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Monetary Fund)
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131193

ID #

IT044

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

O - OUTGOING

H - INTERNAL

I - INCOMING

Date Correspondence Received (YY/MM/DD)

831 03 21

Name of Correspondent: Robert S. Walker

MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: Enclosed a letter from W. R. Wilson concerning the International Monetary Fund.

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Completion Date YY/MM/DD
<u>LADula</u>	ORIGINATOR	<u>831 03 21</u>	<u>KD</u>	<u>A 83 04 06</u>
<u>USTR / Bill Maroni</u>	Referral Note: <u>R</u>	<u>83 04 06</u>		<u>A 83 04 15</u>
<u>LADUBE</u>	Referral Note: <u>A</u>	<u>83 04 22</u>		<u>C 83 04 22</u>
	Referral Note: <u>FYI</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
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- F - Furnish Fact Sheet to be used as Enclosure

- I - Info Copy Only/No Action Necessary
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- A - Answered
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FOR OUTGOING CORRESPONDENCE:

- Type of Response = Initials of Signer
- Code = "A"
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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: L Individual Codes: 6240 _____

Prime Subject Code: IT 044 Secondary Subject Codes: _____

PRESIDENTIAL REPLY

<u>Code</u>	<u>Date</u>	<u>Comment</u>	<u>Form</u>
C	_____	Time: _____	P- _____
DSP	_____	Time: _____	Media: _____

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CPn - Presidential Correspondence

- n - 0 - Unknown
- n - 1 - Ronald Wilson Reagan
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- n - 7 - Ronnie

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- n - 0 - Unknown
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- n - 2 - Nancy
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- R - Report
- S - Sealed
- T - Telegram
- V - Telephone
- X - Miscellaneous
- Y - Study

THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON
20506

[Handwritten signature]

April 15, 1983

The Honorable Robert S. Walker
U.S. House of Representatives
Washington, D.C. 20515

Dear Bob:

This is in further response to your letter to Ken Duberstein of the White House on behalf of your constituent Mr. W. R. Wilson of Lukens, Inc. Mr. Wilson addresses a serious problem that is being carefully studied by the Administration at this time, namely, the relationship between international trade and financial flows.

As you are well aware, we currently face an international debt crisis of serious proportions involving a number of developing countries. This crisis has implications for U.S. trade, the U.S. domestic economy, and U.S. foreign and security policy as well. With respect to U.S. trade and trade policy, the area I am directly responsible for, the debt crisis led to a reduction in 1982 of \$8.7 billion in U.S. exports to the six largest debtor countries alone. This resulted in a net loss of almost one-half million U.S. jobs. Moreover, further declines in U.S. exports to debtor countries are likely until the measures being implemented to deal with the crisis stabilize the situation and restore the overall international financial system to health. Therefore, from a purely trade policy point of view, I am extremely concerned.

In order to deal with the crisis, the Administration has adopted a comprehensive strategy. While it is true, as Mr. Wilson notes, that the Administration is asking the Congress to increase U.S. resources for the IMF, this is only one element of the U.S. strategy. The most important element of the strategy is for the developing countries themselves to undertake the necessary internal economic adjustments to stabilize their external accounts. Those adjustments will prove quite painful for all of these countries. In addition, we and the IMF are insisting that private commercial banks also undertake their share of the burden in helping the developing countries through this difficult period of adjustment. Finally, it is important that the Administration continue its sound fiscal and monetary policies to ensure sustained economic recovery in the United States. In sum, the responsibilities for resolving the international debt

situation must be shared by many parties in many countries. Unfortunately, any alternatives would be far worse.

Of course, I am acutely sensitive to the trade implications of this strategy because the developing countries in question will have to have a more rapid growth in exports than imports over the near term for the strategy to succeed. However, this does not mean that we will alter our current trade policy. Rather, trade decisions will continue to be made on traditional trade policy grounds. While this Administration is committed to open markets both in the United States and globally, it is also determined to apply U.S. trade laws fairly and to exercise U.S. international rights where appropriate. In sum, we do not intend to let U.S. trade policy be driven by the debt crisis, although we do believe that our existing trade policy can complement the overall strategy being followed to deal with the debt crisis.

Obviously, this is a complex area and one that cannot be covered in detail in letter form. However, I am sensitive to Mr. Wilson's concerns and I hope the above remarks help to clarify my own thinking on this matter.

Very truly yours,

WILLIAM E. BROCK

WEB:wtm

OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE

3097005
83 APR 7 9:45

THE WHITE HOUSE OFFICE

REFERRAL

APRIL 6, 1983

TO: UNITED STATES TRADE REPRESENTATIVE, OFFICE OF
ATTN: BILL MARONI

ACTION REQUESTED:
DIRECT REPLY, FURNISH INFO COPY

DESCRIPTION OF INCOMING:

ID: 131193

MEDIA: LETTER, DATED MARCH 16, 1983

TO: KENNETH DUBERSTEIN

FROM: THE HONORABLE BOB WALKER
U. S. HOUSE OF REPRESENTATIVES
WASHINGTON DC 20515

SUBJECT: ENCLOSURES A LETTER FROM W. R. WILSON
CONCERNING THE INTERNATIONAL MONETARY FUND

PROMPT ACTION IS ESSENTIAL -- IF REQUIRED ACTION HAS NOT BEEN
TAKEN WITHIN 9 WORKING DAYS OF RECEIPT, PLEASE TELEPHONE THE
UNDERSIGNED AT 456-7486.

RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE
(OR DRAFT) TO:
AGENCY LIAISON, ROOM 91, THE WHITE HOUSE

SALLY KELLEY
DIRECTOR OF AGENCY LIAISON
PRESIDENTIAL CORRESPONDENCE

April 4, 1983

Dear Bob:

Thank you for your March 16 letter enclosing correspondence to the President from your constituent, W. R. Wilson, commenting on the Administration's trade policies.

We appreciate your interest in sharing your constituent's comments with us. I have taken the liberty of sharing your correspondence with the President's trade adviser for their close attention and review.

