this loan would have assisted an industry in a country which makes no provision for air pollution control.

Although these issues were discussed, and the fact that this loan is now in abeyance because of the financial situation in Mexico, I would like to ask the following questions and urge that they be taken into consideration in the event that this loan is renegotiated.

1. What measures does the Bank take to insure that loans to developing countries don't ultimately displace exports from donor countries?

2. Does the Bank attempt to insure that pollutants that could result from World Bank financed projects would not cause injury to bordering countries?

3. Does the World Bank consider pollution and environmental controls among its priorities when considering the approval of a loan?

4. If the Mexican economy improves and the IFC again negotiates this loan, is there anything that the United States Congress can do to prevent its approval?

5. Does the United States Government provide any type of subsidized financial assistance to U.S. copper smelters which is comparable in terms to World Bank loans? If not, is there inequity here?

I very much appreciate your time and look forward to your reply.

Sincerely,

John

John McCain
Member of Congress

JM/lb

cc: The Honorable Donald Regan

March 16, 1983

The Honorable John McCain
The House of Representatives
Washington, D.C. 20515

Dear Congressman McCain:

It has long been an accepted arrangement in the World Bank and the International Finance Corporation that letters and queries reaching us from legislators in our 144 member countries, should normally be answered by these countries' representatives on our Executive Board. I am, however, breaking tradition in the case of your letter of March 1, 1983 because I do wish to take the opportunity to address the concerns you expressed and to provide a response which I hope you will find useful in helping to allay those concerns.

In answering your first question, it cannot be guaranteed that every project in which we are involved will result in no change in existing trade patterns. This is perhaps one of the more difficult challenges of the growing interdependencies of our world economies. However, the Bank and IFC do not recommend such projects to our Boards of Directors unless we are satisfied that the producers will be efficient and that projected future world or local market demand will be sufficient to absorb their prospective output. In every such project, a detailed economic analysis is carried out to this effect. For example, the project to which you referred, which even as originally planned would not come on-stream until 1985 at the very earliest, was appraised in the light of the expected recovery of the industry at that time.

Furthermore, it should be mentioned that we are constantly working with our member countries to try to effect a lowering of trade barriers. This is a policy which we believe works to the benefit of all countries by ultimately increasing exports of all.

Because they are so interrelated, I think it best to answer questions two and three together. In dealing with environmental matters, the Bank and IFC are mindful that without due precautions, some development projects could have a detrimental environmental and health impact. Therefore, since 1970 the Bank has systematically appraised the environmental consequences of every project, early in its formulation, in order to provide for the prevention or control of its undesirable environmental effects. The Bank, more than most lending institutions, has assigned a high priority to the control of pollutants when considering a project for financing, during its implementation, and during the supervision of its operation over the years. Environmental and health precautions are virtually "built-in" to every phase of a project's preparation, evaluation and execution.

Since they involve matters of U.S. policy, your fourth and fifth questions would be more appropriately and more helpfully answered by Mr. James Burnham, the U.S. representative on our Boards. Accordingly, your letter has been passed on to him with a request that he respond on these points.

However, in reference to your question on subsidized rates, I would like to point out that the loan for the project to which you referred was approved by IFC's Board of Directors at an interest rate of 16 3/4% per annum for IFC's funds, with the balance to be provided by a syndicate of commercial banks on a floating rate basis at market terms. Neither tranche involved subsidized terms.

Sincerely,

A. W. Clausen
President

cc: U.S. Secretary of the Treasury Donald Regan

(through Mr. Burnham)
Mr. James E. Burnham
Messrs. Ruisanchez, Riddleberger

cc and cleared with: Messrs: Wuttke, Vacchelli, Bell, Cabezas, Kassum, Stern, Benjenk, Lee

CBell:cw

March 28, 1983

Dear Senator Domenici:

Thank you for your recent letter concerning Scientific Planning Systems International's interest in registering with The World Bank. Registration is generally a straightforward matter, so I'm surprised and sorry that the firm has encountered difficulties.

I'm passing your letter on to the Consultant Services Adviser in the Projects Advisory Department, who will send a package of registration information directly to Mr. Marcilla. Hopefully, this will take care of the problem.

Thanks for writing.

Sincerely,

A. W. Clausen

The Honorable
Pete V. Domenici
United States Senate
Washington, D. C. 20510

bcc: Ms. Caryl Jones (w/ incoming)

United States Senate

WASHINGTON, D.C. 20510

March 22, 1983

1853

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

Dear Mr. Clausen:

It has recently come to my attention that a New Mexico management consulting and economic planning firm, Scientific Planning Systems International, Inc. has encountered difficulties in attempting to register with the World Bank.

The reason for wishing to register with the bank is to be placed on its mailing list for the purpose of being kept informed of those U. S. funded projects throughout the world that it might wish to participate in. Apparently Scientific Planning Systems has lost the opportunity to compete for two very valuable projects, one in Honduras and another in Santa Lucia, because it was unaware of the projects existence until it was too late.

I do hope that you will do whatever is necessary to rectify the situation and place this highly qualified firm on your mailing list. The address is:

Mr. John M. Marcilla
Scientific Planning Systems International, Inc.
Post Office Box 80064
Albuquerque, New Mexico 87198

Your immediate attention to this matter is appreciated.

My warmest personal regards.

Sincerely,

Pete V. Domenici

Pete V. Domenici
United States Senator

PVD/tb

Dear?

1012 Guadalupe del Prado, N.W.
Albuquerque, New Mexico 87107

February 10, 1983

The Most Honorable Senator Pete V. Domenici
Federal Office Building
500 Gold Avenue
Room 10013
Albuquerque, New Mexico 87102

Dear Senator Domenici:

Again I take the opportunity to congratulate you for your excellent representation of the peoples of New Mexico as well your efforts in those programs of national importance in these extremely difficult times of economic crisis. Also, to assure you that you have my wholehearted support for your next election campaign, and to inform you that it is indeed my pleasure to join your Groundfloor Group and to work on your Finance Committee.

Simultaneously I would like to request your assistance in a personal matter. My problem is that I am having extreme difficulty in getting my firm registered with both the WORLD BANK and USAID (Agency for International Development) in Washington, D.C., in order that my firm be placed on their mailing lists for the purpose of notifying us of those U.S. funded projects throughout the world in which we may have interest in participating.

My firm: Scientific Planning Systems International, Inc.
P.O. Box 80064
Albuquerque, New Mexico 87198

is a New Mexico based minority corporation established for the sole purpose of providing management consulting, economics, and planning services on a world-wide basis with, insofar as possible, exclussive staffing by New Mexico professionals, and it is my desire to provide as many jobs for New Mexicans as is humanly possible.

However, of late, we have lost two very important projects in Santa Lucia and Honduras due to not being on the World Bank and USAID mailing lists. Projects for which we are eminently qualified based upon our experience and qualifications, and for which we stood a better than even chance of winning had we not been excluded from participating. Thank you, I would appreciate any assistance which you could give me on this matter.

Very truly yours,

John M. Marcilla

AWC to Capitol Hill Mar 24/83

John McCain

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* Invited by Congressman Connie Mack personally.

AWC has!

U.S. HOUSE OF REPRESENTATIVES

Committee on Appropriations

Majority Members

Jamie L. Whitten (D-MS), Chairman

Edward P. Boland (D-MA)

William Natcher (D-KY)

Neal Smith (D-IA)

Joseph Addabbo (D-NY)

Clarence Long (D-MD)

Sidney Yates (D-IL)

David Obey (D-WI)

Edward Roybal (D-CA)

Louis Stokes (D-OH)

Tom Bevill (D-AL)

Bill Chappel, Jr. (D-FL)

Bill Alexander (D-AR)

John Murtha (D-PA)

Bob Traxler (D-MI)

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J. Kenneth Robinson (R-VA)

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Ralph Regula (R-OH)

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William Green (R-NY)

Tom Loeffler (R-TX)

Jerry Lewis (R-CA)

John Porter (R-IL)

Harold Rogers (R-KY)

Majority Members (cont.)

W.G. (Bill) Hefner (D-NC)

Les AuCoin (D-OR)

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Bernard Dwyer (D-NJ)

William R. Ratchford (D-CT)

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Stenny H. Hoyer (D-MD)

Bob Carr (D-MI)

Robert Mrazek (D-NY)

Cap Hill

logged
ok
JRS
3/22/83

International Finance Corporation

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: CORINTFIN

March 18, 1983

The Honorable Trent Lott
U.S. House of Representatives
2400 Rayburn Building
Washington D.C., 20151

Dear Congressman Lott:

Your letter to Mr. Clausen of March 7 inquiring as to possible assistance by the International Finance Corporation (IFC) for Mr. Roy Pike's Montserrat projects was passed to me for reply.

As you may know, the IFC was established to support private enterprise businesses in our developing member countries. Because of the peculiarities that come with being an international development institution, we have never involved ourselves in projects located in crown colonies or territories of our developed member countries.

The view has been that enterprises in colonies or territories of developed member countries have access to national financing sources to which independent less developed countries have not. As Montserrat is a crown colony of the United Kingdom, I regret that we are not in a position to help finance Mr. Pike's projects.

However, I have taken the liberty of forwarding Mr. Pike's inquiry to the Caribbean Project Development Facility, which is a unit that we, the IFC, helped set up to assist businessmen in the Caribbean to formulate and develop their projects into bankable proposals. I suggest that Mr. Pike contact Mr. P.B. Quan, Manager of this Facility, at telephone number (202) 676 0482/3, to explore with him how the Facility can be of assistance. May I also take the liberty of suggesting that Mr. Pike contact the Overseas Private Investment Corporation and the Bureau for Private Enterprise in USAID - two US agencies active in this type of financing.

In addition, I would suggest that he also contact the Caribbean Development Bank in Barbados which may have concessionary financial resources available for Montserrat.

Sincerely yours,

H. A. Wuttke

Hans A. Wuttke
Executive Vice President

cc: Messrs. Vacchelli
Burnham
Quan
Southworth

CBell/PBQ/JEC:jgb:sm

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

1802

DATE: February 28, 1983

TO: Mr. A. W. Clausen, President
(Through Mr. M. P. Benjenk, VPE)

FROM: Frank Vogl, Director, IPA FV

EXTENSION: 72468

SUBJECT: Lunch with Congressman David Obey

1. You are scheduled to have lunch with Congressman David Obey (D-WI) on Wednesday, March 2, 1983 at 12:00 noon. The lunch will be at the Democratic club on Capitol Hill; Mr. Obey's office is making the arrangements. Mr. Obey will be accompanied by Mr. Mike Marek (who handles his Appropriations Committee work), and Mr. Pat Maher (a Congressional Fellow working on International Financial Institution legislation for the Congressman). You will also be joined by Mr. Benjenk and Mr. Stanton.

2. Mr. Obey is a key member of the House Appropriations Subcommittee on Foreign Operations. He has been instrumental in the past in obtaining compromise agreements on funding for foreign aid. However, he has recently been very outspoken in his opposition to increased military aid, and feels that the Congress has gone too far in reaching accomodations with those supporting security assistance. He has said that he is disappointed in the Administration's tendency to seek military solutions for problems in the developing world; he believes that economic development offers these people a better hope for a stable environment.

