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WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name FLOWER, LUDLOW "KIM": FILES

Withdrawer

JN 9/19/2019

File Folder MEXICO: MINISTER OF FINANCE GUSTAVO PETRICIOLI

FOIA

F19-038

Box Number 3

GAVIN

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
243294	REPORT		1	6/18/1986	B1
243295	MEMO	JOSE SORZANO TO CARLUCCI RE: DISCUSSION WITH MEXICAN FINANCE MINISTER	1	4/3/1987	B1
243296	MEMO	JOSE SORZANO TO CARLUCCI RE: MEETING WITH MEXICAN FINANCE MINISTER (WITH ATTACHED BACKGROUND PAPER AND TALKING POINTS]	4	4/7/1987	B1
243297	REPORT	SAME AS 243294	1	6/18/1986	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

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B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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

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National Security Council
The White House

Flower



87 APR 3 P 4: 18

System # _____
Package # 2506
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	SEQUENCE TO	HAS SEEN	DISPOSITION
Bob Pearson	<u>1</u>		<u>A</u>
Marybel Batjer			
Grant Green			
Colin Powell			
Paul Thompson			
Frank Carlucci			
Grant Green			
NSC Secretariat	<u>2</u>		<u>N</u>
NSC Secretariat			
Situation Room			
_____	_____		
_____	_____		

Scheduled

I = Information	A = Action	R = Retain
cc: VP Baker		Other
COMMENTS		Should be

w/ FCC

4/8 2:00

no response



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Natl Sec Advisor
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243295 MEMO

1 4/3/1987 B1

JOSE SORZANO TO CARLUCCI RE: DISCUSSION
WITH MEXICAN FINANCE MINISTER

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243296 MEMO

4 4/7/1987 B1

JOSE SORZANO TO CARLUCCI RE: MEETING
WITH MEXICAN FINANCE MINISTER (WITH
ATTACHED BACKGROUND PAPER AND TALKING
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MEX-20

DRAFT

ACTION

April 7, 1987

MEMORANDUM FOR FRANK C. CARLUCCI

SUBJECT: Your Meeting with Mexican Finance Minister
 Petricioli, 2:00 p.m., Wednesday, April 8, 1987

It is likely that Petricioli will seek to persuade you that the U.S. should relax its position on reform of the Inter-American Development Bank (IDB).

Negotiations are underway for the Seventh Replenishment of the IDB, covering the period 1987-90. The U.S. has proposed that the IDB lending level be increased from \$11 billion over the 1983-86 period to \$20 billion during 1987-90, provided that the IDB is changed as follows to better support the Baker Plan:

- o Create individual country lending strategies to guide IDB lending;
- o Adopt appropriate policy conditionality in its lending;
- o Reorganize its operating departments to support conditionality; and
- o Change the voting structure so that a majority of 65% rather than a simple majority is required for decisions.

Agreement has been reached on the first three points above. Latin governments and IDB management are strongly resisting a voting change. Borrowing countries now control 53.5% of the votes. The U.S.-proposed change would mean that the U.S. (with 34.5% of the voting power) plus one other donor country could veto a decision.

The U.S., led by Jim Baker, has argued that greater accountability is essential to obtaining support for a substantially increased lending program. However, the U.S. has not threatened to cut resource flows to Latin America. If the IDB is not prepared to accept the U.S. proposal, we are prepared to support additional lending by the World Bank in the region.

RECOMMENDATION

That you use the attached talking points to support the U.S. position on reform of the IDB voting procedures.

Approve _____

Disapprove _____

Attachment

Tab A Talking points

Meeting with Mexican Finance Minister Petricioli

2:00 P.M., Wednesday, April 8, 1987

Seventh Replenishment of the Inter-American
Development Bank

- I strongly support the U.S. position expressed by Secretary Baker and others concerning the need for changes in the IDB if the Bank is to have a substantially increased lending program (\$20 billion) for the 1987-90 period.

- I'm sure you agree that the most critical economic problem in Latin America is resolution of the debt crisis. There is broad agreement among IDB members that the Bank should support that.

- In the U.S., we have an extremely tight federal budget. If we are to have any hope at all of selling a large IDB increase to the Congress, there must be assurance that the IDB will truly support Baker Plan objectives.

- If the IDB chooses to remain a small project lender, the U.S. will not abandon Latin America in its fight to solve the debt problem. We are prepared to seek additional World Bank lending authority to make up the shortfall.

THE WHITE HOUSE

~~CONFIDENTIAL~~

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Gustavo Petricioli Iturbide
Mexican Secretary of Finance and Public
Credit, and
Eduardo Hidalgo, attorney; former SecNavy

PARTICIPANTS: Frank C. Carlucci
Ludlow Flower, NSC
Stephen Danzansky, NSC

DATE, TIME, PLACE: Wednesday, April 8, 1987, 2:00-2:30 p.m.
in Mr. Carlucci's office

National Security Adviser Frank Carlucci met with Mexican Minister of Finance Gustavo Petricioli on Wednesday, April 8. Minister Petricioli was accompanied by Eduardo Hidalgo, Washington lawyer and former U.S. Navy Secretary, who had requested the meeting on behalf of the Minister.

Minister Petricioli said that he appreciated the opportunity to speak with the National Security Advisor and wanted to raise three subjects: problems with Mexico's debt renegotiation; the apparent absence of a long-term, comprehensive U.S. foreign policy strategy for Latin America; and reform of the InterAmerican Development Bank as proposed by the U.S.

