



contemplates for \$8 billion of U.S. funding over the next five years. (S)

### Scope of Study

#### I. U.S. Objectives for Regional Economic Development in Support of U.S. National Security Concerns (S)

The specific U.S. economic developmental objectives for Central America include:

- A. Inducing broad-based economic development throughout Central America based on private enterprise and free market principles operating within a stable democratic political framework; (S)
- B. Fostering and strengthening U.S. trade and investment ties with Central America; (S)
- C. Working with Central American nations to implement essential structural economic reforms and improve the economic, political and legal environment in their nations in order to enhance their growth potential and to attract greater investment from abroad and maximize retention of local capital; (C)
- D. Laying the foundation for the development of a middle class in the region; (S)
- E. Encouraging rational, efficient development of indigenous energy, mineral and other natural resource wealth consistent with country endowments; (S)
- F. Stabilizing and improving the international financial circumstances of the region; (S)
- G. Maximizing the multiplier effect of U.S. assistance to reduce regional economic dependence and provide a climate of self-reliance. (S)

#### II. Economic Analysis and Projections

This section should synthesize existing findings on regional economic trends and development needs (drawing on work done for the Kissinger Commission supplemented as necessary with further research). (S)

##### A. Regional considerations: (U)

- Relevant world economic developments as they affect Central American economies; (U)
- Central America economic growth prospects, and demographic/populations factors 1985-2000; (U)

-- Present obstacles to economic growth and their principal interconnections, including the adequacy of economic policy responses to both positive and negative external economic developments

- o Insurgents
- o Infrastructure
- o Industrial base
- o Hard currency pressures
  - Loan problems
  - Energy requirements
  - Food import bills
  - Tourism difficulties
  - Foreign investment shortfall. (U)

B. Country-by-Country Profiles (current conditions, obstacles and expectations for the 1985-2000 period): (S)

- Overall economic growth
- Demographic factors
- Industrial sector base and infrastructure
- Investment climate
- Energy and minerals
- Labor force
- Agriculture/forestry/fishing
- Public/private sector U.S./foreign relationships
- Tourism
- International trade mechanisms and practices and potential for new sources of foreign exchange
- International finance and debt
- Economic assistance/food aid
- Opportunities for export expansion and diversification
- Absorptive capacity for external assistance
- Other macroeconomic variables including exchange rate and fiscal and monetary policies. (U)

III. U.S. Resource Allocation Decision-Making Process: Current Approach and Priorities (U)

A. What are the present external resources and indigenous funding potential, their priorities and expected behavior over the short and medium term? (U)

- Domestic savings
- U.S. private/official resource flows
- European private/official resource flows

- Japanese private/official resource flows
- Other Latin American private/official resource flows
- Multilateral efforts (World Bank, DAC, IMF, IDB, etc.) (U)

B. How can present aid programs be better structured to achieve U.S. objectives, given the present economic and political realities in the recipient countries and our finite resources? (C)

- Are there areas where U.S. policy initiatives are easier to promote at a regional level? For example, should the remains of the Common Market be revived and appropriately structured to support and enhance new initiatives? (C)
- What degree of importance should we assign to each country and by what measure -- level of development? degree of potential? receptivity to U.S. initiatives? political/economic ability to support U.S. interests? (S)
- What conditions should be applied for the allocation of resources? How should we develop and enforce those conditions? (C)
- Given the regional backdrop and level of funding, what are the individual country assets and opportunities that can be targeted? What techniques can be used to determine priorities vis-a-vis available resources?
  - Labor force
  - Resource base
    - o Energy
      - Traditional
      - Non-traditional
    - o Mineral
    - o Agricultural/forestry
    - o Husbandry/fishing
  - Manufacturing base
    - o Existing industries
    - o New manufacturing areas
    - o Possibilities based on GSP or CBI
    - o Infrastructure
  - Tourism potential
  - Legal/legislative environment (S)

- C. What are the tradeoffs between present and projected U.S. assistance and failure to eliminate economic policy and other obstacles to economic development? (e)

IV. Implementation, Timing and Monitoring of Assistance Programs (C)

- A. Given the above financial, natural and human resources of Central America, what is the optimal path to economic stability and democracy by the year 1990? By the year 2000?
  - What are the priority assistance programs? (S)
  - What are the expected results over time of these assistance programs? (S)
  - How do we ensure that our assistance encourages appropriate economic policy and structural reforms? (e)
  - How do we ensure that our assistance acts as a multiplier for greater private investment? (e)
  - How can present efforts of AID to monitor the implementation of the Kissinger Commission objectives be enhanced? What is the best information system which could monitor in a comprehensible way progress in achieving U.S. objectives? (S)

Implementation

A study group to carry out this NSSD will be established under the auspices of the SIG-IEP and be chaired by the NSC staff. It will include representation from the following agencies and departments: Treasury, State, AID, Commerce, CIA, DOE, Agriculture, Defense, OMB, Eximbank, OPIC. (C)

The report should be ready for transmittal to the NSC for review by the President by mid-February 1985. (U)

*Ronald Reagan*

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