3. Mr. Obey is interested in hearing your views on:

a) The status of IDA-6 and plans for IDA-7.

b) The World Bank's recently announced Special Action Program.

c) The Administration's request for an increase in the U.S. share of the IMF quota and General Arrangements to Borrow (GAB). He is interested in hearing how the World Bank will be cooperating with the IMF in the current economic crisis.

4. The House Appropriations Subcommittee on Foreign Operations has not yet scheduled any hearings on the Administration's FY '84 foreign aid request. None of the FY '83 supplementals (one of which will include the $245 million for IDA) have as yet been sent to Congress. Mr. Obey may be able to give you some insight as to how he thinks these requests will be received.

cc. Messrs. Stanton and Blinkhorn

Noreen -
Brunkow

Nelle - handing

Complete correspondence under CANAMEA

International Finance Corporation

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: CORINTFIN

A. W. CLAUSEN
President

March 11, 1983

The Honorable John McCain
The House of Representatives
Washington, D.C. 20515

Dear Congressman McCain:

I appreciate this opportunity to address the concerns you expressed in your letter of March 1, 1983 and hope you will find our response useful in helping to allay those concerns.

In answering your first question, it can not be guaranteed that every project in which we are involved will result in no change in existing trade patterns. This is perhaps one of the more difficult challenges of the growing interdependencies of our world economies. However, the Bank and IFC do not recommend such projects to our Boards of Directors unless we are satisfied that the producers will be efficient and that projected future world or local market demand will be sufficient to absorb their prospective output. In every such project, a detailed economic analysis is carried out to this effect. For example, the project to which you referred, which even as originally planned would not come on-stream until 1985 at the very earliest, was appraised in the light of the expected recovery of the industry at that time.

Furthermore, it should be mentioned that we are constantly working with our member countries to try to effect a lowering of trade barriers. This is a policy which we believe works to the benefit of all countries by ultimately increasing exports of all.

Because they are so interrelated, I think it best to answer questions two and three together. In dealing with environmental matters, the Bank and IFC are mindful that without due precautions, some development projects could have a detrimental environmental and health impact. Therefore, since 1970 the Bank has systematically appraised the environmental consequences of every project, early in its formulation, in order to provide for the prevention or control of its undesirable environmental effects. The Bank, more than most lending institutions, has assigned a high priority to the control of pollutants when considering a project for financing, during its implementation, and during the supervision of its operation over the years. Environmental and health precautions are virtually "built-in" to every phase of a project's preparation, evaluation and execution.

Since they involve matters of U.S. policy, your fourth and fifth questions would be more appropriately and more helpfully answered by Mr. James Burnham, the U.S. representative on our Boards. Accordingly, your letter has been passed on to him with a request that he respond on these points.

However, in reference to your question on subsidized rates, I would like to point out that the loan for the project to which you referred was approved by IFC's Board of Directors at an interest rate of 16 3/4% per annum for IFC's funds, with the balance to be provided by a syndicate of commercial banks on a floating rate basis at market terms. Neither tranche involved subsidized terms.

Sincerely,

A. W. Clausen
President

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

A. W. CLAUSEN
President

March 15, 1983

Dear Howard:

It was good having a chance to visit with you Saturday night at Jane and Sidney Harman's house. The evening was really most enjoyable.

In connection with our conversation and your request, here is a copy of the Jodidi Lecture I gave at Harvard recently on Third World Debt.

Peggy and I look forward to seeing you and Shirley again soon.

Warm regards.

Sincerely,

a

The Honorable
Howard M. Metzenbaum
United States Senate
Washington, D. C.

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: March 11, 1983

TO: Mr. A. W. Clausen and Mr. M. P. Benjenk

FROM: J. William Stanton JWS

EXTENSION: 72173

SUBJECT: Lunch with Congressman McHugh on Friday, March 11th at Noon

Mathew Francis McHugh

Home: Ithaca, N.Y. - Elected in 1974 (5 terms) - Mt. St. Mary's College, Emmitsburg, Md. - Villanova Law School Graduate (1969) - Practising Attorney, Former City Prosecutor, District Attorney in Ithaca Area of N.Y. 1981 - Elected Vice Chairman of the Democratic Study Group.

Judy Maguire reports he should be less pessimistic than the previous guest. He is a good friend of the Bank.

The Congressman is expected to say he has to have a much louder signal from the White House concerning their support. He is considered to be absolutely essential for success in the Appropriations Committee.

We may not know who is coming with the Congressman until 11:00 a.m. this morning. no one

Mr. Benjenk + Mr. Stanton will bring the Congressman here to meet you before going to lunch.

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

A. W. CLAUSEN
President

March 11, 1983

Dear Mr. Lott:

Thanks for bringing the Montserrat proposal to our attention. I have passed your letter to my colleague, Mr. Hans Wuttke, our Executive Vice President in charge of the International Finance Corporation. He will get back to you shortly with an assessment of the type of assistance that might be available for this project.

Sincerely,

The Honorable
Trent Lott
Member of Congress
U.S. House of Representatives
Washington, D.C. 20515

cc: Mr. Hans Wuttke

RS:tk

w/ incoming
follow-up w/ Mr. Wuttke's office 3/18

TRENT LOTT
5TH DISTRICT, MISSISSIPPI

REPUBLICAN WHIP

RULES COMMITTEE

ADMINISTRATIVE ASSISTANT
TOM H. ANDERSON, JR.

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

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601-582-3246
LAUREL, MISSISSIPPI 39440
601-649-1231

375

March 7, 1983

The Honorable A. W. Clausen
President
International Finance Corporation
1818 H Street, Northwest
Washington, D.C. 20433

Dear Mr. Clausen:

Enclosed herewith is a copy of a letter of February 28, 1983, from my constituent Roy W. Pike to my counsel Michael Wallace. The letter describes a development project which Mr. Pike's clients proposed to undertake on the island of Montserrat. Mr. Pike has asked me to investigate possibilities of official assistance with the project.

As I understand it, Mr. Pike's clients are primarily interested in either of two types of assistance. First, they would be interested in exploring the opportunities for direct lending which your organization might offer. Second, they are interested in official loan guarantees for whatever private financing they may be able to obtain on their own.

I realize that Mr. Pike's letter may not provide all the information which you will need to proceed. Nevertheless, I would deeply appreciate it if you could give me a preliminary idea of the sort of assistance that you might be able to provide in a proper case. Also, I will be happy to ask Mr. Pike to provide any other information which you may require.

As you can see from Mr. Pike's letter, his clients need some sort of response in the fairly near future. I certainly appreciate your attention to this matter, and I look forward to receiving your thoughts.

With kind regards and best wishes, I am

Sincerely yours,

Trent Lott

Trent Lott

TL:mbw
Enclosure

cc: Mr. Roy Pike

Roy W. Pike
ATTORNEY AT LAW
718 DELMAS AVENUE - DOWNTOWN PLAZA
PASCAGOULA, MISSISSIPPI 39567

P. O. DRAWER 1469
PASCAGOULA, MS 39567

PHONE (601) 769-2568
(601) 769-1154

February 28, 1983

Honorable Michael Wallace
Room 2400
Rayburn Building
Washington, D.C. 20515

RE: Montserrat Developement Corp.

Dear Mr. Wallace:

As per our telephone conversation of last week, I briefly outlined the above captioned project as per your request. The Montserrat Developement Corporation (U. S. Corp.) is in the process of developing the following two projects in the Island Colony of Montserrat (U.K.) in the Caribbean. The two projects are as follows:

1. The purchase and leasing of land for the developement of Agro-Industry in the islands. This developement will rejuvenate the abused land for production through proper land management. The crops grown on this land will be manufactured into an animal feed, which in turn will be used in the production of beef, pork, poultry, eggs and dairy products, for Montserrat consumption and export to other islands of the Caribbean. This will give the island more nourished populous, employment and added tax income to the government, through the sale and export of these products.

2. Developement of beach front area into a modern up-to-date, hotel-recreation complex with condominium and villa sites. This complex will bring the island up to present day tourist standards by providing such items as golf, boating, health and recreation spas. With these complexes built and in operation the island will have full employment and a stable government.

We have had meetings with the Chief Minister and others in the island and the government is very much in favor of our project and will give full support, however, they lack funds for such projects. The projected costs for these two projects will be in the range of some 50 million dollars. We have developed and published a project plan for these two developements along with a market survey. We have a source for some private construction money, however, after discussion with the Island Government, we are seeking U.S. funds from such sources as the President's Caribbean Basin Plan or other government aids, whereby we can obtain money to develop these projects and pay back over a longer time period.

Our schedule is such that we meet with the Montserrat Government in four weeks, and we would appreciate your prompt consideration in furnishing the information on the Caribbean Basin Plan.

If you need further information, please contact me upon receipt of this letter. I remain,

Sincerely,

Roy W. Pike

RWP/pw

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

1802

DATE: February 28, 1983

TO: Mr. A. W. Clausen, President
(Through Mr. M. P. Benjenk, VPE)

FROM: Frank Vogl, Director, IPA FV

EXTENSION: 72468

SUBJECT: Lunch with Congressman David Obey

1. You are scheduled to have lunch with Congressman David Obey (D-WI) on Wednesday, March 2, 1983 at 12:00 noon. The lunch will be at the Democratic club on Capitol Hill; Mr. Obey's office is making the arrangements. Mr. Obey will be accompanied by Mr. Mike Marek (who handles his Appropriations Committee work), and Mr. Pat Maher (a Congressional Fellow working on International Financial Institution legislation for the Congressman). You will also be joined by Mr. Benjenk and Mr. Stanton.

2. Mr. Obey is a key member of the House Appropriations Subcommittee on Foreign Operations. He has been instrumental in the past in obtaining compromise agreements on funding for foreign aid. However, he has recently been very outspoken in his opposition to increased military aid, and feels that the Congress has gone too far in reaching accomodations with those supporting security assistance. He has said that he is disappointed in the Administration's tendency to seek military solutions for problems in the developing world; he believes that economic development offers these people a better hope for a stable environment.

3. Mr. Obey is interested in hearing your views on:

a) The status of IDA-6 and plans for IDA-7.

b) The World Bank's recently announced Special Action Program.

c) The Administration's request for an increase in the U.S. share of the IMF quota and General Arrangements to Borrow (GAB). He is interested in hearing how the World Bank will be cooperating with the IMF in the current economic crisis.

4. The House Appropriations Subcommittee on Foreign Operations has not yet scheduled any hearings on the Administration's FY '84 foreign aid request. None of the FY '83 supplementals (one of which will include the $245 million for IDA) have as yet been sent to Congress. Mr. Obey may be able to give you some insight as to how he thinks these requests will be received.

cc. Messrs. Stanton and Blinkhorn

URS
3/1/83

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

1780

OFFICE MEMORANDUM

TO: Mr. A.W. Clausen

DATE: February 15, 1983

FROM: M.P. Benjenk

SUBJECT: Lunch with Congressman Jerry Lewis, Thursday, February 17, 1983

Please find attached a brief prepared for our lunch with Messrs. Lewis and Goldman. I would draw your attention to the article in South Magazine under Item 4e in Frank's memorandum. Mr. Goldman is a brash young man whom you have met before, and although he says that both the Congressman and he are outraged by the quotations in South Magazine, I am convinced that the article does not do him an injustice. Naturally he resents having been made to look foolish, but he only has himself to blame for it.

Congressman Lewis may also raise the question of Hungary with you as he has done with Treasury in the last few days.

