WHORM Subject File Code: IT023 (International Bank for Reconstruction + Development)
Case file Number(s): 560000-End

WITHDRAWAL SHEET
Ronald Reagan Library

Collection: WHORM Subject File **Archivist:** cas/cas

File Folder: IT023 (555800 - end) **Date:** February 14, 1997

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. report (615164)	"U.S. Leadership in the International Financial Institutions" (2 pp.) R 10/26/06 NLRR M06-009 #1	n.d.	~~P1, P5~~

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]
- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]
- F-1 National security classified information [(b)(1) of the FOIA].
- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-3 Release would violate a Federal statue [(b)(3) of the FOIA].
- F-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].
- F-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

ID # 563567 CU

IT023

Lg

WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

☐ O - OUTGOING
☐ H - INTERNAL
☐ I - INCOMING
Date Correspondence Received (YY/MM/DD) / /

Name of Correspondent: Marshall Trammell Mays

☐ **MI Mail Report** **User Codes:** (A) ______ (B) ______ (C) ______

Subject: Submits resume in anticipation of an appointment with Senator Baker - Interested in becoming head of Multinational Investment Guaranty Agency

ROUTE TO: **ACTION** **DISPOSITION**

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
cuholl	ORIGINATOR	87/12/30		C	88/02/02 PY
Referral Note:					
cucalv	A	87/12/30		C	88/02/02 PY
Referral Note:					
		/ /			/ /
Referral Note:					
		/ /			/ /
Referral Note:					
		/ /			/ /
Referral Note:					

ACTION CODES:
- A - Appropriate Action
- C - Comment/Recommendation
- D - Draft Response
- F - Furnish Fact Sheet to be used as Enclosure
- I - Info Copy Only/No Action Necessary
- R - Direct Reply w/Copy
- S - For Signature
- X - Interim Reply

DISPOSITION CODES:
- A - Answered
- B - Non-Special Referral
- C - Completed
- S - Suspended

FOR OUTGOING CORRESPONDENCE:
Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

Comments:

Keep this worksheet attached to the original incoming letter.
Send all routing updates to Central Reference (Room 75, OEOB).
Always return completed correspondence record to Central Files.
Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

RECORDS MANAGEMENT ONLY

CLASSIFICATION SECTION

No. of Additional Correspondents: ______ Media: X Individual Codes: 4640 _.___ _.___

Prime Subject Code: IT 023-__ Secondary Subject Codes: FG 006-01 __ ___-__
__ ___-__ __ ___-__
__ ___-__ __ ___-__

PRESIDENTIAL REPLY

Code	Date	Comment	Form
C __ __	______	Time:	P-
DSP	______	Time:	Media: ____

SIGNATURE CODES:

CPn - Presidential Correspondence
- **n - 0** - Unknown
- **n - 1** - Ronald Wilson Reagan
- **n - 2** - Ronald Reagan
- **n - 3** - Ron
- **n - 4** - Dutch
- **n - 5** - Ron Reagan
- **n - 6** - Ronald
- **n - 7** - Ronnie

CLn - First Lady's Correspondence
- **n - 0** - Unknown
- **n - 1** - Nancy Reagan
- **n - 2** - Nancy
- **n - 3** - Mrs. Ronald Reagan

CBn - Presidential & First Lady's Correspondence
- **n - 1** - Ronald Reagan - Nancy Reagan
- **n - 2** - Ron - Nancy

MEDIA CODES:

- **B** - Box/package
- **C** - Copy
- **D** - Official document
- **G** - Message
- **H** - Handcarried
- **L** - Letter
- **M** - Mailgram
- **O** - Memo
- **P** - Photo
- **R** - Report
- **S** - Sealed
- **T** - Telegram
- **V** - Telephone
- **X** - Miscellaneous
- **Y** - Study

563567CU

A.B.

Can you get me
a few minutes with
the Chief of Staff.
He should remember
me

Marshall

MARSHALL TRAMMELL MAYS

Residence:	601 Wilkes Street Alexandria, Virginia 22314 Telephone: (703) 548-7477
Office:	1522 King Street Alexandria, VA 22314 Telephone: (703) 548-7747 Telecopier: (703) 683-1907 Telex: 29201 ACTW
Personal:	Married to Jane Brooks Marshall of Columbia S.C. Three sons, ages 31, 29, 26 Marshall, Jr.-int'l investment banker Patrick Calhoun - architect Foster Marshall - Lt. USN

Education:	The Citadel, Charleston, S.C.	
	U.S. Naval Academy, Annapolis, B.S.	1945
	University of South Carolina, LL.B.	1950
	Harvard Law School	1951

Law Practice & Business:

1954-69	Private Law Practice, Greenwood, S.C. General Counsel & Director, George W. Park Seed Company
1977-79	Partner, Hogan & Hartson, Washington, D.C.
1981 -	Private Law Practice, Washington, D.C. & Alexandria, Virginia
1983 -	President, Trident Trade Service Corp. & officer and director of other foreign investment companies with specific experience in Jamaica, Trinidad, Turkey, Peoples Republic of China & Guatemala.
1955 -	Real estate investment and developments in South Carolina, Virginia and West Virginia.

Politics & Government:

1981-~~date~~ '87	Private adviser to US Trade Representative
1980-81	Head of Presidential Transition Team, FDIC
1980	Republican Nominee for US Senate (S.C.)
1973-77	President, Overseas Private Investment Corp.
1970-73	General Counsel, OPIC (see attached description of OPIC service)
1969-70	Agency for International Development, Office of Private Resources, Deputy Director and Director, Insurance Division
1966	Republican Nominee for Lt. Governor (S.C.)
1959-60	Member, S.C. House of Representatives

OVERSEAS PRIVATE INVESTMENT CORPORATION

OPIC is an agency of the US Government formed in 1970 to administer the private investment incentive programs of the Agency for International Development. OPIC's objective is to assist development of friendly developing countries by encouraging private US investment. Congress directed that the program be self-supporting and thus presented a great challenge to the new staff to increase insurance premium revenue and to manage huge insurance claims.

Mays led a group redrafting the AID insurance policy and revising the premium schedule. The customer acceptance of these changes was a further challenge and its success was evident in future customer support of OPIC in congressional reviews of the programs.

OPIC's Board of Directors assigned responsibility for insurance claims to Mays, as General Counsel, and he and his staff were engaged for three years in the management of expropriation claims from Chile resulting from actions of the Allende government. (There are published articles describing the intricate negotiations and litigation of these claims.)

OPIC's first president, Bradford Mills, resigned in 1973, and Mays became the principal OPIC witness at hearings before the Senate Foreign Relations SubCommittee on Multinational Corporations chaired by Senator Frank Church. At the conclusion of these hearings Mays was nominated as President of OPIC and was unanimously confirmed by the Senate without a further hearing.

In 1970 Mays was assigned responsibility for obtaining private insurance participation in the OPIC insurance portfolio. This was first achieved to a very limited degree in 1972 through Lloyd's of London. OPIC subsequently obtained greater participation from private insurers in many countries including several US companies.

Mays' initiative resulted in broadening the Bern Union(International Association of Export Credit Insurers) to include Investment Insurers. Mays, representing OPIC, served as a member of the Bern Union Management Committee for two years, 1975-77, and Chairman of its Investment Insurance Committee, 1976-77. This international forum dealing with the insurance of political risks in developing countries was a responsibility akin to the United Nations.

Another Mays initiative in 1976 resulted in a new insurance program for oil exploration in non-OPEC countries. New non-OPEC sources of oil ultimately developed huge pressures on OPEC and contributed to the breaking of the cartel. This has been OPIC's most profitable insurance program.

OPIC's capital and reserves have grown from $75 million in 1970 to over $900 million today.

The finance programs of OPIC are not big profit makers but they are an important investment incentive, particulary in countries where other loans are not available. OPIC's loan guarantee authority is frequently used in large projects where ExIm Bank and IFC and many other lenders are involved. OPIC's Finance Division is staffed by good and imaginative investment bankers.

OPIC has been active in the joint business councils sponsored by the Department of State and the Chamber of Commerce of the United States.

OPIC's assistance is regularly sought by developing countries seeking new investment. OPIC plans and conducts investment missions composed of US companies to selected countries. Mays originated these missions and personally led two of them in ten countries.

Several other government corporations have been modeled on OPIC but with less success. A major factor in OPIC's success was the quality of personnel attracted to an exciting and experimental international business program. OPIC's management recognized indiviual accomplishments; OPIC alumni are well placed in international business .

PAUL TRIBLE
VIRGINIA

United States Senate

WASHINGTON, DC 20510

October 10, 1986

Mr. Barber B. Conable
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Conable:

Marshall T. Mays of Alexandria, has expressed an interest in becoming head of the Multinational Investment Guaranty Agency (MIGA) of the World Bank. I want to recommend Marshall to you.

In 1970, as General Counsel of the Overseas Private Investment Corporation (OPIC), Marshall was instrumental in redrafting the AID Insurance policies and revising the premium schedule. He also was responsible for obtaining private insurance participation in the OPIC insurance portfolio. He became president of OPIC in 1973. He has had a long and successful career in the field of law.

Although I realize that the Multinational Investment Guaranty Agency is still awaiting final approval, I know when the agency becomes operable that Marshall Mays is highly qualified to become its head.

I hope you will give him every possible consideration.