With best wishes,

Sincerely,

Kenneth M. Duberstein
Assistant to the President

The Honorable Robert S. Walker
House of Representatives
Washington, D.C. 20515

cc: ^{WSTR} Bill Maroni w/copy of incoming for DIRECT response
w/copy to K. Duberstein

WH RECORDS MANAGEMENT HAS RETAINED ORIGINAL

KMD:CMF:KRJ:vml--

April 4, 1983

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Sincerely,

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Assistant to the President

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House of Representatives
Washington, D.C. 20515

cc: Bill Maroni w/copy of incoming for DIRECT response
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WH RECORDS MANAGEMENT HAS RETAINED ORIGINAL

KMD:CMF:KRJ:vml--

ROBERT S. WALKER
16TH DISTRICT, PENNSYLVANIA

COMMITTEES:
GOVERNMENT OPERATIONS
SCIENCE AND TECHNOLOGY

STAFF IN CHARGE:
MARTHA C. MORRISON
WASHINGTON OFFICE
MARC T. PHILLIPS
DISTRICT OFFICES

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

March 16, 1983

131193

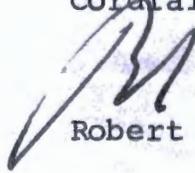
Mr. Kenneth M. Duberstein
Assistant to the President
for Legislative Affairs
The White House
Washington, D.C. 20500

Dear Ken:

The enclosed letter I received from W. R. Wilson, President and Chief Executive Officer of Lukens, Inc., provides what I consider some excellent "food for thought" on the subject of the International Monetary Fund. Accordingly, I am forwarding it to you for your review. Any thoughts you may have would be greatly appreciated.

I am grateful for your cooperation and look forward to hearing from you in this regard at your earliest opportunity.

Cordially,


Robert S. Walker

mm
Enclosure

CC: W. R. Wilson

LUKENS

Lukens, Inc
50 South First Avenue
Coatesville, PA 19320

215 / 383 3091

REC# 1: 97, DOC# _____
AUTH: 1 PAR: _____
CAT: _____

W.R. Wilson
President and
Chief Executive Officer

March 4, 1983

The Honorable Robert S. Walker
House of Representatives
1028 Longworth House Office Building
Washington, D.C. 20515

Dear Bob:

We find the Administration's support for additional International Monetary Fund contributions by the U.S. inconsistent with its "Free Trade" stance in regard to our industry. Enclosed is a letter I have mailed to President Reagan in regard to this matter.

Lukens produces plate steel, a product subject to severe and often unfair import competition from steel producers in a number of less-developed countries.

Sincerely,



W. R. Wilson

Enclosure

L. L. Wilson
50 South First Avenue
Coatesville PA 19320

215/383-3091

March 4, 1983

W.R. Wilson
President and
Chief Executive Officer

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

Dear Mr. President:

I understand the "Free Trade" policy of your Administration although I do not agree with it. What I cannot understand is the inconsistent application of that policy.

On the one hand, you insist that so-called "Free Trade" policies apply to the market environment for American producers. These companies must survive or fail on the basis of market decisions. On the other hand, Congress is asked to support the infusion of more taxpayer money into the IMF to help financially strapped Third World countries salvage unviable financing packages that were put together by private banks.

When major banks step up international lending, particularly to less-developed countries, their decisions threaten the security of their loan portfolios. Their loans also help finance the unhealthy over-expansion of a number of basic industries. To meet the resulting financial obligations, these less-developed countries must achieve unrealistic export levels. Unfortunately, America must be the market for many of these exports and American workers and industry -- already paying a severe price for these excesses in overseas capacity -- will suffer further as foreign products capture domestic markets. We continue to be faced with the specter of subsidized industries, insulated from bankruptcy by American taxpayers' dollars, competing in our markets at unfair prices.

If American industrial firms suffer the penalties of poor business decisions in a Free Trade atmosphere, so, too, should the banks accept the economic penalties of overly aggressive lending policies and inadequate reserves. The American taxpayers should not subsidize the cost of mistakes made by the banking industry, especially since the proposed cure could add to the trade problems of American companies and to the unemployment of American workers.

Sincerely yours,



W. R. Wilson

ID #

141623

IT044

WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

O - OUTGOING

H - INTERNAL

I - INCOMING

Date Correspondence Received (YY/MM/DD) 83,04,28

Name of Correspondent: Newell VANDERMAST

MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: Requests President's views on
Article about the IMF

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
COBATT	CS	830502		C	83,05,17
99 (H): IMF	A CS	83,05,05		CS	83,05,09
		1 1			1 1
		1 1			1 1
		1 1			1 1

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No. of Additional Correspondents: _____ Media: L Individual Codes: 4006 _____

Prime Subject Code: IT044 Secondary Subject Codes: PR 014-08 _____

PRESIDENTIAL REPLY

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C	_____	Time: _____	P- _____
DSP	_____	Time: _____	Media: _____

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- O - Memo
- P - Photo
- R - Report
- S - Sealed
- T - Telegram
- V - Telephone
- X - Miscellaneous
- Y - Study



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

EXECUTIVE DIRECTOR
United States

May 9, 1983

CABLE ADDRESS
INTERFUND

Dear Ms. Kelley:

I have forwarded your request for a response to the attached correspondence to the Treasury Department since its staff has been responding to inquiries regarding the President's position on the IMF.

Sincerely,

A handwritten signature in cursive script, appearing to read "Richard D. Erb".

Richard D. Erb

Ms. Sally Kelley
Director of Agency Liaison
Presidential Correspondence
Room 91
The White House
Washington, D. C. 20500

Attachment

T H E W H I T E H O U S E O F F I C E

REFERRAL

MAY 5, 1983

TO: AGENCY REFERRAL
ATTN: INTERNATIONAL MONETARY FUND

ACTION REQUESTED:
DIRECT REPLY, FURNISH INFO COPY

DESCRIPTION OF INCOMING:

ID: 141623
MEDIA: LETTER, DATED APRIL 1, 1983
TO: PRESIDENT REAGAN
FROM: MR. NEWELL T. VANDERMAST
3 RUE VALBONNE
NEWPORT BEACH CA 92660

SUBJECT: REQUESTS PRESIDENT'S VIEWS ON ARTICLE ABOUT
THE IMF

PROMPT ACTION IS ESSENTIAL -- IF REQUIRED ACTION HAS NOT BEEN
TAKEN WITHIN 9 WORKING DAYS OF RECEIPT, PLEASE TELEPHONE THE
UNDERSIGNED AT 456-7486.

RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE
(OR DRAFT) TO:
AGENCY LIAISON, ROOM 91, THE WHITE HOUSE

SALLY KELLEY
DIRECTOR OF AGENCY LIAISON
PRESIDENTIAL CORRESPONDENCE

THE WHITE HOUSE
WASHINGTON

TO: *Sally Kellie*

FROM: CHARLEY SHEPHERD
PRESIDENTIAL CORRES.
X 7610

DATE: *4-27*

*Please send to appropriate
Agency & have
them reply.
Thanks*

KS
Newell Thompson Vandermast 41623

3 Rue Valbonne,
Newport Beach,
California, 92660,
April 1, 1983.

Dear Mr. President:

Being an Ashby Bladen admirer,
his column is regularly the first
feature to which I turn in a
newly-delivered Forbes magazine.

Your reaction to the enclosed
may be favorable or otherwise;
but I want to do what I can
to bring it to your attention.

Most respectfully yours,
Newell Vandermast

P.S. Mrs. Vandermast and I had the
pleasure of meeting you and Mrs.
Reagan some years ago at the

home of our neighbors and
good friends, Si and Marjorie
Fluhr, in Santa Ana, California.

Can the U.S. really bail out the whole world through the IMF? Or will the attempt wreck our own creditworthiness?

SOMETHING NEW UNDER THE SUN

By Ashby Bladen



According to Ecclesiastes, one of your more reliable gurus, there is nothing new under the sun. Well, the Administration is about to try to prove him wrong. Just a few months ago the Administration knew nothing and cared less about the developing international financial crisis, and it was opposed to the idea of increasing the American subscription to the International Monetary Fund. But now that it has discovered the crisis, it is seriously proposing to help the banks fend off worldwide deflation, and hard times by making new bailout loans to every country whose necessitous selling of exports will otherwise cause deflation. Does it concern the Administration that quite a few of those countries cannot possibly repay what they already owe? Apparently not. Throwing good money after bad on a global scale has never been tried before, and it is hard to believe that the Administration has any idea about the ultimate consequences of its new policy.

This is an excellent illustration of my basic point that, current appearances to the contrary notwithstanding, there is no such thing as a peaceful and painless disinflation. And yet this seems to be what the

Ashby Bladen is senior vice president for investments of the Phoenix Mutual Life Insurance Co. and author of How to Cope with the Developing Financial Crisis.

IMF expansion is supposed to bring about. If the outcome were left to the tender mercies of the marketplace, it would be violently and painfully self-correcting. The recent collapse of OPEC is an excellent example of how that works.

During the 1970s several oil-producing countries with large populations and low standards of living borrowed heavily to finance economic development. By now Nigeria, Mexico and even Venezuela are heavily overindebted and will have to sell their oil for whatever it will bring to avoid defaulting on their debts. Thus, conditions in oil have turned not merely disinflationary, but downright deflationary.

If it were not for political intervention, inflation would always be self-correcting. Why? Because the perception that debts are becoming top-heavy by comparison with the incomes from which they are supposed to be repaid would cause lenders to pull in their horns and cease to finance marginal borrowers. Most overextended borrowers would save, and sell whatever they could to pay down their debts. Those who could not manage would default and be foreclosed, and the pressure of necessitous selling would cause a period of deflation and hard times that would be painful but over fairly quickly. Then the world would not be saddled with chronic inflation.

Bailouts of any sort, whether by the IMF or by domestic agencies, tend to frustrate this natural self-correction. If the government of a sovereign country decides that domestic deflation is politically unacceptable, it can borrow and bail out its own residents because, unlike most people and businesses, its creditworthiness does not depend on the coverage of its debt service

but upon its monopoly of legal force that allows it to command the incomes and assets of all the people in the country. It can create all the credit it wishes and bail out the overextended borrowers.

Domestic bailouts remove the risks associated with borrowing and spending excessively so that the inflation tends to worsen. In the countries that have slipped over the brink into hyperinflation, the government has been financing everybody for years.

Another trouble with bailouts, either of people or of countries, is that they weaken the incentives to produce the real goods and services on which our standard of living depends. Why work hard to produce exports for foreigners to enjoy when those nice folks at the New York banks will lend you the dollars to pay for the imports that you enjoy? These eager bankers don't seem to care very much when, or even if, you repay. Just don't default and make them write off the loan.

If the policy of bailing everybody out succeeds, it will mean global inflation on an unprecedented scale. However, it seems clear that the Administration is too busy coping with today's crises to think through the consequences of its policy. But how long will the external credit of the U.S. remain good if we use it wholesale to bail out countries that have no real chance of repaying us?

Ironically, politics may thwart this dangerous bailout. In 1932 the Reconstruction Finance Corp. was making loans to troubled banks, one of which was controlled by the family of President Hoover's budget director, Charles Dawes. The Tip O'Neill of the day, John Nance Garner, decided that publicizing that fact would enable the Democrats to score a political point by embarrassing the Republicans. So he got the Congress to require the RFC to publish the names of the banks to which it made loans. The banks figured that would be taken as an official government list of bad banks. They stopped borrowing from the RFC and closed down instead. That was the last straw that led to the Bank Holiday of Mar. 4, 1933. Once again, the Democrats will almost certainly oppose a policy that can be construed as a bailout of the bankers. ■

WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

- O - OUTGOING
- H - INTERNAL
- I - INCOMING

Date Correspondence Received (YY/MM/DD) 83,05,04

Name of Correspondent: Fernand J. St Germain

MI Mail Report User Codes: (A) PRES (B) _____ (C) _____

Subject: Urges you to see that House Republicans make a definitive commitment supporting your proposals for The IMF, the multilateral development banks, + Ex-Im Bank: "The White House and the Republican political machinery have used virtually every spending measure to attack the Democrats in Congress... Nevertheless, many of us have felt it our responsibility to continue to support programs needed to keep The Nation's economic + social fabric intact"