MPBenjenk:sf
Attachment

RECEIVED

1983 FEB 15 PM 3:19

OFFICE OF THE PRESIDENT

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: February 15, 1983

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

FROM: Frank Vogl, Director, IPA

SUBJECT: Lunch With Congressman Jerry Lewis on Thursday, February 17, 1983

1. You are scheduled to have lunch with Congressman Lewis and his Legislative Assistant Morrie Goldman at noon on Thursday, February 17, 1983. Mr. Benjenk and Mrs. Krueger will join you for this lunch.

2. Mr. Lewis has been a fairly prominent critic of U.S. support for multilateral institutions, and does not support the Administration's request for increased funding for IDA. He and his staff have consistently argued within the Congress that the annual appropriation for IDA should not exceed $700 million in any year, and should perhaps be substantially less. As you can see from his previous correspondence on this subject (see attached), he raises some fundamental concerns about the effectiveness of IDA as an institution. He also questions whether the current international financial situation may not be due in part to "loose lending policies by the Bank, the IMF and by the commercial banks who were encouraged to lend by the former two".

3. In addition to the points raised in your letter to Mr. Lewis dated October 15, 1982, you might wish to note the following in your discussions with him:

-- Through June 30, 1982, the United States had contributed a total of about $16 billion to IBRD and IDA. However, the United States had received from IBRD and IDA a total of about $22 billion in the form of portfolio investment in the U.S., procurement of goods and services, interest on bonds, etc. Thus the net benefit to the U.S. from participation in IBRD and IDA is about $6 billion.

-- For every dollar contributed to IDA by the U.S., another three to four dollars are contributed by other countries.

-- Total IBRD and IDA procurement from California firms in 1981 was $63.2 million.

/...

4. Attached for your information are some background materials which may be of interest:

(a) A profile on Mr. Lewis and his Congressional District from the Almanac of American Politics.

(b) Mr. Lewis' recent Op Ed article in the Wall Street Journal on international debt and the problems of the developing countries.

(c) A recent exchange of correspondence between yourself and Mr. Lewis.

(d) Effect of IBRD/IDA Operations on U.S. Balance of Payments

(e) Data on World Bank Procurement from California companies in 1981 and 1980.

(f) A recent article in South Magazine on IDA, where Mr. Goldman is featured as "An Angry Young Man", although he is not named as such.

JM:md

Attachments

Congressman Jerry Lewis
From The Almanac of American Politics - 1982 pp. 148-149

THIRTY-SEVENTH DISTRICT

In the 1920s, when California first became a noted retirement haven, most older people moving out here were looking for homes along the ocean. If they were poor they retired in Long Beach or one of the beach towns near Los Angeles; if they were rich, they might go to Santa Barbara or La Jolla. Retirees were a large percentage of California's population before World War II than they have been since: the state is now actually younger than the national average. But there are still plenty of retirees, and in the 1960s and 1970s they have been moving not to the seashore where it is crowded, smoggy, and urban — but to the desert.

This is the land of California's 37th congressional district, a seat that takes in territory from two counties, San Bernardino and Riverside, but covers most of California's desert lands — at least the parts where people live. The district's boundaries begin roughly at the eastern end of the Los Angeles basin: it includes some of San Bernardino and the surrounding area, including the Seventh Day Adventist town of Loma Linda and some of the territory around Riverside. But most of the district lies east of the mountains that stop — or at least hinder — the Los Angeles smog from reaching the desert. Here the days are crystal clear, with the reddish mountains always visible in the distance, and the sky usually blue and cloudless. The desert can be fertile farmland, as it is in the Coachella Valley, but it needs to be irrigated; without daily doses of water almost any plant will wilt and die in the heat. The first white settlers in the desert were prospectors, and some ghost towns still stand. These constitute quite a contrast to Palm Springs and Palm Desert, which are outposts of affluence (Palm Springs is more show business, Palm Desert more WASPy). It is too hot here in the summer for most people, even though the heat is dry, but the winter weather is almost ideal. Two presidents have retired within the confines of the district, Eisenhower in Palm Desert for the winters, Ford in nearby Rancho Mirage — which is also the home of Frank Sinatra and Spiro Agnew.

There are of course more modest retirement communities sprinkled here and there, all of them basically Republican. People who have enough money to move to a condominium or even a trailer when they are 65 are far more likely to be Republicans than not, and the 37th district, with one of the highest median ages of any California district, is definitely Republican.

That party preference has prevailed in both presidential and congressional elections. Representing the area from 1966 until his death in a plane crash was Jerry Pettis, a self-made millionaire, Seventh Day Adventist (the only one in Congress), and member of the Ways and Means Committee. He was succeeded by his widow Shirley, who won a full term in 1976 but surprised her constituents by declining to run in 1978. Her successor is San Bernar-

dino area Assemblyman Jerry Lewis (no relation to the comedian), who like the Pettises is regarded as an independent-minded conservative. Lewis won the Republican primary without difficulty and had an impressive margin in the general election.

Lewis is reportedly interested in running for lieutenant governor in 1982 but would like to bequeath the 37th or something like it -- the current district must lose some 125,000 residents to meet the equal population standard -- to an aide. But in all likelihood there will be a spirited Republican primary for the succession in this heavily Republican district.

Census Data Pop. (1980 final) 650,999, up 41% in 1970s. Median family income, 1970, $8,794, 92% of U.S.

The Voters

Employment profile 1970 White collar, 49%. Blue collar, 30%. Service, 16%. Farm, 5%.

Ethnic groups Black 1980, 3%. Hispanic 1980, 16%. Am. Ind. 1980, 1%. Asian 1980, 2%. Total foreign stock 1970, 20%. Canada, U.K., Germany, 2% each.

Presidential Vote

1980	Reagan (R)	149,780	(63%)
	Carter (D)	69,594	(29%)
	Anderson (I)	14,706	(6%)
1976	Ford (R)	101,935	(54%)
	Carter (D)	84,725	(45%)

Rep. Jerry Lewis (R) Elected 1978; b. Oct. 21, 1934, Seattle, Wash.; home, Highland; UCLA, B.A. 1956.

Career Life insurance agent, 1959-78; Field Rep. to U.S. Rep. Jerry Pettis, 1968; Cal. Assembly, 1968-78.

Offices 327 CHOB, 202-225-5861. Also 101 6th St., Redlands 92373, 714-862-6030.

Committee *Appropriations* (20th). Subcommittees: Agriculture, Rural Development and Related Agencies; Foreign Operations; Legislature.

Group Ratings

	ADA	COPE	PC	LCV	CFA	RPN	NAB	NSI	NTU	ACA	ACU
1980	11	21	13	40	14	—	90	90	52	75	94
1979	5	15	8	13	4	—	—	—	55	88	90

Key Votes

1) Draft Registn $	AGN	6) Fair Hsg DOJ Enfrc	AGN	11) Cut Socl Incr Dfns $	FOR
2) Ban $ to Nicrgua	FOR	7) Lim PAC Contrbtns	AGN	12) Hosptl Cost Controls	AGN
3) Dlay MX Missile	AGN	8) Cap on Food Stmp $	FOR	13) Gasln Ctrls & Allctns	AGN
4) Nuclr Mortorium	AGN	9) New US Dep Edcatn	FOR	14) Lim Windfll Prof Tax	FOR
5) Alaska Lands Bill	AGN	10) Cut OSHA $	FOR	15) Chryslr Loan Grntee	AGN

This news item appeared on page 30 of the February 9, 1983 issue of:

THE WALL STREET JOURNAL

The Real Costs of World Debt . . .

By JERRY LEWIS

Every day, the rolling snowball of international debt keeps gathering speed. Officials charged with maintaining global financial order assure us the situation is "difficult but manageable." Perhaps there really is no other way out but to comply with the requests by national treasuries and central banks for more cash and more faith to avoid an imminent crash of the banking system. But as long as the public is being asked to pay and pray, it may make sense to find out what we are paying and praying for.

A good start may be to ask the administration to display more candor by telling the people what sacrifice is required of them to shore up the world's shaky financial system. A case in point is Treasury Secretary Regan's rationalization of a $1.3 billion short-term loan to Brazil last year, to wit, we had the money on hand and it was a nice thing to do. It could indeed come as a pleasant surprise to most people that the deficit-ridden Treasury has cash to spare for short-term loans (at interest close to the T-bill rate) to, say, American timber mills or steel-plant operators who suffer from similar problems and would appreciate a Treasury as solicitous of them as it is of their Brazilian counterparts.

The World's Money-II

This is the second in a series of articles discussing the current strains on the international financial system.

Whatever the legal and accounting aspects of the Treasury's Exchange Stabilization Fund, which provided money for the loan to Brazil, Treasury had to raise $1.3 billion more in the money market than it would have otherwise. Secretary Regan should have been told that money on hand was an accounting illusion; but the transfer (though presumably only temporary) of real resources from the U.S. abroad wasn't illusory at all.

Yet this misunderstanding or misexplanation of the true economic cost of U.S. financial assistance to foreign governments pales in comparison with the deluge of misleading statements the public has gotten with respect to the coming request for congressional authorization of an increase in International Monetary Fund (IMF) quotas.

A Swap of Assets

Without pointing an accusatory finger at past and present financial officials, one cannot help wondering why they're bent on fooling us. If this isn't their purpose, what's to be made of statements saying that the proposed U.S. quota subscription doesn't affect the budget, or that it isn't an outlay but only a swap of assets on the Treasury balance sheet, or that the U.S. bears its proportionate share of the burden of IMF financing and may itself draw upon IMF resources as it did in the past, or that the U.S. subscription will help generate jobs in export-oriented industries. If an increase in the IMF quotas is virtually costless and so incredibly beneficial to the U.S., one remains puzzled why the Treasury doesn't support a doubling or even tripling of IMF quotas.

The truth is that—leaving aside the budgetary and accounting treatment of financial operations associated with a U.S. subscription—Congress will be asked this year to make available to the IMF some $6.5 billion. *This is the additional amount of money the Treasury would have to borrow from the public.* From an economic point of view, the U.S. subscription is equivalent to an increase in government expenditures by a like amount.

In addition, the U.S. agreed to expand the General Arrangement to Borrow (GAB) and turn it into a sort of emergency lending facility. GAB is supposed to increase from about $7 billion to almost $29 billion, with the U.S. share increasing from approximately $2 billion at present to perhaps $4.5 billion by the end of this year. Apparently, enough countries are in sufficiently dire financial straits to anticipate the IMF need to draw on GAB resources, with the U.S. providing its share of funds which ultimately would also have to be borrowed by the Treasury in U.S. money markets.

So let's not kid ourselves. Instead of trying to sell the public on alleged benefits, we should recognize that U.S. contributions to the IMF entail a real economic cost to the nation. The contributions constitute preemption of real credit which otherwise could be used to finance public spending, corporate investment or private consumption.

The argument that contributing to the IMF (or, in general, that transferring financial resources to debtor countries) is such a splendid deal for us because of increased demand for our exports is also disingenuous. It would be a good deal if a dollar lent or given to these countries, directly or indirectly, could be shown to generate more output than a dollar lent to domestic borrowers or given to needy citizens. In fact, only a fraction of the dollars transferred abroad can be expected to be spent on U.S. goods and services, so it's highly implausible that such foreign aid benefits U.S. citizens more than direct domestic aid would.

Congress cannot allow the perpetuation of a situation in which gains from international banking are privatized but the attendant risks are socialized. Taxpayers won't tolerate it.