Sincerely,

Paul

Paul Trible

PT:gr

DEPARTMENT OF THE TREASURY
WASHINGTON

ASSISTANT SECRETARY

October 30, 1986

Dear Mr. Mays:

Thank you for your most recent letter discussing your interest in the proposed Multinational Investment Guaranty Agency (MIGA). I talked with Secretary Baker about your letter and conversation with my staff and he is well aware of your interest in having a role in the future of MIGA.

Because the agency has not yet been formally created, obvious limitations are placed on management actions. When and if this Agency becomes established we will be sure that the proper authorities are aware of your experience and availability.

Sincerely,

John F. W. Rogers
Assistant Secretary
of the Treasury (Management)

Mr. Marshall T. Mays
Marshall Mays Associates
1522 King Street
Alexandria, Virginia 22314

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568971

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FG006-12

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

CJ

May 13, 1988

MEMORANDUM FOR RONALD K. PETERSON

FROM: PAUL SCHOTT STEVENS

SUBJECT: Legislative Referral: Treasury Draft Letter on the World Bank's General Capital Increase

The NSC has reviewed and concurs with the subject legislative referral, as amended.

Attachment
Tab A - Legislative Referral

NSC# 8803578

3578

SPECIAL

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

May 11, 1988

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer -

Department of State (Bachrach 647-4463) 25
Agency for International Development (Lester 647-8404) 02
Department of Commerce (Levitt 377-3151) 04
United States Trade Representative (Parker 3432) 23
✓National Security Council

SUBJECT: Treasury draft letter for the President's signature on the World Bank's General Capital Increase. This letter will be sent to the House Banking and Senate Foreign Relations Committees.

NOTE: **If you have not responded by COB Friday, we will presume your agency has no comment on this letter.**

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than COB, FRIDAY, MAY 13, 1988.

Questions should be referred to **Lori Smith** (395-4604).

Ronald K. Peterson

RONALD K. PETERSON FOR
Assistant Director for
Legislative Reference

Enclosures

SPECIAL

Dear ____________________:

As you are aware, the Administration has recently reached agreement on a General Capital Increase (GCI) for the World Bank. This would require an annual paid-in appropriation of $70.1 million for the six year period 1989-1994, substantially less than the appropriation required for the previous capital increase.

The General Capital Increase is in our national economic and strategic interests. The World Bank remains the single largest source of development assistance. The Bank commits the vast majority of its funds in support of specific investment projects in the middle income developing nations. These are mostly nations (such as the Philippines, Egypt, Pakistan, Turkey, Morocco, Tunisia, Mexico, Argentina, Indonesia, and Brazil) which are strategically and economically important to the United States.

The Bank's General Capital Increase will provide new development funding for these countries at a level far beyond that which we could accomplish bilaterally. This is because in the World Bank the cost of assisting these nations is shared with the other major non-communist industrial nations, and the Bank raises most of its funds by borrowing on the international capital markets.

The U.S Contribution of $70.1 millions annually will ~~During the next six years the total U.S. budget outlay for the paid-in component of the GCI will be $420.7 million. This contribution (plus repayment flows from earlier loans) should~~ make available an average of ~~about~~ $18.8 billion in new annual World Bank loan commitments over the ~~period~~ next six years, a multiple 268 times the U.S. appropriation.

The substantial increase in the Bank's resources will enable it to expand its vital role in promoting structural adjustment and market-oriented economic reforms. The Bank plays a key role in the major Latin American debtor nations which are pursuing significant economic reforms. Such reforms often include privatization, freeing prices from official controls, and reducing trade barriers to American exports. Turkey is an example of a major ally which has successfully implemented structural adjustment, in conjunction with active World Bank involvement.

World Bank project and sector lending will benefit U.S. business. American exports of equipment, agricultural products, and consulting services will increase from the growth in developing nations promoted by World Bank lending. Many U.S. firms profit directly from export sales financed by World Bank loans. U.S. companies received $1.6 billion (or 22 percent) of World Bank disbursements for foreign procurement in World Bank fiscal year 1987. American firms also received additional sums from World Bank project-related procurement contracts that are financed by borrowing countries.

United States participation in the GCI will also accomplish other important foreign economic policy goals. The GCI commits the Bank to increase its support for the private sector in developing countries. The GCI resolution also calls on the Bank to take specific steps to make environmental protection a higher priority. Finally, our humanitarian goals are served by the Bank's emphasis upon alleviating mass poverty.

Recently I submitted legislation to the Congress authorizing U.S. participation in the GCI. I ask you to support quick and unencumbered passage of this legislation. It is in everyone's interest to ensure that this significant legislation is passed without distorting amendments. I urge you to support this important effort.

Sincerely,

Ronald Reagan

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

ACTION

May 13, 1988

MEMORANDUM FOR PAUL SCHOTT STEVENS

FROM: for ROBERT W. DEAN

SUBJECT: Legislative Referral: Treasury Draft Letter on World Bank's General Capital Increase

Attached for your signature at Tab I is a memorandum for Ronald Peterson, concurring with the subject legislative referral -- as amended.

Steve Farrar and Alison Fortier concur.

RECOMMENDATION

That you sign the memo at Tab I.

Approve PW   Disapprove ____

Attachments
Tab I   Memo to Peterson
          Tab A - Legislative Referral

Prepared by:
Donald Tice

TIME STAMP

NATIONAL SECURITY COUNCIL
EXECUTIVE SECRETARIAT STAFFING DOCUMENT

88 MAY 12 A10: 08

URGENT

SYSTEM LOG NUMBER: 3578

ACTION OFFICER: Tice DUE: NOON, 13 MAY

- [ ] Prepare Memo For President
- [ ] Prepare Memo For Powell/Negroponte
- [ ] Prepare Memo ______ to ______
- [x] Prepare Memo Stevens to Peterson / Murr
- [ ] Appropriate Action

CONCURRENCES/COMMENTS* PHONE* to action officer at ext. 5694

	FYI			FYI			FYI	
☐	☐	Andricos	☐	☐	Grimes	☐	☐	Popadiuk
☐	☐	Batjer	☐	☐	Heiser	☐	☐	Porter
☐	☐	Brooks	☐	☐	Henhoeffer	☐	☐	Reger
☐	☐	Burns	☐	☐	Herbst	☐	☐	Rodman
☐	☐	Childress	☐	☐	Jameson	☐	☐	Rosenberg
☐	☐	Cobb	☐	☐	Kelly, B.	☐	☐	Ross
☐	☐	Cockell	☐	☐	Kelly, J.	☐	☒	Rostow
☐	☐	Cohen	☐	☐	Kimberling	☐	☐	Saunders
☐	☐	Collins	☐	☐	Ledsky	☐	☐	Scharfen
☐	☐	Curtin	☐	☐	Levin	☐	☐	Seiber
☐	☒	Danzansky	☐	☐	Lewis	☐	☐	Snider
☐	☒	Dean	☐	☐	Linhard	☐	☐	Sorzano
☐	☐	Dekok	☐	☐	Mahley	☐	☐	Steiner
☐	☐	Donley	☐	☐	McCue	☐	☐	Tahir-Kheli
☐	☐	Douglass	☐	☐	McNamara	☐	☐	Tice
☐	☐	Ermarth	☐	☐	Melby	☐	☐	Tillman
☐	☐	Farrar	☐	☐	Miskel	☐	☐	Tobey
☐	☐	Flower	☐	☐	Oakley	☐	☐	______
☒	☐	Fortier	☐	☐	Paal	☐	☐	______
☐	☐	Frazier	☐	☐	Perina	☐	☐	______

INFORMATION
- [x] Stevens
- [ ] Powell (advance)
- [x] Perito
- [ ] Negroponte (advance)
- [x] Secretariat
- [ ] ______

COMMENTS

Logged By JP

Return to Secretariat

 RECORD ID: 8803578

ACTION DATA SUMMARY REPORT

DOC	ACTION OFFICER	CAO	ASSIGNED	ACTION REQUIRED
001	TICE	Z	88051211	PREPARE MEMO PSS TO PETERSON
002	STEVENS	Z	88051310	FOR SIGNATURE
003		X	88051318	STEVENS SGD MEMO

UNCLASSIFIED
NSC/S PROFILE

RECORD ID: 8803578
RECEIVED: 12 MAY 88 10

TO: PETERSON, R

FROM: STEVENS

DOC DATE: 13 MAY 88
SOURCE REF:

KEYWORDS: ECONOMIC ASSISTANCE LEGISLATIVE REFERRAL

PERSONS:

SUBJECT: TREASURY DRAFT LTR FOR PRES SIGNATURE ON WORLD BANK GENERAL CAPITAL INCREASE

ACTION: STEVENS SGD MEMO DUE DATE: 13 MAY 88 STATUS: C

STAFF OFFICER: TICE LOGREF:

FILES: WH NSCIF: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		DEAN
		STEVENS
		TICE

COMMENTS:

DISPATCHED BY __________________ DATE __________ W/ATTCH: YES NO

OPENED BY: NSJKM CLOSED BY: NSCTF DOC 3 OF 3

UNCLASSIFIED

1733 5 88595
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LE
FG006-11
FG006-12

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

ACTION   March 11, 1988

MEMORANDUM FOR PAUL SCHOTT STEVENS

FROM: STEPHEN I. DANZANSKY SF for

SUBJECT: Draft Treasury Legislation Re: General Capital Increase/GCI of World Bank and Replenishment of African Development Fund

OMB has requested our views on the attached draft as soon as possible.

Alison N.A. Fortier and Herman HC Cohen concur.

RECOMMENDATION

That you sign the attached memorandum at Tab I to Peterson indicating that the NSC staff has no objection.