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>LA DUBE</u>					

ORIGINATOR DD 83 05 05 AWR CP2 A 83,05,05
Referral Note: Presidential letters to both St Germain and C. Wylie delivered to Hill on 5/09

Referral Note: _____
Referral Note: _____
Referral Note: _____
Referral Note: _____

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Comments: See C Track 125168 for Presidential letters to Congressmen St. Germain and Wylie

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FG 033.04 _____

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- O - Memo
- P - Photo
- R - Report
- S - Sealed
- T - Telegram
- V - Telephone
- X - Miscellaneous
- Y - Study

CP -

- ① Dennis Thomas handed delivery
- ② Copies sent to JAB, B and one set for you.

THE WHITE HOUSE
WASHINGTON

TO: Nancy R

FROM: **MELANIE BLESSÉ**
Office of Legislative Affairs

These are the
Presidentialials you
requested -

These have been
approved by B

~~THE~~ WHITE HOUSE
WASHINGTON



NOTE FOR: CHARLIE
FROM: NANCY RISQUE

Would you please clean up the
attached draft and put it in
final form for a Presidential.

Return to me for Ken's OK ASAP

Many thanks.

KD - 7VI —

1. Copy went to
B for guidance
on St. Germain
letter.

2. We'll probably
recommend letter
and to discuss
IM7 at bipartisan
leadership on
May 14 (w/ Wyler's
St Germain included),
rather than IM7
mtg - alone. NF



THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

May 4, 1983

MEMORANDUM FOR JAMES A. BAKER, III
CHIEF OF STAFF

FROM : R. T. McNamar *R.T.M.*

SUBJECT : Letter from President Reagan on IMF

The House Banking Committee will mark up the IMF request on Monday, May 9. There is a persistent concern on the part of the Democrats that this issue is not receiving the visible evidence of Administration support necessary to forge a bipartisan majority to pass the legislation.

Chairman St Germain has written to the President expressing this concern clearly and succinctly (see attached). Our own discussions with the Hill indicate that our biggest problem is in fact lack of visible Republican support, and in fact, some vocal Republican opposition. Understandably, the Democratic leadership doesn't intend to push its membership on their swords on behalf of a Presidential request for assistance to an international institution that doesn't have substantial Republican support. The typical Democratic question is "Why should I support this international spending when the Republicans are trying to cut domestic spending?".

As we move toward Floor consideration in the Senate and full committee action in the House, as well as appropriations committee consideration, I believe it is essential that the President communicate to the Congress the importance of this issue and urge bipartisan support. We have already recommended Presidential meetings with the Senate and House leadership and key committee players early the week of May 16 to encourage positive action prior to the Williamsburg Summit. I reiterate that request.

Secondly, I recommend that the President respond to Chairman St Germain and the Ranking Minority Member, Chalmers Wylie, prior to the House Banking Committee mark up on Monday, May 9, emphasizing the importance of bipartisan support for this legislation. I have attached a proposed draft letter for the President.

Attachments

cc: Kenneth Duberstein

Dear Mr. Chairman:

As the House Banking Committee considers the legislation I have requested, ^g authorizing increased U.S. participation in the International Monetary Fund, multilateral development banks, and reauthorizing the Export-Import Bank, I want to reiterate the importance which I attach to these measures. Taken together, these proposals will strengthen international financial stability, promote sustainable economic growth in the developing countries, and enhance our economic recovery here at home.

The request to provide an increase in the U.S. quota in the IMF and in U.S. participation in the IMF's General Arrangements to Borrow is part of an internationally-agreed strengthening of the IMF's resources, designed to enable the Fund to play its central role in promoting an orderly, cooperative resolution of current international debt and financial problems. With our growing interdependence with the world economy, ^{This request} ~~it~~ represents an essential part of our own efforts to achieve sustainable economic recovery, preserve jobs in this country, and maintain a stable world economic foundation for pursuit of our international economic, foreign policy, and security interests abroad.

For this reason, the proposed increase in the IMF's resources is of major importance to every American citizen, no matter how distant international financial problems may seem. I am confident that this legislation should, as it has in the past, warrant the broadest bipartisan support in the Congress.

Sub
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for
St. G.

Similarly, the authorizations for the multilateral development banks and Export-Import Bank represent an investment in economic growth, at home and abroad, and merit strong support by Members from both sides of the aisle.

I want especially to commend you for your efforts to assure prompt consideration of this legislation by the Committee. ~~And~~ you can be sure of my continued strong and active support for these measures which form a crucial part of my legislative program.

Sincerely,

RR

~~The Honorable
Fernand St Germain~~

The Honorable
Chalmers P. Wylie

Dear Mr. Wylie: Chalmers:

The Honorable Fernand J.
St Germain
Chairman
Committee on Banking,
Finance and
Urban Affairs
House

RWR: KMD: TRES: CMP

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U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

NINETY-EIGHTH CONGRESS

2129 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, D.C. 20515

May 4, 1983

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225-4247

141877

The President
The White House
Washington, D. C.

My Dear Mr. President:

Your Administration has given general support to a number of bills involving international finance and the expenditure of billions of dollars of public monies. These include \$8.4 billion for the International Monetary Fund, \$7.5 billion for the multilateral development banks, and a reauthorization of the Export Import Bank.

It is important, Mr. President, that the Administration's support be translated into definitive commitments from Members of your party in the House of Representatives if this legislation is to be successful. As you are aware, some members of your party have used a variety of forums to attack the Administration's legislative requests to which this Committee is attempting to give serious consideration.

While we have not always agreed with your positions, those of us on the Democratic side of the aisle have admired your ability to impose the strictest discipline among the Republican Members of the House, and we trust that this same type of aggressive effort will be forthcoming to support the work you have requested from this Committee on these international bills.