But being forthright with the Congress and the people regarding the economic cost of rescuing a score of debtor nations from collapse is only one of the necessary elements in the campaign to convince the public that the sacrifice is justified. All the contrived arguments that commercial banks aren't being bailed out are simply untrue. It's precisely because a default by a major borrower (let alone a few of them) would make some of the nation's leading banks insolvent that the government feels obliged to commit public funds in the first place.

A strong case can be made that whatever the banks' past sins of neglect, greed or recklessness, an overriding public interest requires that they be prevented from going broke. But why does this mean that the banks' managers should be able to impose the burden of resolution of the debt problem on the public?

Congress cannot allow the perpetuation of a situation in which gains from international banking activity are privatized but the attendant risks are socialized. Informed taxpayers won't tolerate it, and they're right.

But this is just what's been happening. Large banks have been collecting enor-

mous up-front fees for arranging reschedulings, stretch-outs and rollovers of existing debts, at the same time raising their spreads above the London inter-bank offered rate (profit margins) on new loans to hapless borrowers. In tacit collusion with government agencies, large banks have also put considerable pressure on hundreds of smaller regional banks to stay in the international lending business.

On the other hand, one informal Treasury-Federal Reserve proposal, essentially requiring banks to write off, over four years, 50% of the book value of their loans to the de facto bankrupt countries (such as Poland, Sudan or Zaire) was scuttled by the banking regulatory authorities.

The Moral Is Simple

There is no denying that over the years U.S. authorities have subtly (and at times not so subtly) encouraged commercial banks to continue lending to some countries. But ultimately the responsibility for sound lending practices rests with the banks.

We ought to keep in mind that when the rate of growth of export earnings of debtor countries falls short of the rate of growth of the interest cost of debt, exponential growth of indebtedness becomes inevitable. This has been the case in recent years and will be again this year. So far at least, we've been exacerbating the problem we are purportedly trying to cure. We keep throwing good money after bad.

We ought to realize that we're dealing with a global rather than a single-country problem. If it were just Argentina whose solvency had to be secured, one might choose a policy to reduce its import consumption relative to its output. But once we find in the same soup Brazil, Mexico, Chile, Bolivia and other countries for which Argentina is an important export market, imposing austerity on Argentina becomes self-defeating. If all countries with precarious external payments positions are simultaneously asked to curtail imports, who is going to buy their exports?

It should be obvious that without an early resumption of robust economic growth on a global scale, there's absolutely no chance for the debtor countries to be able to continue servicing their debts. They can tighten their belts until there is no waist left to squeeze and still not be able to generate sufficient export earnings.

Their debt burden relative to income will keep rising until, quite rationally, they will decide to give up and wipe the slate clean. The contraction of domestic credit we're desperately trying to avert would simply occur later. And we'll be billions of dollars poorer.

The moral is simple. If the U.S. government, perhaps in concert with its allies, can reinvigorate the world economy reasonably soon, it may be worthwhile to candidly talk about the administration's requests for IMF contributions and about alternative ways to deal with the problem of international debt. But if our financial leaders have no effective and sustainable policies to help pull the world economy out of its present swamp, Congress should not acquiesce in imposing unnecessary economic sacrifices on the people.

Until then, we in Congress need to pursue policy changes to assure that neither government agencies, multilateral financial institutions nor private banks will continue to make the sort of decisions that got the world into this mess.

Congressman Lewis, a California Republican, is a member of the foreign operations subcommittee of the House Appropriations Committee.

JERRY LEWIS
37TH DISTRICT, CALIFORNIA

COMMITTEES:
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SUBCOMMITTEES:
AGRICULTURE AND RURAL DEVELOPMENT
FOREIGN OPERATIONS
LEGISLATIVE BRANCH

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PALM SPRINGS, CALIFORNIA 92262
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714-323-1837

BARSTOW, CALIFORNIA 92311
714-256-1523

October 7, 1982

039

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

Dear Tom:

Thank you for the report on IDA In Retrospect, I found it most informative. However, I was somewhat disappointed that the report did not respond to some of the broader criticisms of IDA (1) such as the superiority of proper economic policies vis-a-vis concessional loans in promoting development (2) the cost to donor countries of funding IDA, and (3) the tendency of IDA to foster growth of the public sector. Regarding the latter point, the report provided some revealing data showing that in pure IDA countries over the last 20 years, public consumption has been increasing relative to private consumption and savings.

(4) On a related note, I have become increasingly concerned regarding the deteriorating international financial situation. I understand that between 20 and 30 countries will not be able to service their debts this year. This, in part, may be due to loose lending policies by the Bank, the IMF and by commercial banks who were encouraged to lend by the former two. I would be interested in any candid evaluations you may have undertaken of the Bank's role in this situation.

(5) Finally, during the Toronto meetings, a number of statements were reportedly made regarding IDA 7 and on an energy affiliate which did not seem consonant with the new realities facing the World Bank. I hope that you and U.S. administration officials would meet with Congress before unrealistic expectations are generated regarding these programs.

Sincerely,

Jerry

Jerry Lewis
Member of Congress

JL:mgn

October 15, 1982

The Honorable
Jerry Lewis
327 Cannon House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Jerry:

Your thoughtful letter of October 7, 1982 raises a number of issues about IDA and the current international economic situation to which I would like to respond.

Regarding the matter of appropriate economic policies and their relationship to concessional loans in promoting development, the fact is that overall economic performance of eligible borrowers of IDA funding is, and has been, a fundamental criterion from the beginning of IDA. Such performance is monitored and influenced constantly through intensive macro and sectoral dialogue between Bank staff economists and officials of borrowing countries. As chapter four of the report explains, IDA's ultimate goal is not merely to ensure the success of its projects but to improve overall economic performance of its borrowers. In fact, concessional loans are essential catalysts, or levers if you will, in enabling us to foster adoption of proper policies.

The cost to donor countries of funding IDA should be viewed against the returns to those countries in terms of (a) procurement of goods and services, which translate into exports and jobs. In Fiscal Year 1981 donor countries to IDA received over $677 million in contracts, or over 85 percent of the total. I am convinced that American firms are fully competitive in bidding on these projects when informed of the opportunities in a timely manner. (b) expansion of the global trading systems with concomitant benefits for industrial nations, as well as developing; (c) increased prospects for stability and security.

.../

On the matter of public sector development, much of this is in sectors (roads, water supply) which are in the public domain in almost all countries, industrial and developing alike. Indeed, the Treasury's own conclusions are spelled out in the February 1982 report United States Participation in Multilateral Development Banks in the 1980's. This report states in reviewing projects financed in 1980: "The analysis indicates that 67 percent of IBRD/IDA lending in that year was either to support private sector activities or for activities which would be in the public sector in the United States. The remaining 33 percent of IBRD/IDA lending in that year went for activities which in the United States are provided by both the public and private sector or which are closely regulated by the public sector. However, in many developed countries, as well as virtually all developing countries, many of these activities are traditionally supplied by the public sector. Further analysis of individual MDB loans identified only 8 percent of IBRD/IDA lending which supported public sector activities which would, on the basis of U.S. criteria, have been clearly supplied by the private sector."

I share your deep concern about the health of the international financial system and feel that this is a time when a wide assortment of actions are needed, not only in terms of greater coordination between central banks, commercial banks, international institutions, but also in terms of strengthening reporting systems and securing better information on debt. Members of my staff directly involved in debt issues would welcome the opportunity to meet with you and your colleagues to discuss some of these matters and the work in this area being done by the Bank. I do not share your view that loose lending policies by the Bank might be a factor in this context. Certainly we are continuing to pay very close attention to the detailed nature of every aspect of our loans and to the debt servicing capacities that borrow from us and, in this regard, to stress clearly the vital need for borrowers to enforce discipline in managing external debt and balance of payments.

Once again I refer to the Treasury report which concludes that (1) our expansion has not resulted in a decline in quality of projects financed, (2) that our structural adjustment loans serve a useful purpose, and (3) lending is not in excess of absorptive capacity. I am convinced that a shortage of resources prevents us from doing as much as we should.

.../

You mention "new realities" facing the World Bank as we approach negotiations for IDA 7. While I am determined to see that the Bank and IDA adjust to changing international economic circumstances, I also hope that leaders in the United States consider the risks to the American economy if the global situation deteriorates further. I am pleased to see a serious assessment of priorities, and hope that the international dimension, especially as it relates to the developing world, is not overlooked.

I look forward to discussing these matters further with you in the near future.

Sincerely yours,

A. W. Clausen

PR:apz

Estimated Effects of IBRD/IDA Operations on U.S. Balance of Payments

(Cumulative--$ millions) 1/

Funds Contributed by and Raised in the U.S.	IBRD	IDA	TOTAL
U.S. Contributions 2/	867	5,003	
Income on Liquidity Invested in the U.S.	4,322	176	
Net Proceeds from Funds Borrowed in the U.S.	5,692	----	
TOTAL RECEIPTS	10,881	5,179	16,060
Payments and Investments in the U.S.			
Procurement of Goods and Services 3/	7,715	1,364	
Administrative Expenses	1,931	994	
Interest from Bonds	4,415	----	
Portfolio Investment in the U.S. 4/	5,584	113	
TOTAL PAYMENTS	19,645	2,471	22,116
BALANCE			
--received from the U .S.		2,708	
--paid to the U.S.	8,764		
NET BALANCE OF BANK/IDA OPERATIONS ON U.S. BALANCE OF PAYMENTS INCLUDING INVESTMENTS	6,056		

1/ These estimates are based on data through to the end of fiscal 1982, June 30, 1982.

2/ U.S. contributions to the IBRD include only the paid-in portion.

3/ Includes procurement specifically originating in the United States and the same proportion of procurement not identifiable by country of origin.

4/ Includes both long- and short-term investments in the U.S.