Approve PS ______   Disapprove ______

Attachments
Tab I   Memo to Peterson
    II   Incoming from OMB

Prepared by: SPF
Stephen P. Farrar

NSC 8801733

1733

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

SPECIAL

March 4, 1988

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer -

United States Trade Representative (Parker 3432) 23
Department of State (Howdershell 647-4463) 25
Department of Commerce (Levitt 377-3151) 04
National Security Council

SUBJECT: Draft Treasury legislation, "To provide for participation by the United States in a capital increase of the International Bank for Reconstruction and Development and a replenishment of the African Development Fund."

NOTE: This is part of the President's legislative program and as such must be cleared expeditiously.

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than **THURSDAY, MARCH 10, 1988.**

Questions should be referred to **SUE THAU/ANNETTE ROONEY** (395-7300), the legislative analyst in this office.

Ronald K. Peterson

RONALD K. PETERSON FOR
Assistant Director for
Legislative Reference

Enclosures

cc: L. Smith G. Jones
E. Rea R. Bent

SPECIAL

DEPARTMENT OF THE TREASURY
WASHINGTON

GENERAL COUNSEL

DRAFT

Director, Office of Management and Budget
Executive Office of the President
Washington, D.C. 10503

Attention: Assistant Director for Legislative Reference

Dear Sir:

Enclosed are six copies of a draft bill, "To provide for participation by the United States in a capital increase of the International Bank for Reconstruction and Development and a replenishment of the African Development Fund, and for other purposes," and a draft transmittal letter to the Congress.

Section 101 of the draft bill authorizes the Secretary of the Treasury to vote for and subscribe to shares in the recently negotiated General Capital Increase (GCI) of the World Bank. The World Bank plays a critical role in supporting sustainable growth in developing countries, and in implementing the international debt strategy. The GCI is necessary for the Bank to meet the expected demand for quality lending. In negotiations for the GCI, the U.S. obtained agreement on such key issues as enhancing environmental protection and increasing support for the private sector. The GCI is a major accomplishment supportive of fundamental United States foreign economic policy goals.

Section 101 of the draft bill authorizes the Secretary of the Treasury to subscribe to 116,262 shares of the capital stock of the Bank. The President's budget for fiscal year 1989 contains amounts and program limitations to pay for the first of six installments for those shares. While the draft legislation authorizes the appropriation of slightly more than $14 billion, United States participation in the GCI will only involve budgetary authority of $70,126,332 a year over a six year period to pay for paid-in capital.

Section 102 of the draft bill authorizes United States participation in the fifth replenishment of the African Development Fund. The African Development Fund provides concessional assistance to support high priority projects in the poorest African countries. The fifth replenishment will mobilize approximately $2.7 billion in support of development in Africa. U.S. support of the replenishment demonstrates our strong commitment to Africa, and advances our longstanding interests in reducing hunger and poverty in the world's poorest countries and in strengthening the region's premier development institution concerned with these issues.

DRAFT

Section 102 of the draft bill authorizes the Secretary of the Treasury to agree to contribute $315,000,000 to the fifth replenishment of the African Development Fund (subject to obtaining appropriations), and authorizes the appropriation of that sum.

Please advise the Associate General Counsel (Legislation, Litigation and Regulation) if there is any objection to submitting this draft bill to the Speaker of the House of Representatives and to the President of the Senate.

Sincerely,

D. Edward Wilson, Jr.
Acting General Counsel

Enclosures

DEPARTMENT OF THE TREASURY
WASHINGTON

GENERAL COUNSEL

DRAFT

Dear Mr. Speaker:

Transmitted herewith is a draft bill, "To provide for participation by the United States in a capital increase of the International Bank for Reconstruction and Development and a replenishment of the African Development Fund, and for other purposes."

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Section 101 of the draft bill authorizes the Secretary of the Treasury to vote for, and to subscribe to shares of, the recently negotiated General Capital Increase (GCI) in the International Bank for Reconstruction and Development (Bank).

The Bank plays a critical role in supporting sustainable growth in developing countries, and in implementing the international debt strategy. The GCI is necessary for the Bank to continue this role. It will assure that the Bank will be able to meet the expected demand for quality lending, and that the Bank's capital will not act as a constraint on its ability to continue to lend for reform and development in its developing member countries.

The GCI represents a major accomplishment supportive of fundamental United States foreign economic policy goals on a range of issues. Under agreements reached in the Bank's Board of Executive Directors, the Bank will take specific steps to ensure that environmental protection becomes a permanent priority in the institution. It will promptly and thoroughly review its policy based lending operations. It will seek to ensure that its financing is complemented by flows from other sources, including private capital flows, thereby putting others on notice that the GCI will not be a substitute for commercial bank lending.

Under those agreements, the Bank will increase its support of the private sector and promote policies and projects that improve the incentives framework, encourage private investment and private enterprise, and strengthen their developmental impact. The Bank will support production of primary commodities only where such production is efficient and provides satisfactory rates of return without subsidies. To maintain a strong financial position, the Bank will credit net income to reserves unless reserves are at a level which, after deductions for loans outstanding to countries in non-accrual status, would represent at least 10 percent of the loan portfolio. The Bank will also have increased access to the local currency portion of paid-in subscriptions, which

DRAFT

(with limited exceptions) are expected to be released to the Bank for use in its lending operations.

The United States has a 18.75 percent share of the GCI (116,262 shares of a capital increase of 620,000 shares). To make payment for those shares, the Administration intends to seek appropriations of $70.1 million annually for the paid-in portion of the shares, and program limitations of $2,267 million annually for the callable capital portion of those shares. United States voting power will be 18.36 percent if all shares of the GCI are subscribed to, and slightly less if all of the 14,000 additional shares set aside for new members are subscribed to by them.

AFRICAN DEVELOPMENT FUND

Section 102 of the draft bill authorizes United States participation in the fifth replenishment of the African Development Fund (ADF).

The ADF provides concessional assistance to support high priority projects in the poorest African countries. Its fifth replenishment will mobilize approximately $2.7 billion in support of development in Africa. United States support of the replenishment demonstrates our strong commitment to Africa, and advances our longstanding interests in reducing hunger and poverty in the world's poorest countries and in strengthening the region's premier development institution concerned with these issues.

The fifth replenishment agreement establishes priorities for the Fund that advance important objectives of U.S. international economic policy. The principal beneficiaries of the ADF will continue to be the poorest countries; countries with a per capita gross national product of less than $510 will have an absolute priority in the allocation of ADF resources. ADF operations will focus on promoting economic policies that assure the most efficient allocation of resources, and meet the primary needs of the poorest people in the low-income countries. In working toward these and other goals, the Fund will accord particular attention to the formulation of comprehensive country programs. The agricultural sector will be given top priority in allocating resources and the Fund will expand its lending in new activities, notably those dealing with population, the role of women in development, and the environment.

The United States share of the fifth replenishment is 11.8 percent ($315 million) of the $2.7 billion replenishment, to be paid over a three year period. It should be noted that this level is lower than the U.S. cumulative share of 13.9 percent and the U.S. 15 percent share in the last replenishment.

DRAFT

It would be appreciated if you would lay the proposed bill before the House. An identical proposal has been transmitted to the President of the Senate.

The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the presentation of this proposed bill to the Congress and that its enactment would be in accord with the program of the President.

Sincerely,

D. Edward Wilson, Jr.
Acting General Counsel

The Honorable Jim Wright
Speaker of the House of
Representatives
Washington, D.C. 20515

Enclosure

DRAFT

B I L L

To provide for participation by the United States in a capital increase of the International Bank for Reconstruction and Development and a replenishment of the African Development Fund, and for other purposes.

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

Sec. 101. The Bretton Woods Agreements Act (59 Stat. 512, as amended, 22 U.S.C. 286) is amended by adding at the end thereof the following new section:

"Sec. 52. (a) The United States Governor of the Bank is authorized:

"(1) to vote for an increase of six hundred and twenty thousand shares in the authorized capital stock of the Bank; and

"(2) to subscribe on behalf of the United States to one hundred and sixteen thousand, two hundred and sixty two additional shares of the capital stock of the Bank, except that any subscription to such additional shares shall be effective only to such extent or in such amounts as are provided in advance in appropriations Acts.

"(b) In order to pay for the increase in the United

DRAFT

States subscription to the Bank provided for in this section, there are authorized to be appropriated, without fiscal year limitation, $14,025,266,370, for payment by the Secretary of the Treasury.".

Sec. 102. The African Development Fund Act (90 Stat. 591, as amended, 22 U.S.C. 290g) is amended by adding at the end thereof the following new section:

"Sec. 215(a)(1) The United States Governor of the Fund is authorized to contribute $315,000,000 to the fifth replenishment of the resources of the Fund.

"(2) Any commitment to make the contribution authorized in paragraph (1) shall be subject to obtaining the necessary appropriations.

"(b) In order to pay for the United States contribution provided for in this section, there are authorized to be appropriated, without fiscal year limitation, $315,000,000 for payment by the Secretary of the Treasury.".