It is no secret, Mr. President, that the White House and the Republican political machinery have used virtually every spending measure as a vehicle to attack the Democrats in the Congress. These attacks notwithstanding, many of us have felt it our responsibility to continue to support programs necessary to keep the basic economic and social fabric of the nation intact. Many on our side of the aisle will feel a similar responsibility to assist in stabilizing international financial situations, but I think it is important -- in fact, essential -- that the Republicans in the House of Representatives make an early and substantive indication of support for these international measures which their own President is seeking.

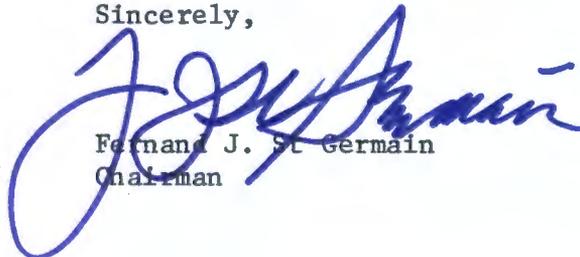
The President

Page Two

May 4, 1983

Mr. President, with all due respect, I do not think you should expect the Democratic leadership and Members to carry this burden alone.

Sincerely,

A handwritten signature in blue ink, appearing to read "F. St. Germain", written in a cursive style.

Fernand J. St Germain
Chairman

FJStG:mLr

21
Executive Summary
of Testimony

J. B. L. Pierce

Treasurer
The Boeing Company

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FG 036-03

The
International Monetary
Fund

Before the
Subcommittee on Foreign Operations
Committee on Appropriations United States Senate

On Behalf Of
The Chamber of Commerce of the United States
May, 1983



J. B. L. Pierce

Treasurer
The Boeing Company

John B. L. Pierce was elected Treasurer of The Boeing Company in 1968.

Before joining Boeing, "Jack" Pierce was Treasurer of Abbott Laboratories International (Chicago).

He received a B.S. degree, summa cum laude, The School of Foreign Service, Georgetown University, and an M.B.A. degree, magna cum laude, The Graduate School of Business, University of Chicago.

Jack Pierce has served as a member of the Congressional Study Group, the Georgetown Center for Strategic and International Studies (GCSIS) - Georgetown University; member of Advisory Committee on Export Finance, office of United States Special Trade Representative (U.S.T.R.); member of National Association of Manufacturers (NAM) Task Force on Export Credit; member of National Foreign Trade Council (NFTC) Committee on Export Financing; Chairman, International Committee, and International Finance Committee - Aerospace Industries Association (A.I.A.); Chairman of Seattle District Export Expansion Council - The President's Export Committee; Chairman, Washington State "Radio Free Europe" Fund; President and member of the board of MESBIC of Washington, Inc. (a minority enterprise small business investment corporation); Trustee, United Inner-City Development Foundation (UICDF); Director, Business and Industrial Development Corporation of Washington (BID); Council member, The Pike Place Market Preservation and Development Authority; Trustee, the Pacific Northwest Aviation Historical Foundation (PNAHF); Trustee, The Center for Addiction Services (a drug rehabilitation program); Trustee, The Seattle Repertory Theatre; Trustee, The Empty Space Theatre Group.

Mr. Pierce is co-founder and is Vice Chairman of Concepts for Independent Living, a non-profit Washington State Corporation involved with development of independent living programs for the severely handicapped. He served as a member of the Special Education Advisory Committee for Seattle Public Schools and Finance Chairman for the Seattle School Levy Committee; panel member for Regional Work-Group on Employment of People with Disabilities.

Mr. Pierce served in the United States Navy.

Without adequate support for the IMF, the private commercial banking sector may find it difficult to provide the necessary amount of financing required by developing nations (LDC's) to foster economic growth. This might be particularly true of smaller U.S. regional banks. Hence, without supporting such measures – an increased funding for IMF – the U.S. export community may suffer a further reduced world market demand for its products.

Mr. Chairman:

I am Jack Pierce, Treasurer of The Boeing Company. I am testifying today on behalf of the Chamber of Commerce of the United States. With me is Kathryn Young, Director -International Economic Policy at the U.S. Chamber.

...

With your permission, Mr. Chairman, we wish to submit our formal statement for the record – and to provide an executive summary at this time.

(granted by the chairman, Senator Kasten)

...

My remarks are directed primarily from the viewpoint of the U.S. export industries. In today's economic environment, it is not difficult to explain why U.S. export companies – and the thousands of suppliers and subcontractors across the United States – as well as the many thousands of workers who depend upon a world-market business base – support the U.S. Chamber of Commerce . . . and welcome the opportunity to testify in support of the IMF.

...

We want to urge prompt congressional action to approve the Administration's request for an increase in the IMF's lending resources in the amount of \$8.4 billion.

We believe at this critical time, the IMF must have sufficient resources to maintain a stable international financial system which is essential to politico-economic security.

Due to such urgency, the IMF increase should be included in the FY 83 budget supplemental IMF S.695.

IMF provides the resources which are necessary to implement sound economic "adjustment" programs for those countries which require assistance.

Healthy markets overseas mean opportunities for sales of U.S. goods and services which, in turn, provides jobs – and investments – in the United States.

...

A strong connection exists between the IMF and world economic recovery (particularly the developing nations) and U.S. exports.

The developing countries are our U.S. exporters fastest growing markets accounting for approximately 40% of U.S. exports which means jobs and economic growth in the United States.

There is a link — a real link — between:

Malawi ... Mozambique ... and Milwaukee

between

Sudan ... and Seattle

Peru ... and Pittsburg ... Portland

Brazil ... Bangladesh ... Bolivia ... and Boston

These foreign markets "match up" with these U.S. cities where some of the 3,500 suppliers of Boeing are located, as well as the suppliers of other major U.S. exporters. Many of them are "invisible" exporters within an export industrial base — but directly "linked" to IMF's ability to do its job.

...

The international financial system is under severe strain. Developing nations face many problems in meeting their debt-service requirements.

The IMF plays a major role. The IMF is uniquely suited to do the job provided it's resources are adequate to meet the task.

