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*world bank*

THE WHITE HOUSE

WASHINGTON

April 18, 1983

MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS *JGR*

SUBJECT: Congressional Letter Concerning  
Compania Minera de Cananea

Six Senators and eight Congressmen have signed a letter to the President requesting a briefing on financing of the proposed expansion of the Compania Minera de Cananea copper smelting operations 20 miles south of the Arizona border in Mexico. The expansion is to be financed in part by a loan from the Export-Import Bank and another from the World Bank. The loans had the support of the U.S. representatives on the banks, and the signers allege that this violates § 552 of Public Law 97-121. That section directs the Secretary of the Treasury to oppose any loans for the production of a commodity for export if the commodity is in world surplus and additional foreign production will injure United States producers. (The signers are from copper-producing states.) The letter also asserts that pollution from the operations will enter the U.S. atmosphere.

Ed Harper was given responsibility for a response; you were given an information copy, presumably because of the assertion that Public Law 97-121 had been violated. That assertion, of course, hinges on numerous debatable points concerning the world copper market, Mexico's domestic use of copper, harm to U.S. producers, and so on -- Harper's response will presumably address these factual issues. I see no need for any action on the part of our office at this time.

WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET

- O - OUTGOING
- H - INTERNAL
- I - INCOMING  
Date Correspondence Received (YY/MM/DD) 1 1

Name of Correspondent: Dennis DeConcini

MI Mail Report User Codes: (A) \_\_\_\_\_ (B) \_\_\_\_\_ (C) \_\_\_\_\_

Subject: Comprehensive briefing by the various agencies involved in the financing of the proposed expansion of the copper mining and smelting operations of the Compania Minera de Cananea in Mexico

ROUTE TO: ACTION DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response Code	Completion Date YY/MM/DD
<u>W Holland</u>	ORIGINATOR	<u>83103129</u>		<u>1 1</u>
<u>WAT 18</u>	Referral Note: <u>I/A</u>	<u>83103129</u>		<u>83104107</u>
<u>Radulac</u>	Referral Note: <u>X</u>	<u>83103124</u>	<u>KD A</u>	<u>830324</u>
	Referral Note: <u>RD letter to D DeConcini</u>	<u>1 1</u>		<u>1 1</u>
	Referral Note:	<u>1 1</u>		<u>1 1</u>
	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: \_\_\_\_\_

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Roberts

March 24, 1983

Dear Senator DeConcini:

On behalf of the President, I would like to acknowledge your recent letter urgently requesting a comprehensive briefing by the various agencies involved in the financing of the proposed expansion of the copper mining and smelting operations of the Compania Minera de Cananea in Mexico.

Please know that we are expediting thorough consideration of your request in coordination with the appropriate Presidential advisers. I assure you that the concerns you have underscored will receive prompt and close attention.

With best wishes,

Sincerely,

Kenneth M. Duberstein  
Assistant to the President

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

KMD:CMF:sy6-KMD2

cc: w/copy of inc, Ed Harper - for DRAFT response  
w/copy of inc, Fred Fielding - FYI  
w/copy of inc, Dennis Thomas, Office of Legis. Affairs, Dept.  
of the Treasury, Wash. DC 20220 - FYI  
w/copy of inc, Stan Hulett, Office of Legis. Affairs, Dept.  
of the Interior, Wash. DC 20240 - FYI

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PUBLIC WORKS AND  
TRANSPORTATION COMMITTEE

INTERIOR AND INSULAR  
AFFAIRS COMMITTEE

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

1605 NORTH WILMOT ROAD  
SUITE 108  
TUCSON, ARIZONA 85712  
602/629-6030

March 17, 1983

130702 *W*

The President  
The White House  
Washington, D.C. 20500

Dear Mr. President:

We urgently request a comprehensive briefing by the various agencies involved in the financing of the proposed expansion of the copper mining and smelting operations of the Compania Minera de Cananea in Mexico, 20 miles south of the Arizona border. We had been led to believe that such financing was not imminent, but recent published reports indicate otherwise. We further urge you to take immediate action to suspend U.S. participation in the financing of this project until the requested briefing and subsequent review can be completed. The proposed expansion would have serious adverse effects on the American economy and environment, and we believe U.S. support for the project, in the form of bilateral and multilateral assistance, is outrageous and unconscionable, and possibly contrary to U.S. law.