National Security Council
The White House

CDM

RECEIVED

88 MAR 11 P3:10

System # I

Package # 1733

DOCLOG CDM A/O

	SEQUENCE TO	HAS SEEN	DISPOSITION
Bob Perito	1	RnP	A
Marybel Batjer			
Paul Stevens	2	√ copy	
John Negroponte			
Colin Powell			
Paul Stevens			
Situation Room			
West Wing Desk	3	203/11	D
NSC Secretariat	4		N

I = Information A = Action R = Retain D = Dispatch N = No further Action

cc: VP Baker Other PSS

COMMENTS Should be seen by: ASAP

(Date/Time)

UNCLASSIFIED

NSC/S PROFILE

RECORD ID: 8801733
RECEIVED: 07 MAR 88 07

TO: PETERSON, R

FROM: STEVENS

DOC DATE: 11 MAR 88

ORIGINAL SUBJECT:
DRAFT TREASURY LEGISLATION RE GENERAL CAPITAL INCREASE / GCI / OF WORLD BANK & REPLENISHMENT OF AFRICAN DEVELOPMENT FUND

DOCUMENT SUBJECT:
DRAFT TREASURY LEGISLATION RE GEN CAPITAL INCREASE - GCI OF WORLD BANK

ACTION: STEVENS SGD MEMO

DUE DATE: 09 MAR 88

STATUS: C

FILES: WH

CODES:

STAFF OFFICER: DANZANSKY

D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		STEVENS
		DANZANSKY
		FARRAR

COMMENTS:

OPENED BY NSAPK

CLOSED BY NSCTF

UNCLASSIFIED

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THE SECRETARY OF THE TREASURY
WASHINGTON

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FG012
FG006-12

May 27, 1988

MEMORANDUM FOR THE HONORABLE HOWARD H. BAKER, JR.
CHIEF OF STAFF TO THE PRESIDENT

From: James A. Baker, III

Subject: Recommended Presidential Letter to the Congressional Leadership on the World Bank's General Capital Increase

As you are aware, we recently reached agreement on a General Capital Increase (GCI) of $74.8 billion for the World Bank for the six-year period 1989-1994. Authorizing legislation for the GCI should move as early as possible this year. Accomplishing this goal means we will need to show that the President strongly supports the legislation. A letter from the President to the Congressional leadership is therefore requested.

The General Capital Increase is clearly in our national economic and strategic interests. The World Bank remains the single largest source of development assistance. The Bank commits the vast majority of its funds in support of specific investment projects in the middle income developing nations. These are mostly nations (such as the Philippines, Egypt, Pakistan, Turkey, Morocco, Tunisia, Mexico, Argentina, Indonesia, and Brazil) which are strategically and economically important to the United States.

The Bank's General Capital Increase will provide new development funding for these countries at a level far beyond that which we could accomplish bilaterally. This is because in the World Bank the burden of assisting these nations is shared with the other major non-communist industrial nations, the paid-in component of the GCI is only 3 percent, and the Bank raises most of its funds by borrowing in the international capital markets.

During the next six years the annual U.S. budget outlay for the paid-in component of the GCI will be $70.1 million. This contribution (plus repayment flows from earlier loans) should make available an average of about $18.8 billion in new annual World Bank loan commitments over the period, a multiple 268 times the U.S. appropriation.

NSC# 8804019

The substantial increase in the Bank's resources will enable it to expand its vital role in promoting structural adjustment and market-oriented economic reforms. The Bank plays a key role in the major Latin American debtor nations which are pursuing significant economic reforms. Such reforms often include privatization, freeing prices from official controls, and reducing trade barriers to American exports. Turkey is an example of a major ally which has successfully implemented structural adjustment.

United States participation in the GCI will also accomplish other important foreign economic policy goals. The GCI commits the Bank to increase its support for the private sector in developing countries. The GCI resolution also calls on the Bank to take specific steps to make environmental protection a higher priority. Finally, our humanitarian goals are served by the Bank's emphasis upon alleviating mass poverty.

We recently submitted to the Congress authorizing legislation for United States participation in the GCI, and we have already included in our FY89 budget submission the necessary budget authority and program limitations for our first year contribution. Democrats in the Congress will expect to see strong Administration and Republican support for this legislation if they are to be asked to pass it during an election year.

The authorizing legislation should move as early as possible this year. Achieving this goal, however, will require us to demonstrate that the President strongly supports this legislation. I can think of no more visible way of demonstrating such support than by a letter from the President to the Congressional leadership. Accordingly, I request that you present the attached letter to the President for his consideration.

Attachment

Dear ____________________:

As you are aware, the Administration has recently reached agreement on a General Capital Increase (GCI) for the World Bank. This would require an annual paid-in appropriation of $70.1 million for the six year period 1989-1994, substantially less than the appropriation required for the previous capital increase.

The General Capital Increase is in our national economic and strategic interests. The World Bank remains the single largest source of development assistance. The Bank commits the vast majority of its funds in support of specific investment projects in the middle income developing nations. These are mostly nations (such as the Philippines, Egypt, Pakistan, Turkey, Morocco, Tunisia, Mexico, Argentina, Indonesia, and Brazil) which are strategically and economically important to the United States.

The Bank's General Capital Increase will provide new development funding for these countries at a level far beyond that which we could accomplish bilaterally. This is because in the World Bank the cost of assisting these nations is shared with the other major non-communist industrial nations, and the Bank raises most of its funds by borrowing in the international capital markets.

During the next six years the total U.S. budget outlay for the paid-in component of the GCI will be $420.7 million. This contribution (plus repayment flows from earlier loans) should make available an average of about $18.8 billion in new annual World Bank loan commitments over the period, a multiple 268 times the U.S. appropriation.

The substantial increase in the Bank's resources will enable it to expand its vital role in promoting structural adjustment and market-oriented economic reforms. The Bank plays a key role in the major Latin American debtor nations which are pursuing significant economic reforms. Such reforms often include privatization, freeing prices from official controls, and reducing trade barriers to American exports. Turkey is an example of a major ally which has successfully implemented structural adjustment, in conjunction with active World Bank involvement.

World Bank project and sector lending will benefit U.S. business. American exports of equipment, agricultural products, and consulting services will increase from the growth in developing nations promoted by World Bank lending. Many U.S. firms profit directly from export sales financed by World Bank loans. U.S. companies received $1.6 billion (or 22 percent) of World Bank disbursements for foreign procurement in World Bank fiscal year 1987. American firms also received additional sums from World Bank project-related procurement contracts that are financed by borrowing countries.

United States participation in the GCI will also accomplish other important foreign economic policy goals. The GCI commits the Bank to increase its support for the private sector in developing countries. The GCI resolution also calls on the Bank to take specific steps to make environmental protection a higher priority. Finally, our humanitarian goals are served by the Bank's emphasis upon alleviating mass poverty.

Recently I submitted legislation to the Congress authorizing U.S. participation in the GCI. I ask you to support quick and unencumbered passage of this legislation. It is in everyone's interest to ensure that this significant legislation is passed without distorting amendments. I urge you to support this important effort.

Sincerely,

Ronald Reagan

UNCLASSIFIED
NSC/S PROFILE

RECORD ID: 8804019
RECEIVED: 31 MAY 88 15

TO: BAKER, H

FROM: BAKER, J

DOC DATE: 27 MAY 88
SOURCE REF:

KEYWORDS: INTL FINANCE	CONGRESSIONAL
CM	INF

PERSONS:

SUBJECT: RECOMMENDED PRES LTR TO CONG LEADERSHIP / WORLD BANK GEN CAPITAL INCREASE

ACTION: APPROPRIATE ACTION	DUE DATE: 03 JUN 88	STATUS: S

STAFF OFFICER: NONE	LOGREF:

FILES: WH	NSCIF:	CODES:

D O C U M E N T   D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
DANZANSKY	FORTIER	DEAN
	TICE	NEGROPONTE
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		ROSTOW
		STEVENS

OBE – No action needed.
Sfarrar 8/30/88

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COMMENTS:

DISPATCHED BY ______________ DATE ________ W/ATTCH: YES NO

OPENED BY: NSCDM	CLOSED BY:	DOC 1 OF 1

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 RECORD ID: 8804019

ACTION DATA SUMMARY REPORT

DOC	ACTION OFFICER	CAO	ASSIGNED	ACTION REQUIRED
001	FARRAR	Z	88053116	APPROPRIATE ACTION
001		X	88083015	NFAR PER FARRAR

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NSC/S PROFILE

RECORD ID: 8804019
RECEIVED: 31 MAY 88 15

TO: BAKER, H

FROM: BAKER, J

DOC DATE: 27 MAY 88
SOURCE REF:

KEYWORDS: INTL FINANCE CONGRESSIONAL
CM INF

PERSONS:

SUBJECT: RECOM PRES LTR TO CONGRESSIONAL LEADERSHIP / WORLD BANK GEN CAPITAL INCREASE

ACTION: NFAR PER FARRAR DUE DATE: 03 JUN 88 STATUS: C

STAFF OFFICER: FARRAR LOGREF:

FILES: WH NSCIF: CODES:

D O C U M E N T   D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
DANZANSKY	FORTIER	DEAN
	TICE	NEGROPONTE
		PERITO
		POWELL
		ROSTOW
		STEVENS

COMMENTS:

DISPATCHED BY ________________________ DATE ____________ W/ATTCH: YES NO

OPENED BY: NSCDM CLOSED BY: NSCLG DOC 1 OF 1

UNCLASSIFIED

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2. ~~Staff~~
601679
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FG006-12

CJ

September 7, 1988

The Honorable Colin L. Powell
Assistant to the President for
National Security Affairs
National Security Council
Old Executive Office Building
Washington, DC 20500

Dear General Powell:

During this election year, and the months to follow, one of the most pivotal issues our leaders must comprehensively address concerns the direction of America's foreign policy in a rapidly changing global economic environment.

This edition of GLOBAL FOCUS addresses one such timely issue: the World Bank's General Capital Increase. The U.S. is the only major nation not to have ratified the GCI. Failure to do so would result in a further decline in U.S. global leadership. In addition, this could result in the loss of U.S. veto power in the most important financial institution addressing Third World development.