IMF promotes a sound financial framework for the world economy.

IMF has played a major role in moderating the severe financial strain.

But — to continue to be effective — IMF will require a significant increase in its resources this year.

...

Small Business Supplier Dollars for 1978-1982

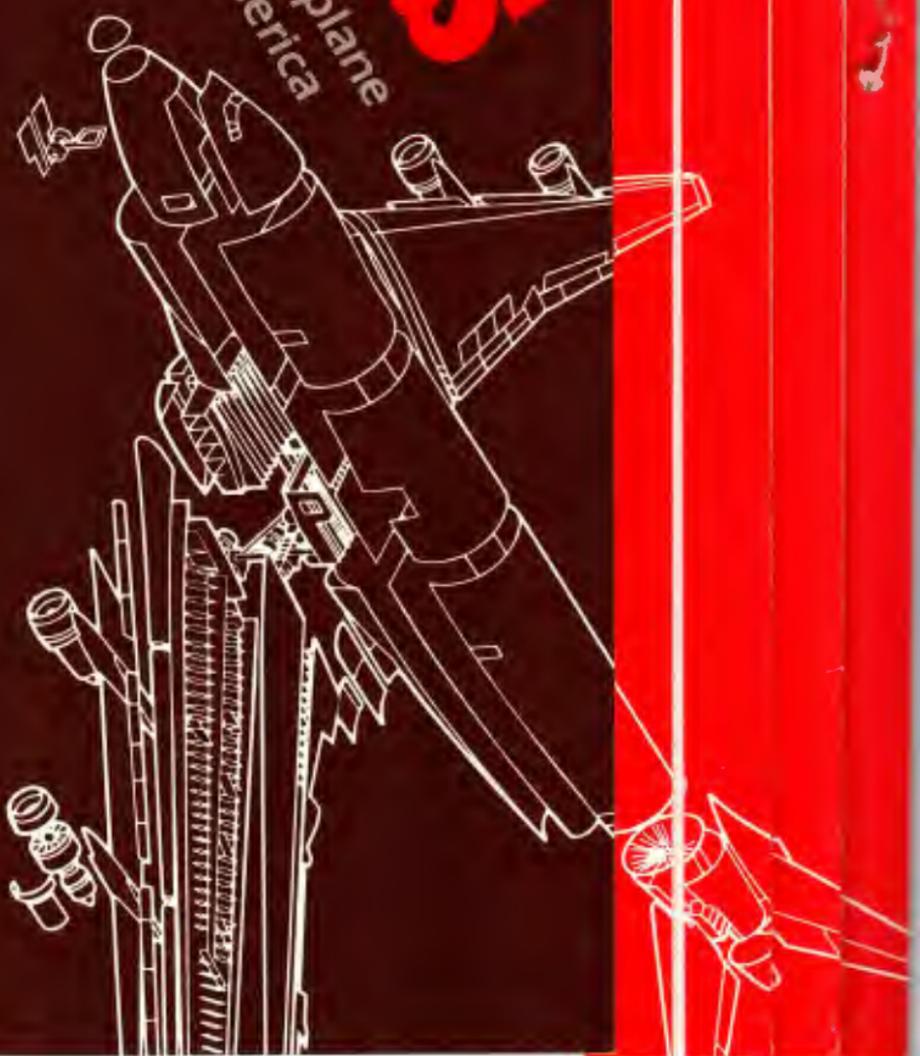
Second-Tier Subcontractors

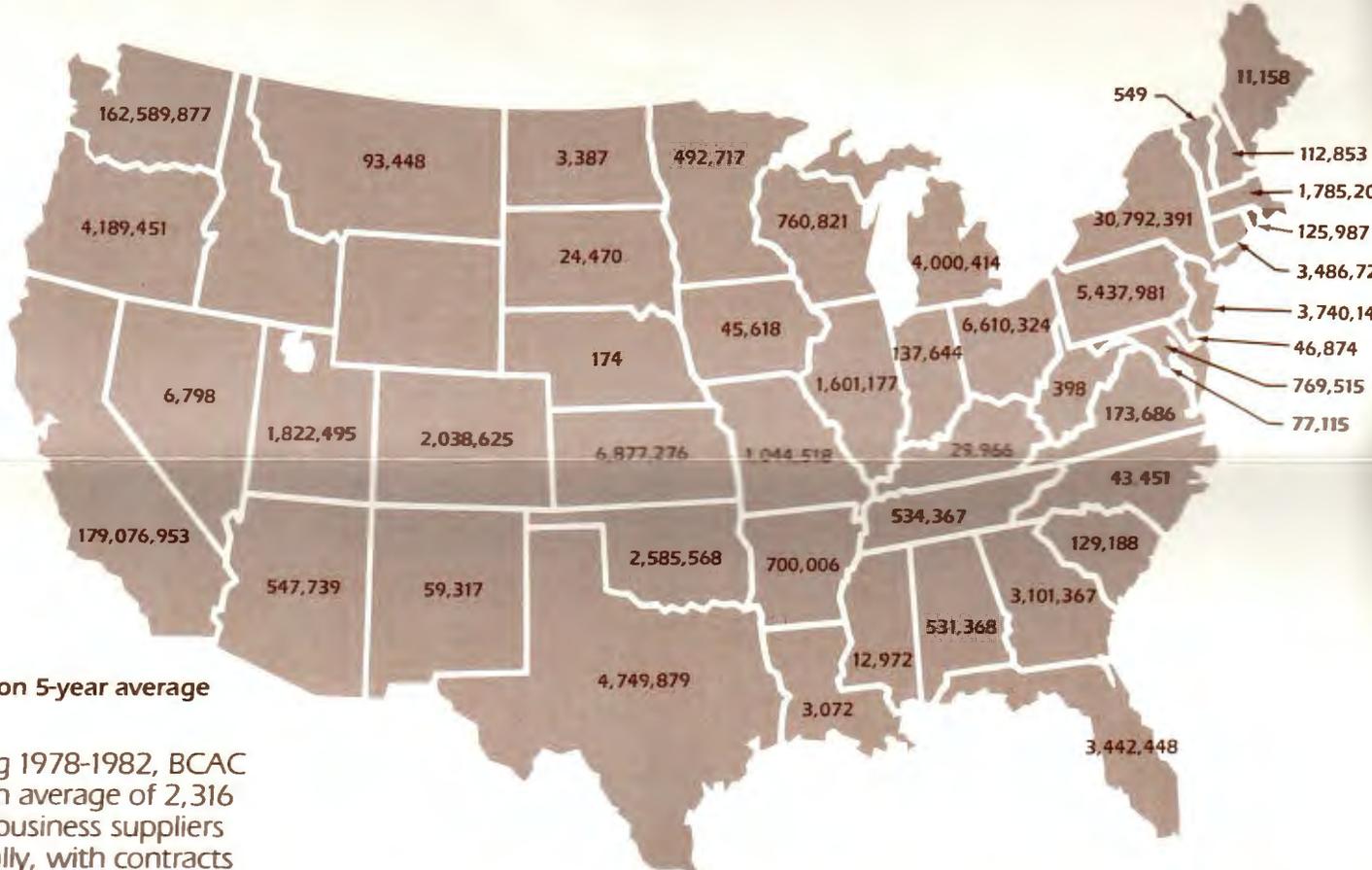
American Jobs Through Airplane Sales

Total Supplier Dollars for 1978-1982

THE INVISIBLE EXPORTERS

Boeing Commercial Airplane
Suppliers Across America





Based on 5-year average

During 1978-1982, BCAC had an average of 2,316 small business suppliers annually, with contracts averaging \$434.5 million per year.

Second-Tier Subcontractors

**Subcontractors of
Ladish Company
Cudahy, Wisconsin**



**Subcontractors of
Sundstrand Aviation Operations