TOTAL WORLD BANK PROCUREMENT FROM CALIFORNIA FIRMS - 1981

IBRD	IDA	Total
$56,431,337.27	$ 6,778,312.50	$63,209,649.77

TEN CALIFORNIA SUPPLIERS TO IBRD AND IDA - 1981

Company	IBRD	IDA	Total
Ansor International Ltd.	$ 3,775,054.16	-	$ 3,775,054.16
ASEA	$ 3,570,613.00	-	$ 3,570,613.00
Engineering Science Inc.	$ 1,443,593.45	$ 574,500.06	$ 2,018,093.51
Geosource Inc.	$ 4,178,149.63	-	$ 4,178,149.63
Jacobs International Inc.	$ 3,010,969.99	-	$ 3,010,969.99
Kaiser Engineers International Corp.	$ 1,537,002.75	-	$ 1,537,002.75
Martin-Decker Co.	-	$ 26,995.41	$ 26,995.41
Okonite International	$ 361,419.00	-	$ 361,419.00
Siltec Corp.	$ 640,260.30	-	$ 640,260.30
Ventura Electronics Co.	$ 861,676.89	-	$ 861,676.89

GOODS AND SERVICES SUPPLIED BY U.S. COMPANIES, 1976-1980

CALIFORNIA

Type of goods or services	Five-Year Total, 1976-1980
agricultural machinery	$ 2,546,805
construction: wks, materials, & equipment	11,217,791
electrical equipment	21,573,091
consultants	58,655,589
training	878,135
chemicals	6,343,833
mechanical equipment	29,039,759
automotive machinery	2,321,950
railways	1,288,502
school equipment	5,895,958
computer	662,269
livestock	965,411
medical	747,494
miscellaneous	2,390,229
TOTAL	$ 144,526,816

U.S. COMPANIES SUPPLYING GOODS AND SERVICES FOR WORLD BANK AND I.D.A. PROJECTS - 1980

CALIFORNIA

Total Amount of Procurement - $52,011,846

ACME Inc.
Addison-Wesley Publishing Co.
Agland Investment Services Inc.
Ailtech U.S.A.
Air-Chem Systems Inc.
Airresearch Aviation Co.
Ajax Int'l Corp.
Alexander Grant & Co.
Allergan Int'l
Allis Chalmers Corp.
Alltech Inc.
Alpha Micro
American Microsystems, Inc.
American Pipe & Construction
Ameron, Inc.
Anawell Inc.
Anderson-Nichols & Co. Inc.
Andy's Storage
Angelus Sanitary Can Machine Co.
Apco/Valve and Primer Corp.
Apex Int'l, Inc.
Aqua Media Ltd.
Arthur G. McKee & Co.
Asia Industries Int'l
Astro Industries, Inc.
Atlantic Export Corp.
B & K Industries Inc.
B & W Inc.
B.B. Fischer Int'l Trading Co.
B.F. Goodrich Int'l Corp.
Bailey Int'l
Baker Engineering Co.
Banner Gelatin Products Corp.
Banner Pharmaceutical Mfg. Co.
Bechtel Inc.
Beckman Instrument Inc.
Benner Newman Inc.
Berkeley University
Big Three Industries Inc.
Brown Int'l Corp.
C.J. Yamas Co. Inc.
Cahn Instruments

CALIFORNIA (Cont'd)

California Polytechnic Institute
California Traders Int'l Inc.
Calsteel Int'l Co.
Campbell Pacific Nuclear Corp.
Cardic Machine Products, Inc.
Carry-All Parts Inc.
Central National Corp.
Challenge-Cook Bros., Inc.
Chevron Chemicals Inc.
Chromalloy American Corp.
Cirtel Inc.
Claval Co.
Clayton Mfg. Co.
Cobuen Optical Int'l
Columbia Industries
Comarc Design Systems Inc.
Commodex America Corp.
Communication Technology Corp.
Comptique
Connell Bros. Co. Ltd.
Continental Mining Supplies
Cooling & Controls Eng'g. Co., Ltd.
Coyne Cylinder Co.
CPM/Int'l
Crocker National Bank-Charges
Cyrus Industrial Minerals
Dames and Moore
Dande Products Corp.
Dataproducts Corp.
Davy McKee Corp.
Decker Int'l
Del Mar Western Chemical
DHL Courier Services
Dorr-Oliver Inc.
Dresser Industries Inc.
Educational Data Systems
Edutel Communications & Dev. Inc.
Emerson Electric Co.
Emmesco Wilkins Int'l
Engineering Science Inc.
Envirotech Corp.
Ergar Corp.
Everdata Pacific Corp.
Excellon Automitation
Excelsior Trading Co. Inc.
Fairchild Systems Technology
Ferguson Associates
First Chicago Int'l S.F. - Charges

CALIFORNIA (Cont'd)

Fischer & Porter Inc.
Fisher Scientific
Fluor Mining & Metals
Four Wings Int'l
Fritz Air Freight
G.T.E. Int'l Inc.
Gateway Int'l Inc.
Gaylord Brothers Inc.
Geometrics
Getz Brothers & Co.
Goulds Pumps Inc.
Grant World Trade Inc.
Grantize Products Inc.
Graybar Electric Co. Inc.
Gulton Industries Inc.
H. Seed & T. Leps
Hans International
Hayden Int'l Corp.
Hewlett Packard
Hobbs Associates
Holiday Inn
Holmes & Narver Inc.
House of Pile Fabrics Inc.
Howe Richardson Scale Co.
Hughes Brothers
Hunt-Spiller Mfg. Co.
Hydril Co.
I.T.T. Barton
Ingersoll Rand Co.
International Laboratory Furniture & Equipment
International Marketing Service Group, Inc.
International Metal & Supply Inc.
Integra Inc.
Intel Corp.
Inter Magnetics Corp.
Inter Ocean Systems, Inc.
International Engineering Co. Inc.
International Telephone and Telegraph
J. Barry Cooke Inc.
J.M. Montgomery Consulting Eng'g Inc.
Jacobs International Inc.
James Jones Co.
Jerry J. Cape Mineral Development Service
John L. Merriam
Johnston Pump Co.

CALIFORNIA (Cont'd)

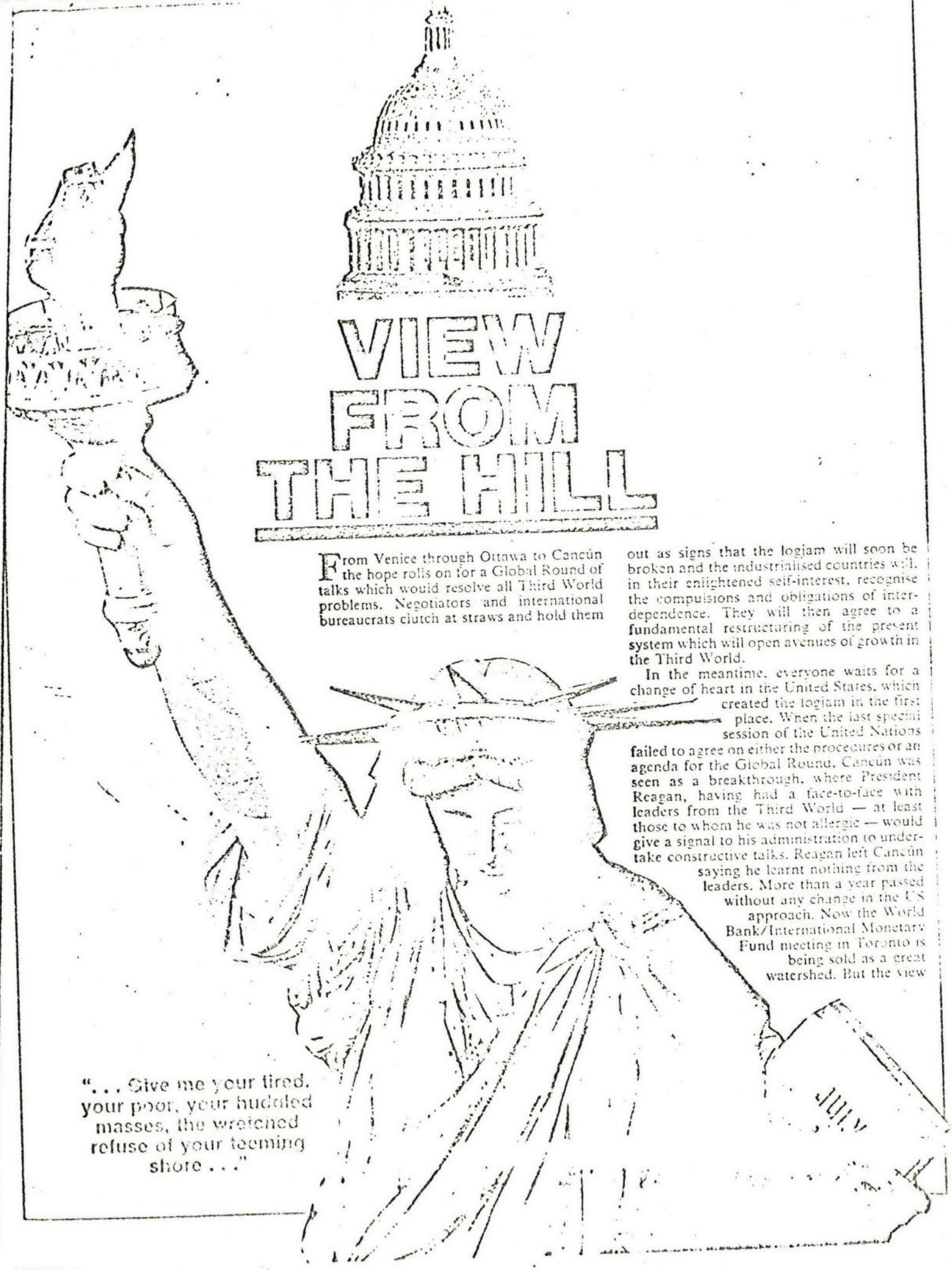
K. Star Int'l Corp.
KAHLSICO Int'l Corp.
Kaiser Aluminum & Chemical Corp.
Kaiser Engineers
Kasparlan & Co.
Kasper Instruments
Keenan Supply Inc.
Kinetics Technology Int'l Corp.
Koppers Co. Inc.
Korean Institute of Electronic Tech.
Krebs Engineers Int'l
Kuevers Inc.
L & W Equipment Corp.
L. B. Foster Co.
L.A. Water Treatment Division
Labin Industries Sales Corp.
Lear Siegler, Inc.
Linear Instruments
Local Water Utilities Administration
Lockheed Missile & Space Co. Inc.
Lorne E. Swanson & Associates
M-C International
Madel Technology
Magnasync Moviola Corp.
Mark Ross & Co. Int'l
Marubeni America Corp.
Masoneilan Int'l
McKay Dymek Co.
McMaster Carr Supply Co.
Measurex Int'l Co.
Merriam, Deasey & Whisenant Inc.
Meyer Machinery Co.
Mission Trading Int'l Co.
Moore Industries
Muller & Phipps Int'l Corp.
National Controls Inc.
New World Research Corp.
Nonn-Royal Int'l
Occidental Petroleum Co.
Optical Coating Laboratory
Overseas Offshore Inc.
Pacific Architects & Eng'g Inc.
Pacific Photometric Instruments
Pacific Press & Shearl Co.
Pacific Pumping Co.

CALIFORNIA (Cont'd)

Pacific Transducer Corp.
Pacific Valves Inc.
Pacsun Int'l Inc.
Parking & Trucking
Parsons Mfg. Corp.
Paul Yank & Associates Inc.
Peerles Pump
Peterson Power Center
Philippine Bank of California-Charges
Phillips Gasket Int'l
Placer Purchasing Co.
Planning Research Corp.
Power-X
PRC Engineering Consultants, Inc.
Process Technology Corp.
R & R Tech. Book Binders
R.H. Baker & Co. Inc.
Raychem Corp.
Raytek
RBR Industries Inc.
Reed Irrigation Systems
Reliance Electric Co.
Resco Corp.
RMP-Montgomery Joint Venture
Robert A D'Elia Inc.
Rol-Air Systems Inc.
Roman Engineering Co.
Royco Instruments Inc.
Russell Coil Co.
Saplex Co.
Schenkers Int'l Forwarders Inc.
Schlage Lock Co.
Science General Corp.
Scientific Mfg. Industries
SFO Airport Hilton
Sherard Overseas Consultants Ltd.
Smith Int'l Inc.
Soilmoisture Equipment Corp.
Solar Turbine Int'l
Southern Milcreek Products Co.
Southern Pacific Transportation Co.
Southern Plastics Mold Inc.
Spirox Holding, Inc.
Square D. Company
SRI International
Stanford Research Institute Int'l
Stanford University
Straub Mfg. Co. Inc.