Immediately at stake is America's leadership in the Bank, but more importantly our future leadership in the global community and our capacity to trade and compete in an increasingly interrelated global economy.

Please take a moment to read our new report. We greatly value your comments and suggestions as we move ahead with our educational initiative.

Sincerely,

John H. Costello
Executive Vice President

NSC# 8806612

THE CITIZENS NETWORK FOR FOREIGN AFFAIRS

GLOBAL FOCUS

September 1988

World Bank Capital Increase: A Test Of U.S. Leadership

U.S. global leadership can no longer be taken for granted. While the United States has enjoyed a commanding share of world production and technology since the end of World War II, in the coming decades it will undoubtedly have to compete for global influence with a more united Europe and an economically strong Japan.

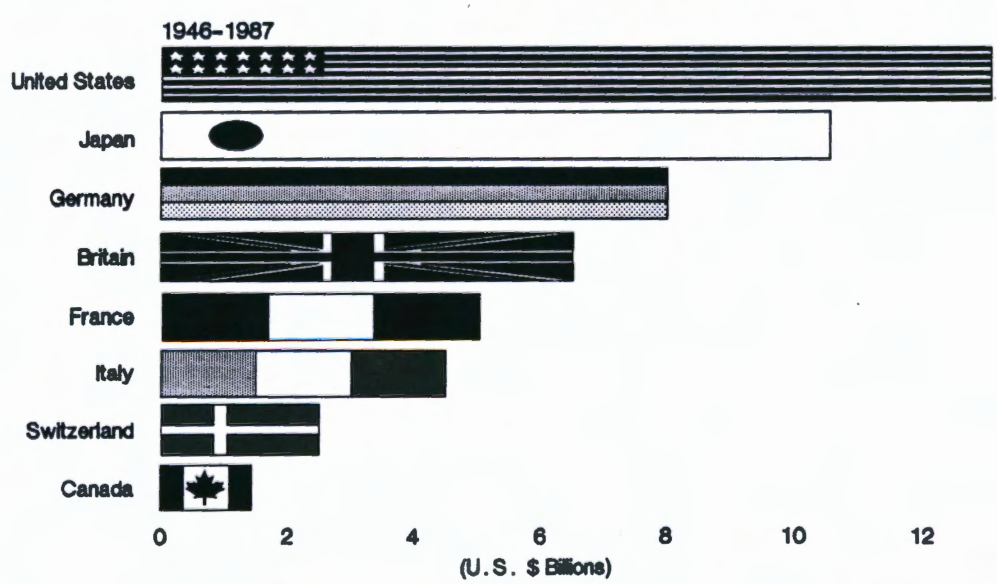
One arena where U.S. leadership is currently being tested is in its commitment to the World Bank. The World Bank is today the largest multilateral financial institution, lending $15 billion annually to promote economic development and growth in the Third World. The United States founded the World Bank in 1944, has always been its principal shareholder, and for over 40 years has provided the leadership that has made the World Bank an outstanding success.

The immediate issue is one guaranteed to glaze the eyes of many Americans -- whether this country should participate in a $75 billion general capital increase (GCI) for the World Bank.

But the deeper issue is the future of the U.S. role in the world's preeminent multilateral financial institution. *(Continued on page 2)*

Winning World Bank Business

The U.S. is the Largest Recipient



The United States has won more business with the World Bank than any other member since the beginning of bank operations in 1946. Source: World Bank.

(Continued from page 1)

The questions the United States must confront are these:

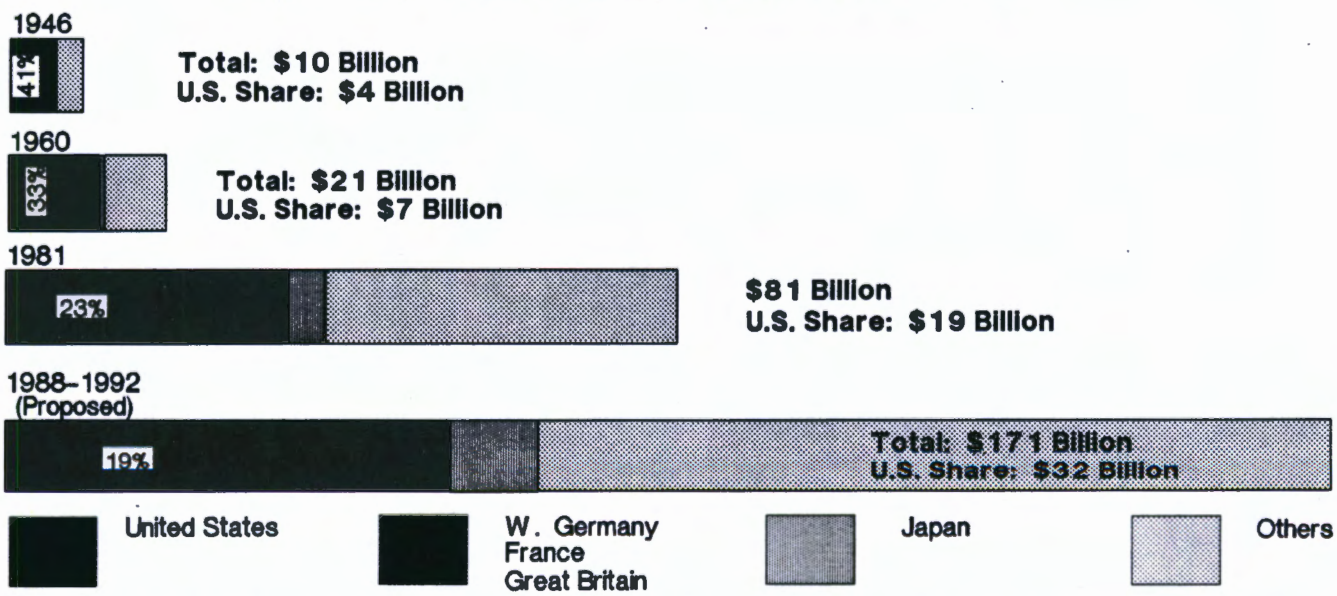
- **To what degree does the end of U.S. leadership in the Bank impact on U.S. global influence?**
- **What effect will the withdrawal of its leadership have on America's capacity to trade and compete in an increasingly interrelated global economy?**
- **To whose interests does the leadership accrue?**

The $75 billion general capital increase was approved unanimously February 19 by the World Bank's governing board. It has since been ratified by more than 140 nations -- including all major powers **except the United States** -- together representing well over the 75 percent of existing shares needed to put it into effect. Therefore, the increase will go forward with or without U.S. support. Ratifying nations have indicated they will begin making their contributions. The Bank hopes to raise $10 billion by fall.

If the United States does not participate in the GCI, its voting power within the Bank will be drastically reduced -- projected to drop to 11 percent by September 1993 -- at which point it will lose its veto power. Fifteen percent is required to maintain the present U. S. veto over charter decisions. If the U.S. does ratify the GCI, its voting power would be about 18 percent at the end of six years (today it's at 19.4 percent). The U.S. veto does not apply to day-to-day approval of loans. But, if it does not meet its share of the financial burden, this country's influence over loan policy would be diminished.

By tradition, the president of the World Bank has always been an American. But as the financial shares of Europe and Japan have grown, that tradition has been questioned and will undoubtedly be reviewed in the future, especially if the United States' share in the World Bank is reduced.

Expanding Base of Support for World Bank



Since the World Bank was launched, its base of support has expanded to include a diverse range of countries. Total figures for each year are comprised of less than nine percent cash contributions and the remainder in the form of financial guarentees (callable capital). Source: Bretton Woods derived from World Bank data.

Aside from the crucial issues of maintaining U.S. global leadership and influence in the world community and the U.S. stake in the economic growth of the Third World, there are many reasons for the U.S. to support the GCI:

1. The proposed U.S. cash outlay is $70 million a year for six years -- a relatively small amount which would be highly leveraged. Combined with the contributions of other countries, plus the increased borrowing it would permit, **it would allow the World Bank to increase its development lending from $15 billion during last fiscal year to $24 billion by 1994.**

2. The United States has a huge stake in the economic development of the Third World. It is there that 90 percent of the world's population growth by the end of the century will take place. It is there that the potential is greatest for new markets for U.S. agriculture goods and technology. But people in developing countries can't buy U.S. goods if they don't have the income. The World Bank is the world's most important institution for providing capital to developing countries.

In more political terms, the World Bank has been a leader in encouraging developing countries to adopt market-oriented economic reforms favored by the U.S. It has been a strong advocate of more open world trade.

3. Last year more than 900 U.S. firms from 47 states earned more than $1.6 billion in exports through international competitive bidding, as part of projects funded by the World Bank and its affiliate, the International Development Association (IDA), which lends to the poorest countries. **The $1.6 billion is more than the total contributions the U.S. made to the bank in its entire 40-year history.**

U.S. ratification of the GCI is now before the Congress. Some traditional World Bank supporters there have refused to approve U.S. participation unless the Bank adopts new policies toward Third World debt. Others are critical of World Bank loans which they believe create competition for American industries and farmers. These voices have been added to those that have long opposed international development lending.

While all the arguments for new and expanded policies to deal with Third World debt are important, even urgent, the overriding reason the United States must approve the World Bank's general capital increase is that of leadership. As we enter a new era of increased global economic interdependence, now is not the time to abandon the multilateral goals which have served us so well for half a century and which are so critical to our future well-being.