Rockford, Illinois**



**Subcontractors of
Goodyear Aerospace Corporation
Akron, Ohio**



There are thousands of "second tier" suppliers throughout the country. These are only three examples of second-tier networks.

American Jobs Through Airplane Sales

Jobs per \$1 billion of initial airplane sales¹:

Airframe manufacturer: 21,100
Major suppliers: +21,100

Subtotal: 42,200

Spare parts suppliers: +2,000

Total aircraft industry jobs per \$1 billion in airplane sales²: 44,200

Which, with economic multiplier, creates even more jobs: +104,200

Jobs nationwide: 148,400

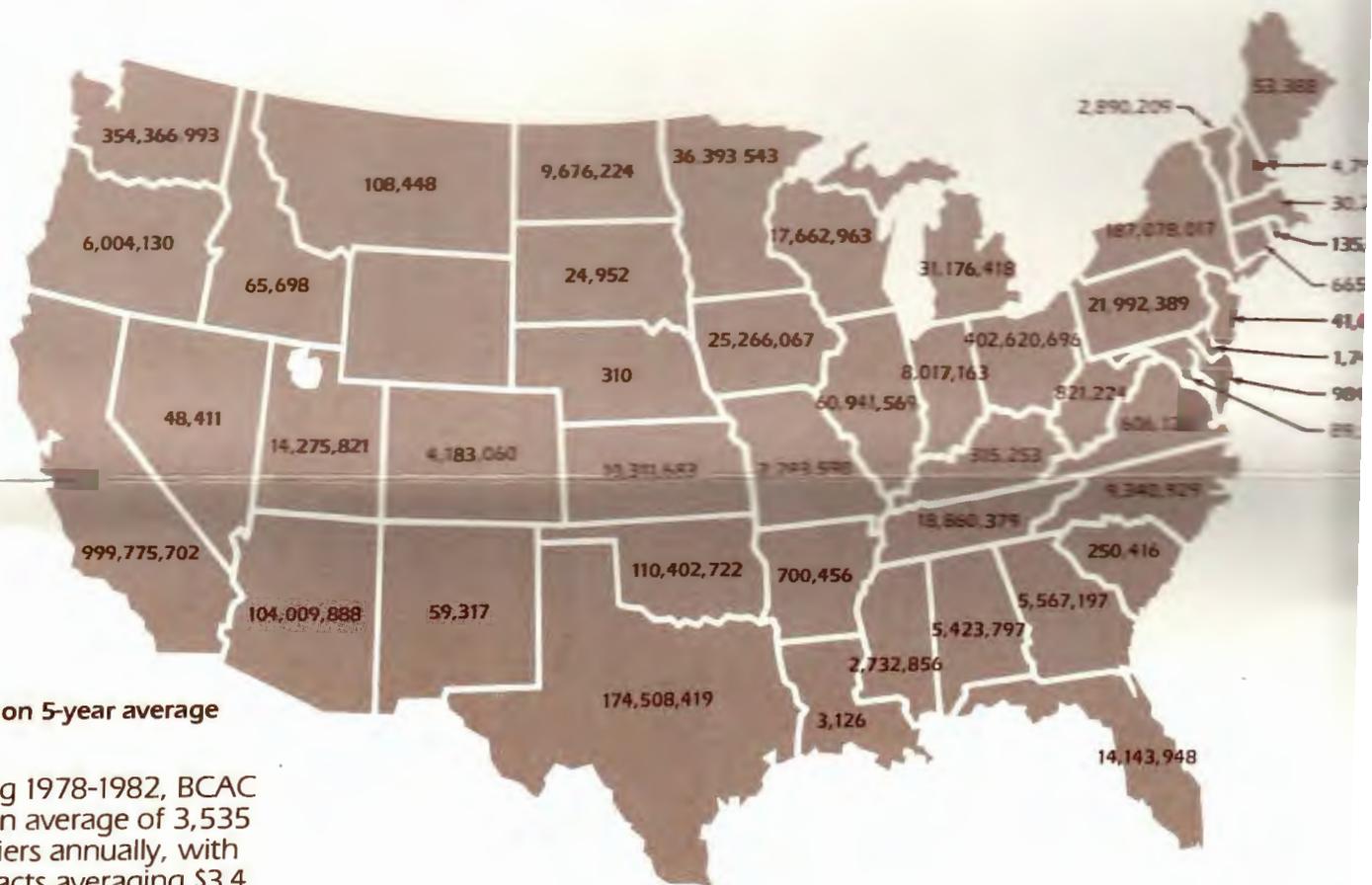
Nationwide job distribution



Aerospace Industries Association study by Chase Econometrics Assoc., 1982 dollars.
²Follow-On³ sales of jetliners and spares through 1990 total an additional \$2.3 billion.