CALIFORNIA (Cont'd)

Swanson Manufacturing Co.
Sweco Inc.
Systan Int'l Inc.
Systems Control Inc.
Tektronix Inc.
Tempress Microelectronics
Tetra Tech Co.
The Atlantica Export Corp.
Theraco Products Corp.
Time & Frequency Technology Inc.
Tops on Line Services Inc.
Trio-Tech Int'l
Trans World Airways
Tylan Corp.
U.S. Borax & Chemical Corp.
Unice Machine Co.
Unilol Inc.
United Airlines
United Calibration Corp.
United California Traders Inc.
United Centrifugal Pumps
United Scientific Co.
University of California
V.W.R. Scientific Inc.
Valley Nitrogen Producers Inc.
Valve & Primer Corp.
Varian Export Corp.
Victor Equipment Co.
Walter C. Stroll & Sons
Washington Pump Corp.
Waterman Industries Inc.
Weathermeasure Corp.
Weiser Lock Int'l
Wells and Pumps
Wescan Instruments
Wesflex Mfg. Co.
Western Airlines Inc.
Western Engineering Co.
Western Int'l Trade Corp.
Western Products Co.
Wilcon Co.
Wiltron Co.
Woodward Clyde Consultants
Worthington Pump Corp.
WYCO Metal Products
Individual Consultants



VIEW FROM THE HILL

From Venice through Ottawa to Cancún the hope rolls on for a Global Round of talks which would resolve all Third World problems. Negotiators and international bureaucrats clutch at straws and hold them out as signs that the logjam will soon be broken and the industrialised countries will, in their enlightened self-interest, recognise the compulsions and obligations of interdependence. They will then agree to a fundamental restructuring of the present system which will open avenues of growth in the Third World.

In the meantime, everyone waits for a change of heart in the United States, which created the logjam in the first place. When the last special session of the United Nations failed to agree on either the procedures or an agenda for the Global Round, Cancún was seen as a breakthrough, where President Reagan, having had a face-to-face with leaders from the Third World — at least those to whom he was not allergic — would give a signal to his administration to undertake constructive talks. Reagan left Cancún saying he learnt nothing from the leaders. More than a year passed without any change in the US approach. Now the World Bank/International Monetary Fund meeting in Toronto is being sold as a great watershed. But the view

"... Give me your tired, your poor, your huddled masses, the wretched refuse of your teeming shore ..."

on Capitol Hill remains as rigid as ever.

"The United States is very forgiving. Perhaps sometimes we should punish those who malign us."

"You do that often enough. But it doesn't seem to help."

"Yes it does, as in Latin America."

This exchange look place in Room S128, Capitol Building, Washington, and the advocate of tough US policy was, believe it or not, James Bond of the Senate Appropriations Committee. Frank Vogel of the World Bank information and public affairs department had arranged these meetings as a run-up to my interview with the World Bank president, Tom Clausen.

The idea was to soften *South* which was seen to be adopting a strident tone about the bank.

People must understand the restraints which govern the operations of the bank, I was told. Jim Bond, I was informed, was a highly influential person whose word mattered when it came to aid appropriations.

I found Bond highly articulate and sharply critical of the World Bank, although he didn't fault the hard loans of the bank. But he could not understand the purpose of the International Development Association (IDA) largesse, except in respect of a few basket cases.

But more than that, he could not understand why the recipients of US aid were so viciously united in their criticism of the US: "Perhaps they don't understand how our system works. Not even our western democratic allies seem to understand that. They all gang up against the US in the United Nations General Assembly. What do they get from the Soviet Union? Zero!"

Would it be worthwhile finding out why so many people who apparently shared the American way of life criticised the United States?

"No. It's all so irrational." He brushed it aside.

But you say even your western allies don't understand you.

To which again, his reply was: "It's all so irrational."

He then explained the prevailing view in Congress about foreign aid. He said: "Aid has no constituency here."

The Congress had been getting more and more restive about the Robert McNamara approach, which was seen as throwing other peoples' money at problems. With recession and growing unemployment, the aid environment had completely changed. There was quite an active lobby opposed to the whole concept of foreign aid.

Did this lobby question the concept of bilateral aid also?

"No, because we recognise the leverage aspect of aid," he replied. It was the provision of aid through multilateral agencies which had lost all its charm — if it ever had any.

Bond thought the IMF was doing its job fairly well. It was the IDA-type operations which were under question. Who benefits from all the money provided as interest-free loans? There was no evidence that loans or grants had helped economic growth.

I asked him whether the IDA 6 replenishment would be approved by Congress during the November session. He said the matter was under consideration.

And IDA 7?

"That is a no-go situation," he said.

On that sombre note I left him and moved to Cannon Building, where congressmen have their offices.

An angry young man

Alas, I am not able to disclose his identity, not even that of the congressman to whom he is attached as an aide on international economic affairs. This aide too, Frank Vogel had assured me, was influential. He certainly had an enthusiastic manner and rare abandon.

"You're here to talk to Tom Clausen. Tell him that a long letter from the congressman is on its way," he began. Both feet on the coffee table, he said: "Look! The Congress is getting a little fed up with the view that the World Bank is somehow benefiting American interests. Utter B.S!" Old attitudes had changed and a new set of realities had emerged: "The Congress is in no mood to cough up funds for the bank. There are ~~quite a few congressmen who see the bank as a disrupter of the credit market~~. The bank churns out all kinds of phoney statistics but there is no evidence that it is helping the poor in the Third World." Pushing money into non-economic projects was not development, he explained. As far as he could see, ~~Third World countries had been left worse off by the bank~~.

I drew his attention to the study prepared by the Department of the Treasury in February on US participation in the multilateral development banks (MDBs) in the 1980s. (The World Bank and the International Development Association (IDA) are a part of the MDB cluster). I quoted from the study that "to the extent that the MDBs encourage the participation of developing countries in that (open, market-oriented) international system on a permanent and self-sustaining basis, they are one of the major vehicles available for pursuing US economic and political/strategic interests." US support for the MDBs would "be designed to encourage adherence to free and open markets, emphasis on the private sector as a vehicle for growth, minimal government involvement and assistance to the needy who are willing to help themselves". Again, according to the study, the US had pursued three broad policy and three operational objectives through its participation in the MDBs. At the policy level there were political/strategy objectives based on the US policy role as a leader of the non-communist world, the objective of preservation and growth of a free, open and stable economic and financial system and finally the US humanitarian concern for alleviating poverty.

At the operational level, the US had used the MDBs to advance its commercial interests, to minimise direct US budget outlays for foreign assistance through cost-sharing arrangements with other donors, and, by leveraging US paid-in contributions to the hard loan windows through MDB borrowings backed by callable capital and institutional efficiency, to maximise the impact of scarce developing resources through the implementation of high-quality development loans.

I reminded him that the study had come to the conclusion that the MDBs, by and large, had been "most effective in contributing to the achievement of our (US) global economic and financial objectives (emphasis in the study) and thereby also helping us in our long term political/strategic interests." ~~At the operational level~~ too, ~~the MDBs had "served US commercial interests well"~~. The hard loan windows had served US budgetary objectives and MDBs had generated high quality loans.

'Privately he tries very hard to reassure us. Anybody who believes what Clausen says publicly must be a fool'

As I plodded through these details, the young aide kept shaking his head: "This study you talk about was a whitewash job. You know who prepared the first draft? A former employee of the World Bank. These guys are always around, even after they retire." He then pointed out, with an air of triumph, that if the World Bank had been awarded such high grades, how come the Treasury came to the conclusion that the US contribution to the bank should be diminished? I recalled that the point had been made in a background information paper prepared for the Brandt Commission in 1982, which says the study is "a strange document, since it praises the MDBs, especially the World Bank, for being efficient and effective and serving many US interests, and concludes that the US contribution should be diminished".

"There is nothing strange," the aide said. "The Treasury had independently come to the firm conclusion that the US contribution to

the World Bank must be curtailed: "The State Department then got into the act and started beating the Treasury people on the head." Finally, a compromise was worked out — so long as the Treasury conclusion was adopted, the State Department could write in any mythology to serve its political purpose. I was told that an unpublished economic report prepared for President Reagan had come down very hard on the bank and had recommended that the IDA should be left to fend for itself.

IDA 6 had cost Reagan a good deal of support on the Hill. There was now a hard core in Congress which would not allow the US contribution to IDA 6 to exceed US$700-million. Their strategy was to stretch out IDA 6 for as long as possible. But as far as IDA 7 was concerned, there was not a hope in hell.

"You guys in the Third World don't know that economic aid has no lobby here." How did it survive? "It survives because funds for economic assistance are included in the same bill which provides for security assistance. So there is always a trade-off." Those who hated security opted for economic assistance and those who wanted funds for security went along with some economic provision. IDA had few friends in Congress. There was nothing for US business in IDA: "The US puts in all the money and Japan gets all the contracts."

I reminded him how the US had been isolated in Toronto. All the major donors came out strongly in support of IDA. His reply was that they were all scoring political points. "They want the US to take the hard line and collect all the kudos for themselves."

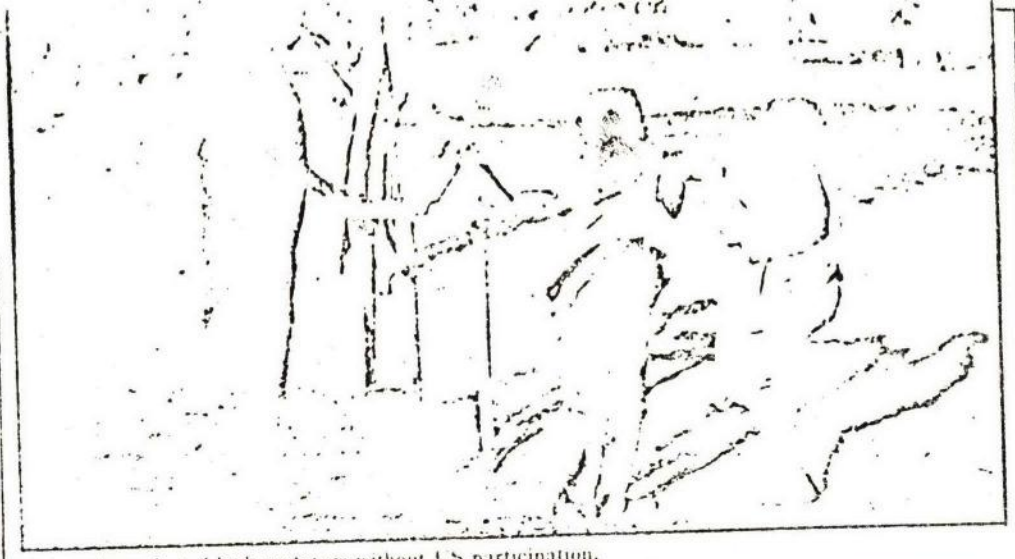
What economic functions did the World Bank perform?

By now he was getting quite worked up. Loose lending did not contribute to growth. And what were Third World governments doing subsidising food and fuel? "Shooting themselves in the foot."

"McNamara was a disaster. All his claptrap about poverty was one big guilt contract — atonement for Vietnam." ~~But now something was going wrong with Clausen too~~: "We had hoped he would turn the bank around, get rid of some of the staff and act a little more sensibly, ~~but he has been captured by the bureaucracy of the bank or by the Third World~~." For his first few months he had made the right noises about private enterprise, but now he was sounding more and more like McNamara: "Privately he tries very hard to reassure us. ~~Anybody who believes what Clausen says publicly must be a fool.~~"

And why was Clausen talking about IDA and coming up with a figure of US$18-billion? "He must be living in fantasy land ... The man has got his head in a hole. He is even talking of an energy affiliate when the oil market is collapsing around the world."