This report draws on research by the Overseas Development Council and the Bretton Woods Committee.

States Did Big Business With the World Bank in 1987

State	Amount	State	Amount
Alabama	$3,544,507	Nebraska	21,559,986
Alaska	22,053	New Hampshire	36,764
Arizona	2,171,299	New Jersey	30,960,728
Arkansas	3,880,174	New Mexico	133,206
California	65,742,435	New York	125,448,147
Colorado	3,644,487	North Carolina	16,842,504
Connecticut	13,998,597	Ohio	9,404,867
Delaware	457,429	Oklahoma	5,182,318
District of Columbia	9,731,752	Oregon	2,352,525
Florida	138,953,469	Pennsylvania	24,900,716
Georgia	7,408,840	Puerto Rico	247,482
Hawaii	776,328	Rhode Island	438,147
Idaho	5,487,080	South Carolina	2,100,505
Illinois	111,437,101	Tennessee	3,684,744
Indiana	1,570,469	Texas	79,374,167
Iowa	696,056	Utah	702,845
Kansas	2,990,758	Vermont	101,288
Kentucky	1,149,227	Virginia	5,185,765
Louisiana	3,617,452	Virgin Islands	62,843,351
Maine	416,970	Washington	4,448,196
Maryland	2,255,700	West Virginia	1,667,459
Massachusetts	30,815,251	Wisconsin	20,235,534
Michigan	3,292,719	Wyoming	105,753
Minnesota	25,188,929	State Unknown	42,524,003
Mississippi	1,163,158	Unidentified	769,226,851
Missouri	1,478,094		
Montana	28,587,445	Total	$1,700,185,654

The table demonstrates the value of the World Bank to separate states. The dollar figure represents the amount each state earned from projects directly related to the World Bank. Unidentified represents numerous small payments to U.S. suppliers that are not coded in detail. Source: World Bank.

BACKGROUND ON THE BANK

The general capital increase applies to only one part of the World Bank complex -- the International Bank for Reconstruction and Development (IBRD), the largest of its several arms. The IBRD is the "hard loan window," lending to middle income developing countries at slightly under market interest rates. It was the original part of the World Bank, launched by an international conference held in Bretton Woods, N.H., in July 1944. It began operations in 1946.

It is worth recalling the circumstances of that period. The economies of Europe and Japan were in ruins. The U.S. was the dominant economic power. Still fresh in memory were the Great Depression and the protectionist era of the 1930s, which together had disrupted world trade. Bretton Woods was an attempt to recognize the fact of global interdependence and to launch an era of cooperation. The conference also created the International Monetary Fund. (It tried to create an International Trade Organization to open up world trade, but the U.S. Senate failed to ratify that one. Instead, the General Agreement on Tariffs and Trade (GATT), which started out as a treaty, evolved into a makeshift organization.)

World Bank "Graduates"

The World Bank was an American proposal. It first focused on the reconstruction of Europe, then Japan. It played a large role in the growth of what we now call "newly industrialized countries," such as South Korea and Singapore. A recent report by the Bretton Woods Committee, *Banking On Success*, notes that about 20 countries have "graduated" from its assistance roles, including France, Norway, New Zealand, Israel, Gabon, Singapore and Greece.

Japan and West Germany, not even members of the World Bank when it was launched, are now its second and third largest financial backers respectively. As their shares and those of others have increased, that of the U.S. has declined from 41 percent in 1946 to about 19.2 percent today -- still the largest single shareholding.

How the World Bank (IBRD) Works

The World Bank is more like a bank than many aid programs. It runs on its capital, which in December 1987 stood at an actually subscribed level of $87 billion. Only about 9 percent of World Bank capital has been provided by member nations in cash. The rest is "callable capital" -- financial guarantees by members, which the institution has never in its history had to ask for in cash.

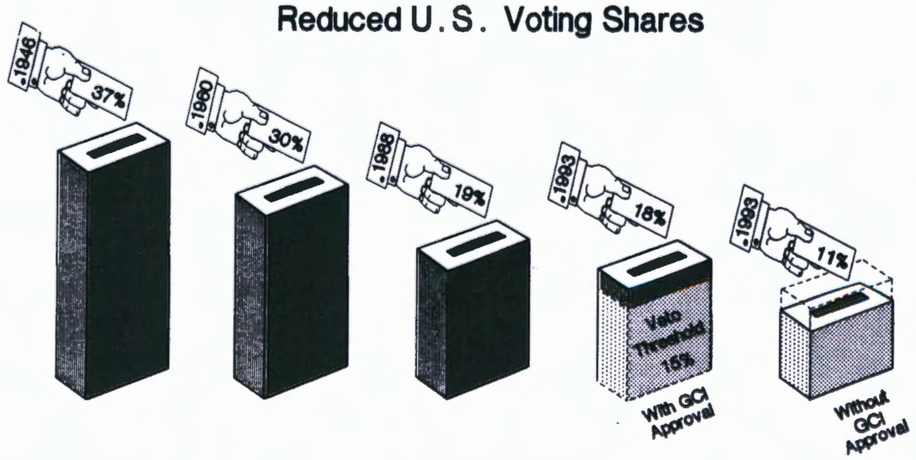
The World Bank borrows dollars, yen, deutschemarks and other currencies in world markets and lends them to developing countries at a markup. Because it has an AAA credit rating and can pick and choose the most favorable markets at a given time, its borrowing costs are low and it is able to charge recipient countries somewhat less than market interest rates. It makes a profit -- recently $1 billion a year -- most of which goes back into its capital base to be used for new lending.

Under its charter, the World Bank's outstanding loans may not exceed its broadly viewed capital base (subscribed capital plus reserves and net income). That conservative rule sets it apart from commercial banks which in the U.S. typically lend 18 times their capital. It is one reason for the institution's high credit rating.

SUMMARY

- The World Bank, the most important financial institution addressing Third World Development with below market-rate loans to the Third World, is rapidly running short of capital.
- A $75 billion capital increase has been ratified by all major member nations except the United States and is going forward with or without U.S. participation.
- Failure by the U.S. to quickly approve its 18.75% share of the increase would reduce its voting share to 11%--well below the 15% required to maintain veto power.
- Such a decline would put in doubt future U.S. leadership in the World Bank, which lends $15 billion annually and has assets of $108 billion, and is a major component of the multilateral system.
- For the United States, the amount of cash involved is small--$70 million a year. This would leverage more than $20 billion in lending by 1994.
- By the end of the century, 90% of the world's population growth will take place in the developing world. World Bank loans provide the capital needed to help these countries develop and become viable markets for U.S. goods and services.
- Through World Bank programs, U.S. companies stand to gain from increased lending. Last year they earned $1.6 billion from exports connected with World Bank projects--more than the total amount contributed by the U.S. since the inception of the World Bank.

Reduced U.S. Voting Shares



As the financial base of the World Bank has expanded, the U.S. voting share has been reduced. Failure to approve the GCI will cause the U.S. to fall far below the veto threshold of 15%, thus losing its veto power on charter decisions in 1993. Source: World Bank.

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NSC/S PROFILE

RECORD ID: 8806612
RECEIVED: 13 SEP 88 09

TO: POWELL

FROM: COSTELLO, JOHN H

DOC DATE: 07 SEP 88
SOURCE REF:

KEYWORDS: ECONOMICS MP

PERSONS:

SUBJECT: LTR TO POWELL RE CONCERNS DIRECTION OF AMER FORN POLICY IS RAPIDLY CHANGING GLOBAL ECONOMIC ENVIRONMENT

ACTION: NFAR PER FARRAR DUE DATE: 16 SEP 88 STATUS: C

STAFF OFFICER: DANZANSKY LOGREF:

FILES: WH NSCIF: CODES:

DOCUMENT DISTRIBUTION

FOR ACTION	FOR CONCURRENCE	FOR INFO
DANZANSKY		LEACH

COMMENTS:

DISPATCHED BY ______________ DATE ________ W/ATTCH: YES NO

OPENED BY: NSEF CLOSED BY: NSEF DOC 1 OF 1

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ACTION DATA SUMMARY REPORT

DOC	ACTION OFFICER	CAO	ASSIGNED	ACTION REQUIRED
001	DANZANSKY	Z	88091309	APPROPRIATE ACTION
001		X	88092209	NFAR PER FARRAR

UNCLASSIFIED
NSC/S PROFILE

RECORD ID: 8806612
RECEIVED: 13 SEP 88 09

TO: POWELL

FROM: COSTELLO, JOHN H

DOC DATE: 07 SEP 88
SOURCE REF:

KEYWORDS: ECONOMICS MP

No response necessary. SF 9/22/88

PERSONS:

SUBJECT: LTR TO POWELL RE CONCERNS DIRECTION OF AMER FORN POLICY IS RAPIDLY CHANGING GLOBAL ECONOMIC ENVIRONMENT

ACTION: APPROPRIATE ACTION DUE DATE: 16 SEP 88 STATUS: S

STAFF OFFICER: DANZANSKY LOGREF:

FILES: WH NSCIF: CODES:

D O C U M E N T   D I S T R I B U T I O N

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DISPATCHED BY ______________ DATE __________ W/ATTCH: YES NO

OPENED BY: NSEF CLOSED BY: DOC 1 OF 1

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THE CITIZENS NETWORK FOR FOREIGN AFFAIRS