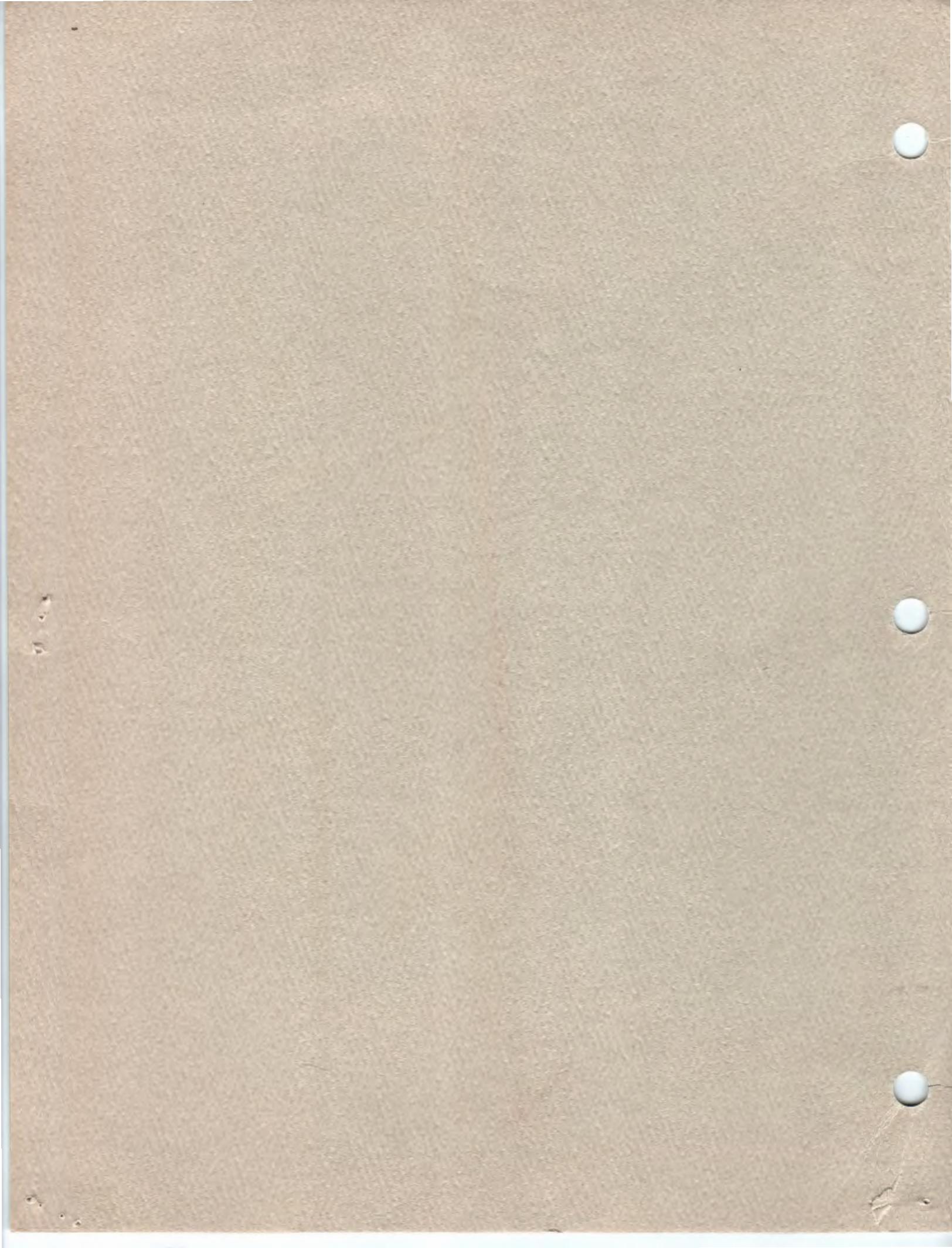
¹One "job" is one full-time equivalent worker-year.

Total Supplier Dollars for 1978-1982



Based on 5-year average

During 1978-1982, BCAC had an average of 3,535 suppliers annually, with contracts averaging \$3.4



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FG033-04

THE WHITE HOUSE
WASHINGTON
July 21, 1983

Dear Jerry:

I am writing to express my strong support for pending legislation to provide for U.S. participation in replenishments of the Inter-American and Asian Development Banks and the African Development Fund. This legislation is part of H.R. 2957, which also provides for continued U.S. participation in the International Monetary Fund, strengthened supervision of international lending and reauthorization of the Export-Import Bank.

United States participation in the multilateral development banks is an important means of promoting economic growth and development in the less developed countries, and complements our bilateral assistance programs. The proposed replenishments covered in this legislation are the result of extensive multilateral negotiations with all of our major allies, many of whom have already completed their legislative procedures for contributing to these replenishments. It is essential that the United States demonstrate its continued commitment to the cooperative effort undertaken through these institutions by completing promptly the necessary legislative steps to contribute to these replenishments.

The proposed replenishments will provide critical development resources for countries of strategic importance to the United States in Latin America, Africa and Asia. Countries benefiting from these replenishments include Mexico and the Caribbean Basin countries. In addition, some of the poorest countries in the world such as Chad and Bangladesh will receive critically needed resources to combat poverty and famine. "

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Prompt enactment of this legislation will be a strong signal of U.S. resolve to assist the people of developing countries in their struggle to improve their own lives. I urge you and your colleagues in Congress to lend your strong support to this important legislation.

Sincerely,

Ronald Reagan

The Honorable Jerry M. Patterson
Chairman
Subcommittee on International Development
Institutions and Finance
House of Representatives
Washington, D.C. 20515

Danner

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