As a parting shot, the young man said: "When you see Clausen, give him my love."



IDA well project, Chad: no future without US participation.

Alan Hutchison

A vote for IDA

The echoes of what I heard on the Hill had apparently not reached H Street. Moeen A Qureshi, senior vice-president of the World Bank, who is in charge of IDA, was still basking in his Toronto reprieve: "It was quite a unique occasion," he declared. Donors had agreed to IDA 6 replenishment for one year without waiting for the US to come up with its contribution. The whole thing was triggered by developing countries with the help of key donor countries.

He gave two reasons for this success: first, there was no alternative to IDA, which had made an immense impact on developing countries, second, the donor countries could wait for the US response only up to a point. He could not recall any time when the US had not delayed the actual payment of its contribution, but in his view the US attitude was "as positive as possible within the framework".

What he found reassuring was that donor countries did not take advantage of the pro-rata tying of their contributions to the US contribution, which was a vote for IDA. He had no doubt the US would come up with its full contribution to IDA 6, though there were still many questions about IDA 7.

Without prompting, Qureshi referred to the Treasury study of February, and reminded me that IDA had received high appreciation. Why then should the US contribution to IDA be diminished? The reason, according to Qureshi, was the relative importance of bilateral and multilateral aid.

What future did he see for IDA without US participation? "None", he replied without hesitation.

Had there been policy changes in the bank since Tom Clausen's arrival? Qureshi explained that the bank had been reviewing its whole pattern of borrowing: there had been a shift from fixed lending interest rates to adjustable rates, and the bank was tapping the short-term market. The change was more a matter of emphasis than substance, and the purpose was to ensure that the bank continued to fulfil its catalytic role by generating more funds, considering the constraints on aid funds. Among the principal new ideas were

- Co-financing;
- Multilateral insurance; and
- The proposal to have a code of conduct for investment in developing countries.

These proposals were still being discussed.

Did Clausen have any new ideas about IDA? He was emphasising the need to differentiate between groups of countries for IDA funds, Qureshi said. There were countries which had already graduated from IDA. Some others could now sustain concessional interest rates, and once they reached that stage it was only appropriate that they should be distinguished from those that should be accorded interest-free assistance.

Having been given two somewhat conflicting versions about the US attitude towards IDA, I decided to check with the Treasury. A helpful public relations officer gave me a copy of Treasury Secretary Donald Regan's recent briefing on internatonal economics. Regan was asked about IDA 6, and he said: "We are still having problems with our Congress trying to fulfil our pledge on that."

He added that thoughts for IDA 7 "shouldn't focus on the fact of how much bigger can it be, but can we keep up the size of the amounts that we've already seen for IDA in IDA 6, when we come to IDA 7". Asked to indicate whether the US contribution to IDA would be maintained at the existing level or would be reduced as envisaged in the Treasury study of February, Secretary Regan said: "Let me make it clear. That was not my opinion I was expressing. I was merely giving you the parameters of discussions at Toronto. I said nothing about my opinion . . . I have not said 'the United States position'. I said the discussions at Toronto were from the less developed countries, who said they wanted an increase of anywhere up to 50 per cent or more in IDA, and other nations, who are having difficulties in the recession, saying we'd be lucky to keep the same amount. I did not commit the United States to any position, in Toronto or here today. And make sure that everybody understands that."

And if this was not enough, he added: "We have no position on IDA 7 at this particular moment. We have said that we will take it

under consideration. We want to discuss it at the administrative level. We want to discuss it with the congressional delegation. There has not been time since Toronto to get into those discussions. It would be more appropriate to do that after the first of the year, and there's plenty of time to do it then. So we will not be discussing that until 1983. Now, I did say that in the lame duck session that starts 29 November, we would be working to get the IDA 6 appropriations through in the form in which we originally recommended it."

Whatever the position of IDA in retrospect, its prospects are at best uncertain. The forthcoming US congressional session in November, known as "the lame duck" session, would perhaps fail to produce congressional approval for the full US contribution to IDA 6. The scenario set by the congressional aide — that IDA 6 will be stretched for as long as possible — might then begin to unfold, and IDA 7 might become in the words of James Bond of the State Appropriations Committee, "no-go business".

Where far left and far right meet

Cheryl Payer's new book *The World Bank. a Critical Analysis* (Monthly Review Press, New York, 1982) is dismissed by World Bank officials as "radical". But she says nothing very different from what one heard on the Hill, except that she says it well and supports her conclusions with a great deal more evidence. How does the bank help the poor? Republican congressmen ask. Bank projects only make matters worse for the Third World, they assert. The poor get no benefit, and the US Treasury study claims the bank and IDA efficiently and effectively serve US political and economic interests, yet the US administration seems to lean in favour of bilateral aid instead of multilateral aid.

How is all this different from Cheryl Payer's conclusion that "the World Bank has deliberately and consciously used its financial power to promote the interests of private, international capital for its expansion to every corner of the 'underdeveloped world'"? This the bank has done in many different ways:

- By acting as intermediary for the flow of funds abroad;
- By opening up remote regions;
- By directly aiding certain multinational corporations;
- By pressuring the borrowing governments to improve local privileges for the tax habilities for foreign investment;
- By insisting on production for export;
- By selectively refusing to lend to governments that repudiate international debts or nationalise foreign property;
- By opposing minimum wage laws and trade union activity;
- By insisting on procurement through international competitive bidding, which favours the largest multinationals;
- By opposing all kinds of protection for locally owned business and industry; and
- By financing projects and promoting national policies that deny control of basic resources — land, water, forests — to poor people, and appropriate them for the benefit of multinationals and their collaborative local elites.

Payer argues that the bank has announced a few token projects for creating employment, but "it has more typically exerted its influence to keep wage levels low, in order to encourage foreign investment and export enterprises".

In my conversation with two senior bank officials, I tried to understand how bank projects were evaluated. Mervyn Weiner, director-general of operations evaluation, explained that it was not easy to evaluate impact because it had multiple social and economic dimensions and much depended on one's own perception. He was satisfied, on the basis of ex-post examination of bank projects, that nine out of 10 US dollars in terms of investment had been well spent, and that 85-90 per cent of the projects had been successful.

I took up one project — the deep tube wells project in Bangladesh, at a cost of US$12-million. Under the project, 3,000 tube wells were provided, each capable of irrigating 60 acres. According to the bank, each well was to serve a co-operative group of 25 to 50 farmers. Two independent researchers, Betsy Hartmann and James Boyce, who lived for nine months in one of the villages, found that the local tube well had "wound up as the property of one man, the richest landlord in the village". The so-called co-operative was but a collection of signatures on a scrap of paper.

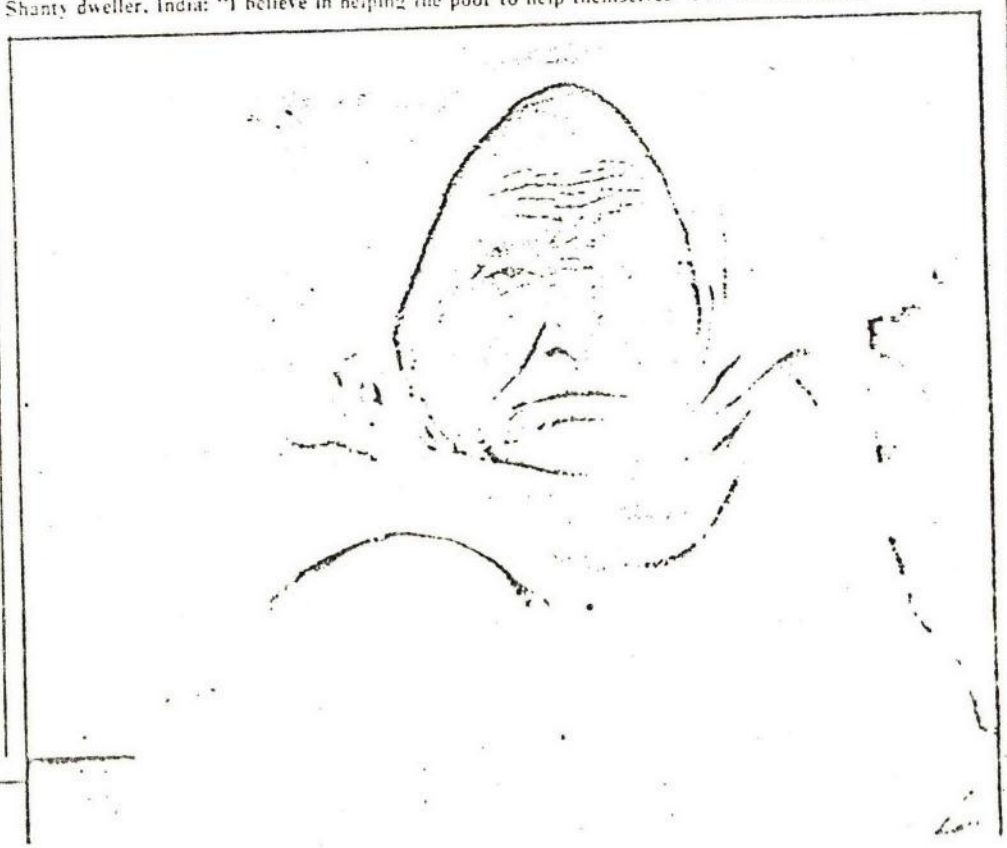
Later, the two researchers were told by a foreign expert working on the project: "I no longer ask who is getting the well. I know what the answer will be and I don't want to hear it. One hundred per cent of these wells are going to the big boys."

While productivity had improved, the big landowners (*Zamindars*, *Diwanias* and *Matbars*, as they are called in Bangladesh), had, through their increased income, bought out the small farmers and driven them into the growing ranks of the landless.

Mervyn Weiner acknowledged an acquaintance with the report, but was of the view that it was too much fuss about a single tube well. He admitted the bank had not instituted an independent investigation to ascertain the facts.

Wilfred Thalwitz, director, South Asia projects department, who had personally visited the project and talked to the tube well operators and other people in the village, said he had heard no complaint, nor had anybody suggested that the wells had become the property of the landlords!

Shanty dweller, India: "I believe in helping the poor to help themselves" . . . Tom Clausen.



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To the summit

Tom Clausen's aides are strangely protective about him. They still talk of the transition, 15 months after McNamara's departure, and Clausen himself seems to walk in the ex-President's shadow. Comparisons are made unwittingly but constantly: that is Tom Clausen having lunch in the executive dining room. Bob McNamara never came to this room.

McNamara brought his own men. Tom Clausen relied on the existing senior staff, though he disbanded the policy coordination department, main purveyor of the McNamara rhetoric. Clausen likes to delegate authority, McNamara left his stamp on everything.

Nobody spoke in McNamara's presence. His meetings used to be a ritual at which he would expound a proposition; one or two senior officials, earmarked for the purpose, would offer their comments and that would settle the matter. In one meeting, an official standing in for a vice-president started expressing himself at some length. McNamara scribbled "Who is he?" on a piece of paper and the secretary of the committee thought that was the end of the speaker's tenure in the bank.