GLOBAL FOCUS

September 1988

World Bank Capital Increase: A Test Of U.S. Leadership

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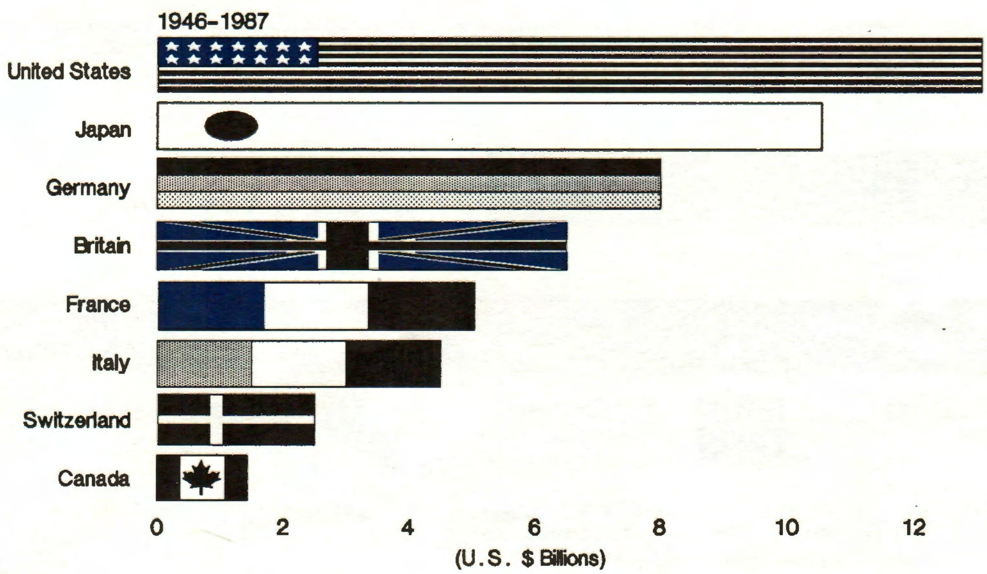
But the deeper issue is the future of the U.S. role in the world's preeminent multilateral financial institution. *(Continued on page 2)*

Winning World Bank Business

The U.S. is the Largest Recipient



The United States has won more business with the World Bank than any other member since the beginning of bank operations in 1946. Source: World Bank.

(Continued from page 1)

The questions the United States must confront are these:

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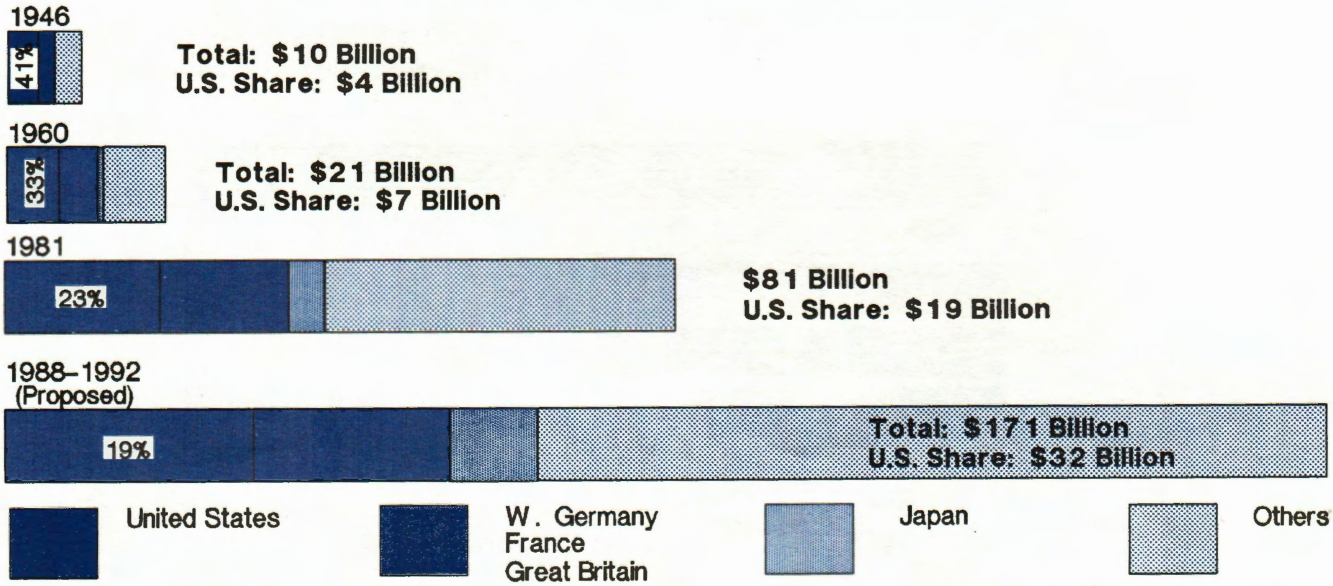
By tradition, the president of the World Bank has always been an American. But as the financial shares of Europe and Japan have grown, that tradition has been questioned and will undoubtedly be reviewed in the future, especially if the United States' share in the World Bank is reduced.

Expanding Base of Support for World Bank



Since the World Bank was launched, its base of support has expanded to include a diverse range of countries. Total figures for each year are comprised of less than nine percent cash contributions and the remainder in the form of financial guarentees (callable capital). Source: Bretton Woods derived from World Bank data.

Aside from the crucial issues of maintaining U.S. global leadership and influence in the world community and the U.S. stake in the economic growth of the Third World, there are many reasons for the U.S. to support the GCI:

1. The proposed U.S. cash outlay is $70 million a year for six years -- a relatively small amount which would be highly leveraged. Combined with the contributions of other countries, plus the increased borrowing it would permit, **it would allow the World Bank to increase its development lending from $15 billion during last fiscal year to $24 billion by 1994.**

2. The United States has a huge stake in the economic development of the Third World. It is there that 90 percent of the world's population growth by the end of the century will take place. It is there that the potential is greatest for new markets for U.S. agriculture goods and technology. But people in developing countries can't buy U.S. goods if they don't have the income. The World Bank is the world's most important institution for providing capital to developing countries.

In more political terms, the World Bank has been a leader in encouraging developing countries to adopt market-oriented economic reforms favored by the U.S. It has been a strong advocate of more open world trade.

3. Last year more than 900 U.S. firms from 47 states earned more than $1.6 billion in exports through international competitive bidding, as part of projects funded by the World Bank and its affiliate, the International Development Association (IDA), which lends to the poorest countries. **The $1.6 billion is more than the total contributions the U.S. made to the bank in its entire 40-year history.**

U.S. ratification of the GCI is now before the Congress. Some traditional World Bank supporters there have refused to approve U.S. participation unless the Bank adopts new policies toward Third World debt. Others are critical of World Bank loans which they believe create competition for American industries and farmers. These voices have been added to those that have long opposed international development lending.

While all the arguments for new and expanded policies to deal with Third World debt are important, even urgent, the overriding reason the United States must approve the World Bank's general capital increase is that of leadership. As we enter a new era of increased global economic interdependence, now is not the time to abandon the multilateral goals which have served us so well for half a century and which are so critical to our future well-being.

This report draws on research by the Overseas Development Council and the Bretton Woods Committee.

States Did Big Business With the World Bank in 1987

State	Amount	State	Amount
Alabama	$3,544,507	Nebraska	21,559,986
Alaska	22,053	New Hampshire	36,764
Arizona	2,171,299	New Jersey	30,960,728
Arkansas	3,880,174	New Mexico	133,206
California	65,742,435	New York	125,448,147
Colorado	3,644,487	North Carolina	16,842,504
Connecticut	13,998,597	Ohio	9,404,867
Delaware	457,429	Oklahoma	5,182,318
District of Columbia	9,731,752	Oregon	2,352,525
Florida	138,953,469	Pennsylvania	24,900,716
Georgia	7,408,840	Puerto Rico	247,482
Hawaii	776,328	Rhode Island	438,147
Idaho	5,487,080	South Carolina	2,100,505
Illinois	111,437,101	Tennessee	3,684,744
Indiana	1,570,469	Texas	79,374,167
Iowa	696,056	Utah	702,845
Kansas	2,990,758	Vermont	101,288
Kentucky	1,149,227	Virginia	5,185,765
Louisiana	3,617,452	Virgin Islands	62,843,351
Maine	416,970	Washington	4,448,196
Maryland	2,255,700	West Virginia	1,667,459
Massachusetts	30,815,251	Wisconsin	20,235,534
Michigan	3,292,719	Wyoming	105,753
Minnesota	25,188,929	State Unknown	42,524,003
Mississippi	1,163,158	Unidentified	769,226,851
Missouri	1,478,094		
Montana	28,587,445	Total	$1,700,185,654

The table demonstrates the value of the World Bank to separate states. The dollar figure represents the amount each state earned from projects directly related to the World Bank. Unidentified represents numerous small payments to U.S. suppliers that are not coded in detail. Source: World Bank.

BACKGROUND ON THE BANK

The general capital increase applies to only one part of the World Bank complex -- the International Bank for Reconstruction and Development (IBRD), the largest of its several arms. The IBRD is the "hard loan window," lending to middle income developing countries at slightly under market interest rates. It was the original part of the World Bank, launched by an international conference held in Bretton Woods, N.H., in July 1944. It began operations in 1946.

It is worth recalling the circumstances of that period. The economies of Europe and Japan were in ruins. The U.S. was the dominant economic power. Still fresh in memory were the Great Depression and the protectionist era of the 1930s, which together had disrupted world trade. Bretton Woods was an attempt to recognize the fact of global interdependence and to launch an era of cooperation. The conference also created the International Monetary Fund. (It tried to create an International Trade Organization to open up world trade, but the U.S. Senate failed to ratify that one. Instead, the General Agreement on Tariffs and Trade (GATT), which started out as a treaty, evolved into a makeshift organization.)

