Ronald Reagan Presidential Library
Digital Library Collections

This is a PDF of a folder from our textual collections.

Collection: Meese, Edwin, III: Files, 1981-1985
SERIES: I: CABINET AND CABINET COUNCILS
Subseries: C: CM (Cabinet Matters) Files
Folder Title: International Investment Policy – Foreign Government Controlled Companies' Direct Investment in the United States (CM #99)
Box: 9

---

11 AUG 1981

CM #99

MINUTES
CABINET COUNCIL ON ECONOMIC AFFAIRS

July 16, 1981
8:45 a.m.
Roosevelt Room

Attendees: The Vice President, Messrs. Regan, Baldrige, Block, Donovan, Lewis, Brock, Weidenbaum, Anderson, Porter, Davis, Rashish, Hodel, Hodsoll, Jordan, Leland, West Bailey, Dederick, Ernst, Garrett, Hopkins, Gribbin, and Ms. Small.

1. Major League Baseball Strike

Secretary Donovan reported briefly on the progress of the major league baseball strike negotiations, the principal issues in dispute, and the prospects for an early settlement.

2. Tax Policy: Gasoline Tax

The Council briefly discussed the gasoline tax proposal currently under consideration by the House Ways and Means Committee. The proposed 2¢ per gallon additional federal tax on gasoline would be effective in 1983. Secretary Lewis observed that while the tax would benefit the Department of Transportation in providing needed funds for the Highway Trust Fund, it was his understanding that to date the administration did not support an addition to the gasoline tax.

Decision

The Council reaffirmed the administration's opposition to the proposal before the Ways and Means Committee to increase the federal gasoline tax.

3. Economic and Financial Situation in Poland

The Council reviewed a paper on recent developments in the economic and financial situation in Poland. Mr. Leland reported that since the Council's last review of this issue, Poland's economic situation has continued to grow worse. The private banks are continuing to meet on their rescheduling of the Polish debt they hold.

The discussion focused on the possibility of selling or giving surplus corn to Poland, the extent of the Soviet contribution to Poland, the prospects for restoring a healthy

Polish economy, Polish ability to use available credits, the prospects for Poland joining the IMF, and the French proposal for depositing central bank funds in Poland.

4. International Investment Policy

The Council reviewed a paper on "Potential Problems of Direct Investments in the United States by Foreign Government Controlled Companies." Mr. Leland reported on the sharp recent increase in direct investments in the U.S. by foreign government controlled companies. The discussion focused on the Elf Aquitaine takeover bid for Texasgulf, communications with French government officials on the matter, the French policy toward U.S. investment in France and the procedures that U.S. companies must go through to secure permission for such investments, the operating advantages of a nationalized enterprise with access to internal government information, the applicability of the Mineral Lands Leasing Act of 1920, and the decision of the Committee on Foreign Investment in the United States to request a delay in the Elf Aquitaine takeover bid of Texasgulf.

CM 99

Decision

The Council approved the recommendation that the Committee on Foreign Investment in the United States should formally request a delay in the Elf Aquitaine takeover bid of Texasgulf.

The Council requested the Working Group on International Investment Policy to: (1) undertake a study of the behavior and practices of foreign government controlled enterprises in the United States and (2) prepare a study on foreign government policies toward U.S. investment in their countries.

The Council requested the Department of the Interior to prepare a paper on the Mineral Lands Leasing Act of 1920 for Council consideration in developing an administration position before Secretary Watt's testimony before the House Commerce and Energy Committee.

RBP

MINUTES
CABINET COUNCIL ON ECONOMIC AFFAIRS

August 6, 1981
8:45 a.m.
Roosevelt Room

Attendees: The Vice President, Messrs. Regan, Baldrige, Stockman, Weidenbaum, Edwards, Anderson, Porter, MacDonald, Hodsoll, Rashish, Leland, Hormats, Connor, Denoon, Bailey, Ernst, Garrett, Gray, Gribbin, Hopkins, Kudlow, Nau, Shasteen, Waldman, Ms. Dyke, and Ms. McGlocklin.

1. <u>Economic and Financial Situation in Poland</u>

The Council reviewed a paper on the economic and financial situation in Poland. Mr. Leland discussed the reports of the extent and seriousness of food shortages, estimates of the current and future financial gap, food stocks and the inadequacy of the Polish food distribution system, recent actions by the Germans and the French regarding additional credits, the growing sense of urgency in Europe on the problem, and the central question regarding to what extent additional aid would in fact contribute to a Polish economic recovery.

The discussion focused on the dilemma faced by Solidarity in their relationship with the Polish government, the possibility of IMF membership for Poland, Soviet objectives in the situation, the tight budget situation in the U.S. and the limits it places on additional U.S. aid to Poland, and the political ramifications of a failure in the Polish experiment.

<u>Decision</u>

Messrs. Leland and Hormats will meet with their counterparts among the other creditor nations in Paris on Friday, August 7, 1981 to discuss the Polish financial and economic situation and to consider Polish requests for further aid. The U.S. representatives will not make any commitments for further U.S. aid and will report back to the Council on the Paris discussions at a Cabinet Council meeting the week of August 10.

2. <u>International Investment Policy</u>

CM#99

The Council reviewed a paper on international investment policy. Mr. Leland reported on the CFIUS review of the Elf Aquitaine takeover of Texasgulf and on his communications with French officials on the matter. The discussion focused on the French position on foreign investment, possible changes in the consultation process making it more formal in instances involving investments by foreign government controlled enterprises, congressional pressure for strengthening the powers of the Committee on Foreign Investment in the United States, U.S.-Canadian investment policy and the dimensions of U.S. investment in Canada, and the need to further develop our policy on investments in the U.S. by foreign government controlled enterprises.

Mr. Leland reported that the Working Group on International Investment was making headway on its examination of the consequences and potential problems associated with investments by foreign government controlled enterprises in the U.S. and should be ready to the Council on its study by the end of September.

3. Cancun Summit

The Council reviewed a paper on the Cancun Summit. The discussion focused on last weekend's preparatory meeting of Foreign Ministers that concentrated on procedural matters, and the agreement that no substantive decisions will be taken at the Summit, that there will be no fixed agenda, and no communique issued at its conclusion.

Most of the discussion centered on the quest for global negotiations by many of the developing countries and the position that the U.S. government and its representatives should take on this issue at the Summit. There was a general consensus on the need for the U.S. to develop a constructive alternative that will permit the U.S. to present a positive program that will provide mutual benefits for developed and developing countries.

RBP