When the first development report was published, the president did not like the colour on a graph. He rang up William Clark, his public relations man, and Clark, without a moments' hesitation, had the page reprinted at a cost of some US$20,000.

But dissociating from one's predecessor sometimes produces bizarre results. Tom Clausen was given a forecast of the bank's income, during his first year in office, which was somewhat lower than the actuals of McNamara's last year. He flung the estimate out of the window. So new front-end charges were put on bank loans, with the result that the bank's income now could be embarrassingly higher than the McNamara earnings.

For the moment, Tom Clausen is trapped between McNamara's shadow and his own substance. On one side he is badgered by the US administration for not turning the bank away from the McNamara rhetoric, and on the other side by the Third World, for deviating from the bank's development ideology.

Clausen is a genial, folksy American who relaxes easily, expresses himself with philosophic flair and stresses that he always looks at things in the context of history.

I had heard from many people in and outside the bank that Clausen looked at things as a commercial banker, so I started by asking him whether he was running the World Bank as a commercial institution or as a development agency.

"You are smarter than that, even to ask this question", he retorted. "We are a development institution first, last and always." Obviously he had been bugged by this question before, because he added: "We are not an investment bank, we are not a commercial bank, we are not a piggy bank, none of that. We are a development bank." As he saw it, the bank was in the business to help Third World countries accelerate their development. But, "development", he said, "does not occur overnight. There are not any quick fixes".

'Out of the top 10 countries the US has a bilateral foreign policy interest in, seven are among the top 10 recipients . . . of assistance from the World Bank'

I mentioned to Clausen my meetings with the people on the Hill and read out some of the quotes I had taken down. He reacted sharply: "Don't extrapolate from these two Indians that you saw walking single file. I feel very strongly that we have some very strong support in the US and in the Congress. Obviously it is not universal, but I don't want to get caught in print in *South* saying any more than that."

I said that the view was expressed on the Hill that during the first 12 months he uttered the right kind of noises, but was now sounding very much like the old days, and the inference was drawn that he had either been captured by the bureaucracy of the bank or by the Third World. Clausen knew some people thought he did not have the ability to think clearly enough to think independently. "So be it. I don't say a pox on your houses, because I am a gentleman. I may think that, but I would never say that."

I asked him about his philosophy of development. His view was that progress did not follow a straight line. Every civilisation had its ups and downs. The process of growth was essentially evolutionary and not revolutionary. The balance had been shifting in favour of the developing countries, who were now getting a larger share of resources. The bank was set up after the war, to help reconstruct and to have the poor nations help themselves to raise the standard of living of their peoples: "I would be less than candid if I said that the bank has executed its mission perfectly."

He had been in the bank for 15 months and one could not change things dramatically in such a short period. He felt he was beginning to have a better appreciation and understanding of the problems. Money was important, but the real asset of the bank was the assistance it provided to the developing countries by way of establishing a dialogue and by providing a high level of policy analysis. A lending programme of US$11.2-billion for the current year was puny compared to the finest aggregate of bank professionals who could sit down with governments and help them to get their economies moving in the right direction.

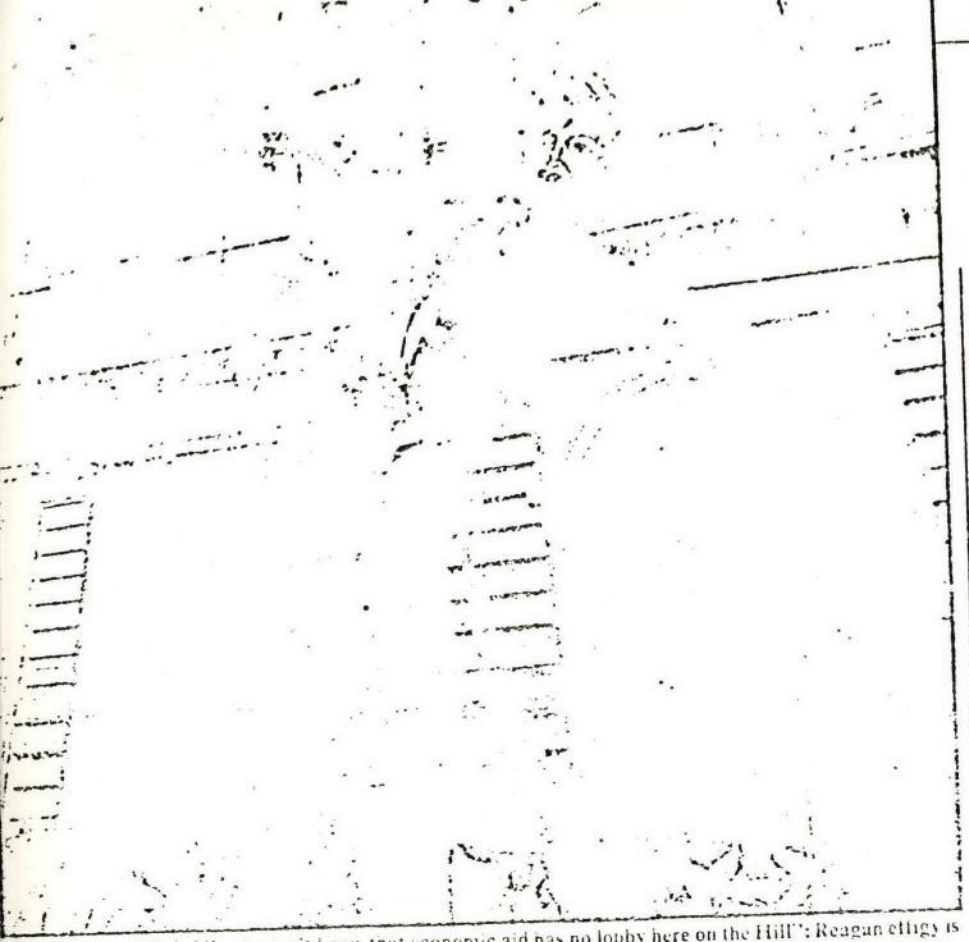
When did Clausen discover that development was an evolutionary process — before coming to the bank or after he became its president? He said his joining the Bank of America was not an accident. He had always wanted to be a global citizen. He had learnt from his father a global view "where people move, where money flows, where information and ideas flow".

He remembered sitting in the family kitchen beside the wood stove and hearing on the radio that Japan had invaded China and Manchuria. He went off to war, and that gave him a chance to see a little bit of the world. Then he decided to educate himself, got a law degree, and the Bank of America provided him with the kind of world view he was looking for.

But he maintained that development must start at home. "Our developing countries, I think, have a growing awareness that they have got to do something themselves, they have got to tighten the belt. You can't just say, well, here I am, come and help me — I am not going to lift a finger and therefore, if I die, it will be your fault."

He did not believe the developing countries were right in thinking some countries owed them something. "I don't believe in taking from the rich and giving to the poor. I believe in helping the poor help themselves."

Inevitably we turned to the Treasury report on MDBs, which Clausen thought was "a positive document". The weight of the US administration was behind the report, he said. Admittedly, Congress was not as forthcoming as he would like, but times were difficult and there were budgetary constraints. Congress, he said, "knows deep in its heart that it is in its interest to



"You guys in the Third World don't know that economic aid has no lobby here on the Hill": Reagan effigy is burned in anti-US demonstration, Calcutta.

continue the support of the multilateral institutions".

The Treasury study was undertaken because the administration wanted to know whether the multilateral financial institutions were supporting US bilateral policies. The report speaks for itself: "Out of the top 10 countries that the United States has a bilateral foreign policy interest in, seven are among the top recipients of financial and technical assistance from the World Bank." That was why the report came to the conclusion, in Clausen's words, that it was in the "vested interest of the United States to continue its support".

Clausen felt people had got hold of wrong ideas about the bank. They talked about the "Woods Bank", the "McNamara Bank" and the "Clausen Bank", but many of these comments were based on complete misinformation about the bank: "There is a desire often to oversimplify, to exaggerate particular trends, whereas the fact is that the bank is much more of a continuance" than a series of changes.

I mentioned that the bank was under attack because it dealt with bureaucracies and bolstered unrepresentative and oppressive regimes by giving them economic assistance. "Our ideology is economics. We are an institution that should do those things that would help economic advancement. We should not address political issues and we don't." The bank, he said, was required by its shareholders to deal with governments, and not all governments were perfect: "One could say on the Hill that the only perfect government is the United States government, and look who is calling the pot black. Every government has its blotches and pimples and warts and some of them even have some cancerous spots. Our role is to help those governments deal with those warts and pimples and blotches and cancerous spots by helping them to put into place appropriate economic policies."

He talked about the Toronto meeting, where he spent six days listening to monologues, and the overwhelming view was that "economic adjustment is the watchword of today. This is as true of the developed countries as of the developing countries".

> 'One could say on the Hill that the only perfect government is the US government, and look who is calling the pot black'

What was the future of IDA? Clausen had no doubt that "IDA is worth fighting for and worth caring about. We would all be better off if we took care of expanding the economies of the globe. Thirty-eight per cent of US exports go to the developing countries. Let us help them expand their markets, so that the United States can sell more." ~~He thought IDA was too concessional and had never thought of itself as "a recycler of funds"~~. After 22 years, IDA had a reflow of repayments of US$50-million. By the end of the decade, when IDA will be 30 years old, the reflow would amount to US$200-million. If the maturities were shortened, the reflow could be greatly accelerated.

In his view, 50 years maturity for IDA loans was very long: "If you move the clock back 20 years, you will see Japan as a borrower. Japan did not graduate until 1965 or 1966, so one can see the progress that can be made in 20 years."

In Clausen's opinion, the next couple of years were going to be "awful" for international finance, but one did not have to indulge in self-fulfilling prophecies: "There is a role to play and there is a way out."

What was the way out? And I referred to Clausen's remarks before the Council on Foreign Relations, in New York on 23 September. There he saw the nations of the world caught in "an economic swamp".

His reply was that the world was facing a global economic malaise, characterised by slow economic growth and a huge accumulation of debt and rising debt service charges. The developing countries wanted more trade to raise enough foreign exchange to service their debts, but a growing volume of trade could have a further dampening effect on commodity prices.

Country after country was imposing import restrictions, which further exacerbated the problem: "The question is how to burst out of this inward spiral which, if carried to its extreme, will create a more devastating economic condition than we have now. There is need for leadership and the United States, the strongest nation in the world can provide the leadership."

One of the great things that happened in Toronto, according to Clausen, involved the IDA issue, when the donors, notwithstanding the burden-sharing issue, said they would make all the payments in one form or another in three years, while the US would take four years to fulfil its obligations. They also promised an additional US$2-billion for the transitional year.

Returning to his New York speech, I quoted: "The very rapid rise in military spending has crowded out development assistance programmes such as IDA." Why did the bank not take up the question of arms expenditure with the developing countries when loans or grants were negotiated? Was it because the bank did not wish to upset the arms lobby? Arms expenditure was a subject not even mentioned in the bank's country studies or reports.

Clausen questioned my basic premise: "We have many discussions with governments that don't appear in the headlines. The bank cannot set the priorities of development for sovereign nations. We can have dialogue and exchanges of views, but we do not dictate." As a US citizen he was in favour of the United States government increasing its defence capability in the light of growing uncertainty on the global scene. In principle, however, he agreed that putting resources into development would be far better than putting them into arms — but he did not know how to persuade the world that the cause of peace and security would be served better through economic development than through armaments.

Altaf Gauhar