World Bank "Graduates"

The World Bank was an American proposal. It first focused on the reconstruction of Europe, then Japan. It played a large role in the growth of what we now call "newly industrialized countries," such as South Korea and Singapore. A recent report by the Bretton Woods Committee, *Banking On Success*, notes that about 20 countries have "graduated" from its assistance roles, including France, Norway, New Zealand, Israel, Gabon, Singapore and Greece.

Japan and West Germany, not even members of the World Bank when it was launched, are now its second and third largest financial backers respectively. As their shares and those of others have increased, that of the U.S. has declined from 41 percent in 1946 to about 19.2 percent today -- still the largest single shareholding.

How the World Bank (IBRD) Works

The World Bank is more like a bank than many aid programs. It runs on its capital, which in December 1987 stood at an actually subscribed level of $87 billion. Only about 9 percent of World Bank capital has been provided by member nations in cash. The rest is "callable capital" -- financial guarantees by members, which the institution has never in its history had to ask for in cash.

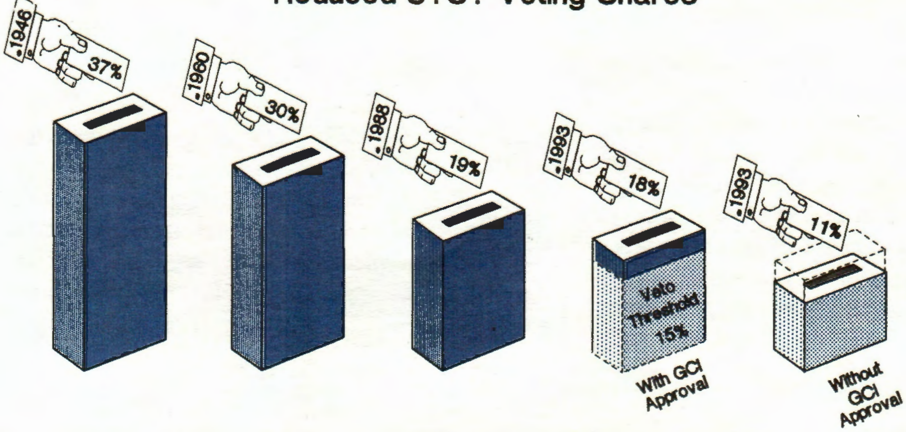
The World Bank borrows dollars, yen, deutschemarks and other currencies in world markets and lends them to developing countries at a markup. Because it has an AAA credit rating and can pick and choose the most favorable markets at a given time, its borrowing costs are low and it is able to charge recipient countries somewhat less than market interest rates. It makes a profit -- recently $1 billion a year -- most of which goes back into its capital base to be used for new lending.

Under its charter, the World Bank's outstanding loans may not exceed its broadly viewed capital base (subscribed capital plus reserves and net income). That conservative rule sets it apart from commercial banks which in the U.S. typically lend 18 times their capital. It is one reason for the institution's high credit rating.

SUMMARY

- The World Bank, the most important financial institution addressing Third World Development with below market-rate loans to the Third World, is rapidly running short of capital.
- A $75 billion capital increase has been ratified by all major member nations except the United States and is going forward with or without U.S. participation.
- Failure by the U.S. to quickly approve its 18.75% share of the increase would reduce its voting share to 11%--well below the 15% required to maintain veto power.
- Such a decline would put in doubt future U.S. leadership in the World Bank, which lends $15 billion annually and has assets of $108 billion, and is a major component of the multilateral system.
- For the United States, the amount of cash involved is small--$70 million a year. This would leverage more than $20 billion in lending by 1994.
- By the end of the century, 90% of the world's population growth will take place in the developing world. World Bank loans provide the capital needed to help these countries develop and become viable markets for U.S. goods and services.
- Through World Bank programs, U.S. companies stand to gain from increased lending. Last year they earned $1.6 billion from exports connected with World Bank projects--more than the total amount contributed by the U.S. since the inception of the World Bank.

Reduced U.S. Voting Shares



As the financial base of the World Bank has expanded, the U.S. voting share has been reduced. Failure to approve the GCI will cause the U.S. to fall far below the veto threshold of 15%, thus losing its veto power on charter decisions in 1993. Source: World Bank.

The Citizens Network for Foreign Affairs:

A private-sector coalition dedicated to educating Americans to the critical importance of America's international relationships to the vitality of our nation, the strength of our economy, and the well-being of our people.

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Bringing together leaders from agriculture, banking, business, cooperatives, education, labor, and voluntary organizations, The Citizens Network seeks to build a broader public understanding of our country's international relationships and their effect on America's position of global leadership.

THE CITIZENS NETWORK
FOR FOREIGN AFFAIRS
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Washington, D.C. 20006
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CLP - 3:00 Mtg, Wed, 10/6

THE SECRETARY OF THE TREASURY
WASHINGTON

C.F. 7228
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1130
IT023

October 4, 1988
FO004
FG012
FG006-12

MEMORANDUM FOR COLIN POWELL
ASSISTANT TO THE PRESIDENT
FOR NATIONAL SECURITY AFFAIRS

FROM: NICHOLAS BRADY
SECRETARY OF THE TREASURY

SUBJECT: U.S. Leadership in the International Financial Institutions

Attached is a piece on the role of the U.S. in international financial institutions which I think you will find useful for our meeting tomorrow.

Attachment

NSC 8807228

U.S. Leadership in the International Financial Institutions

At the recent IMF/World Bank meetings in Berlin, I was struck by Japan's new assertiveness in utilizing its increasing financial clout to play a more influential role in international economic policy decision making. This was especially apparent in their attempt to obtain a larger leadership role in the international financial institutions. An expanded Japanese role is inevitable (they have already become number two in the World Bank) and, if properly handled, could be desirable given its enhanced economic position. However, this needs to be achieved in a manner which does not undermine U.S. ability to utilize the IMF and World Bank to promote its interests.

This issue will confront us primarily in connection with the ongoing negotiations on a possible increase in IMF quotas (i.e., capital subscriptions). The Japanese are pressing hard for a large quota increase that will permit them to move to the second position in terms of voting power (behind the United States) from their current slot of number five (below the United Kingdom, Germany, and France). We are in the process of developing a strategy on the quota issue that will provide for an orderly and gradual increase in Japan's voice and vote in the IMF, but does not require the United States to see its quota share diluted disproportionately. In this context, we will also need to decide on the key demands we should make on Japan in exchange for U.S. support on quotas. In particular, we want to assure that Japan utilizes its enhanced IMF position to support policies that reflect a global perspective on the role of the IMF rather than narrow Japanese economic interests.

Meanwhile, we need to move ahead promptly to refurbish U.S. credibility in the IMF. U.S. credibility has been damaged recently by our inability to participate fully in the IMF's Enhanced Structural Adjustment Facility (ESAF) which provides concessional assistance to the poorest countries in support of economic reforms. In addition, the United States has pushed the IMF to provide financing to countries such as Sudan, Liberia, Peru, Zaire, Somalia, and Zambia where we have major foreign policy concerns but which have not implemented necessary economic reforms and are incapable of repaying their IMF loans. As a result, these countries account for virtually all of the $3 billion in overdue obligations to the IMF. These arrears threaten the financial integrity of the institution and its effectiveness in resolving the LDC debt problem.

The ESAF is a critical element in dealing with both the problem of the poorest countries and also the Fund's arrears. Our inability to participate is hurting us with the African countries and other creditor governments. A U.S. commitment now to make a modest contribution spread over 10 years would represent a very cost effective means of refurbishing our image and improving our leverage on a key IMF issue. I recognize that the tight budget situation requires that we utilize our limited foreign assistance resources prudently. However, we need to be in a position to be as forthcoming as possible when the developing countries and the international institution take the necessary steps to put their own houses in order. Consequently, I have been considering how the United States might participate in the ESAF to support IMF efforts to promote reforms.

Moreover, while foreign policy considerations need to be taken into account in reaching our position on IMF loans, we must also consider carefully the economic basis for such loans. As I indicated in my Berlin speech, we live in a world of scarce financial resources which requires that those funds be used prudently. It is in our long-run interest that the IMF remain financially strong and that the U.S. credibility in the institution be preserved. The ability of the IMF to support U.S. allies is being damaged by the arrears problem and we must be mindful of this situation in developing our positions on future IMF lending.

 RECORD ID: 8807228

ACTION DATA SUMMARY REPORT

DOC	ACTION OFFICER	CAO	ASSIGNED	ACTION REQUIRED
001		X	88100616	NOTED BY POWELL

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NSC/S PROFILE

RECORD ID: 8807228
RECEIVED: 06 OCT 88 16

TO: POWELL

FROM: BRADY, N

DOC DATE: 04 OCT 88
SOURCE REF:

KEYWORDS: INTL FINANCE

PERSONS:

SUBJECT: US LEADERSHIP IN INTL FINANCIAL INSTITUTIONS

ACTION: NOTED BY POWELL   DUE DATE: 10 OCT 88   STATUS: C

STAFF OFFICER: NONE   LOGREF:

FILES: WH   NSCIF: CODES:

D O C U M E N T   D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		COBB
		FARRAR
		PASTORINO
		PERITO
		STEVENS
		TICE

COMMENTS: ______________________________

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OPENED BY: NSREB   CLOSED BY: NSREB   DOC 1 OF 1

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