The estimated \$1 billion expansion is to be financed in part by a \$75.7 million capital equipment loan from the U.S. Export-Import Bank, and a \$50 million loan from the World Bank's International Finance Corporation. The IFC has agreed to syndicate an additional \$400 million for the project. The remaining financing reportedly has been assembled by Compania Minera de Cananea, according to the publication American Metal Market, March 7, 1983. Thus, the IFC loan, which has been delayed pending the company's ability to assemble the private financing, is now scheduled for disbursement, pursuant to the IFC Board's approval of the loan on July 12, 1982.

On separate occasions, your Administration has asserted that its support for the Cananea project is based on a belief that the increased copper production capacity will assist Mexico in achieving self-sufficiency in copper.

However, according to figures compiled by the German metal research center Metallgesellschaft, Mexico in 1980 was a copper exporter, producing 175,400 metric tons and consuming only 123,200 metric tons. Thus, Mexican copper already has contributed to the well-recognized international surplus of that commodity, and therefore has added downward pressure to the world price, further impeding recovery in the depressed American copper industry.

The improvements proposed for Cananea would increase Mexico's overall copper production capacity by 100,000 metric tons per year. In light of these figures, U.S. support for the IFC loan appears to be in violation of Section 522 of Public Law 97-121, which instructs the Secretary of the Treasury to oppose multilateral loans "for the production of any commodity for export, if it is in surplus on world markets and if the assistance will cause substantial injury to United States producers of the same, similar or competing commodity."

Moreover, you should be aware that the smelter at Cananea will be subject only to the pollution controls required by the World Bank, which are substantially less stringent than those of our Environmental Protection Agency. After expansion, the Cananea facility will emit more sulfur dioxide than all seven Arizona smelters combined will be allowed to emit under pending Clean Air Act standards. Further, most of the sulfur dioxide emitted from the Cananea smelter will find its way into the U.S. atmosphere, as prevailing winds in northern Sonora are from the southwest. In light of the fact that compliance with our own environmental laws has cost billions of dollars, we find it appalling that our government can support such an environmentally unsound project so close to our border.


We are concerned that the formulation of Administration policy on the Cananea project appears to have lacked any serious inter-agency coordination. Interior Secretary Watt has registered his Department's opposition to the IFC loan in the form of a letter to the executive director of the World Bank. However, Interior's position, which reflects the interests of the American mining industry and, thus, the American economy, was neither sought by nor made available to the U.S. representative to the IFC Board. The U.S. representative joined the rest of the board in its unanimous approval of the loan.

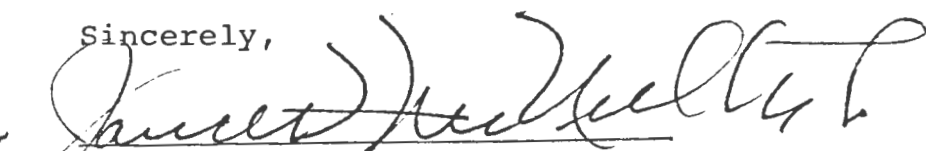
We further believe the Administration has displayed a lack of candor in its official communications with Congress by failing to make note of the Export-Import Bank loan. This agreement was not mentioned either in a letter of explanation from Treasury Secretary Regan to Senator DeConcini, or in testimony from Deputy Assistant Treasury Secretary Dawson before the House Interior Subcommittee on Mining, Forest Management and Bonneville Power Administration.

The arguments against U.S. participation in the Cananea expansion are, in our estimation, forceful and numerous. We will appreciate a prompt and positive response to our request.

Thank you for your consideration.

Sincerely,

  
Dennis DeConcini  
United States Senator

  
James F. McNulty, Jr.  
Member of Congress

Senator

nmv.

*John*  
John McCain  
John McCain  
Member of Congress

M. Udall  
Morris K. Udall  
Member of Congress *Mr.*

*Pat*  
Bob Stump  
Bob Stump  
Member of Congress

Max Baucus  
Max Baucus  
United States Senator *Senator*

Pete V. Domenici  
Pete V. Domenici  
United States Senator

John Melcher  
John Melcher  
United States Senator *Senator*

*Senator*  
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Jeff Bingaman  
United States Senator

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Barry M. Goldwater  
United States Senator *Senator*

*Senator*  
Eldon Rudd  
Eldon Rudd  
Member of Congress

Manuel Lujan, Jr.  
Manuel Lujan, Jr.  
Member of Congress *Manuel*

*Edon*  
Pat Williams  
Pat Williams  
Member of Congress

Bill Richardson  
Bill Richardson  
Member of Congress *Mr.*