Mexico: Debt Renegotiation Package

Unfortunately, the Minister said, Mexico's foreign debt renegotiation had developed a serious wrinkle which has stalled progress. Basically, the U.K. banks had discovered that the amount of new lending required of them in the draft agreement was not proportional to their share of Mexico's total debt, and the share of new money that U.S. banks were prepared to provide was disproportionately less. A number of smaller U.S. banks had simply refused to go along. Therefore, U.K. banks were refusing to fund more than strictly their share. Other nations' banks could conceivably take the same position. The amount in question, according to Petricioli, is roughly \$100-150 million, trivial as compared to the total of \$14 billion. The Minister said that the U.S. banks could reasonably be expected to put up their share. The problem seemed to be lack of effective leadership. (Citicorp is Chairman of Mexico's Bank Advisory Committee.)

~~CONFIDENTIAL~~

Declassify on: OADR

DECLASSIFIED

Authority NSC Waiver

BY JIN PARADISE 9/19/2019

Minister Petricioli said that he was irritated because the renegotiation had seemingly been definitively settled in September 1986. At that time all had agreed on the arrangement, including IMF, World Bank, as well as the governments involved and, of course, the major private banks holding the debt. Now the deal was coming unstuck. This further delay has become a political as well as economic embarrassment to the GOM. He would have to face uncomfortable criticism from the Mexican Congress for not having wrapped up the negotiation. The Minister posed three possible outcomes: the money center banks or the regional banks in some combination could "top up" the U.S. share; the U.K. banks could cave in and pay an unfair portion; or the whole deal could fall apart, creating a serious international financial crisis. Petricioli intimated that he believed that in the end the big U.S. banks would ante-up the difference; but one couldn't be sure that all would end well. Moreover, Mexico viewed this as a bad precedent because it meant that some banks would get a free ride simply for having refused to cooperate.

Carlucci told the Minister that we were aware of the problem and that the USG would use what influence it had to keep the deal on track. He reminded the Minister, however, that American banks were privately owned and that the Government had no means to compel them into an arrangement that was essentially a matter for private business decision making. Nevertheless, the USG is an interested observer and would use its powers of suasion appropriately.

U.S. Policy toward Latin America

Petricioli apologized for being blunt: but he wanted to get something off his chest. He believes, he said, the Reagan Administration does not have a long-term policy toward Latin America. The Administration was preoccupied with Nicaragua and Central America, concerns he characterized as "exotic." As compared to the big, really important issues, such as foreign debt and economic development, the issue of Central America was relatively less important and should not be allowed to monopolize the foreign policy attention of the U.S.

Carlucci replied that the Minister's perception was perhaps shaped more by the media's intensive treatment of Central America than by the reality of the matter. In fact, Carlucci observed, the President had recently chaired a meeting of the National Security Council, called specifically to discuss Latin America as a whole. Carlucci drew attention to significant progress in the restoration of political democracy in recent years. Today, some 90 percent of the people in Latin America enjoyed democratic government. One of the important questions the U.S. was dealing

with was what could be done to institutionalize this democratic change: how could we be helpful? The media's tendency was to dwell upon U.S. military assistance, but the fact of the matter was that our economic assistance to the new democracies in Central America was many times greater.

Carlucci pointed out that it was precisely on the issue of democratic change where the U.S. and Mexico seemed to have the greatest policy difference. The U.S. believed that only the advent of democracy in Nicaragua would bring peace to the region. To achieve this result, U.S. policy had four aspects: 1) economic aid to foster growth and development; 2) diplomatic dialogue and negotiation; 3) promotion of political harmony and cohesion among the four democracies; and 4) support for the military pressure being brought to bear by the democratic resistance. Mexico appears to place less importance on democracy than on accommodation. It was very important, Carlucci emphasized, that we find a way to get together on this important issue.

Minister Petricioli said that Mexico understood the U.S. position; but still, he believed that the U.S. devoted too much time and effort to Nicaragua. Debt and trade issues were essential and needed priority attention. There was sufficient time remaining in the Reagan Administration to accomplish something in this respect, he said. Carlucci asked the Minister how he would propose to proceed. Would the OAS be a useful forum? Petricioli suggested an informal meeting of four or five leading countries -- U.S., Mexico, Brazil, Colombia, Argentina. Discussions would be frank, off-the-record and private. No media allowed. The purpose would be to develop an overall approach to the hemisphere's problems; a general agreement; a meeting of the minds. A possible agenda could include economic development, democracy and modernization.

InterAmerican Development Bank

Petricioli said that he did not think the U.S. initiative to reform the IDB would achieve our purpose. Moreover, the U.S. method would only alienate many Latin friends. In effect, the U.S. was blatantly asking for a veto power over the loan process. Member countries could not accept this. The desired control, however, could be achieved in other ways that would not be offensive to the Latins. The U.S. should exercise its influence through its active participation in the bank itself. By skillfully employing nominations on the bank's staff, the U.S. could, in effect, have a decisive influence on the bank's policies and operations. The problem has been, the Minister said, that U.S. participation in the bank has been very poor.


Carlucci closed the meeting by observing that the U.S. desire for a greater voice in the IDB was based on the fact that the U.S. contributed the largest share of the capital and that our current proposal even contemplates an increase in capital. Moreover, it was generally recognized that the IDB was in need of reform. The U.S. position was quite reasonable, given our perspective on the bank's loan policies and in view of the fact that the U.S. has been a most generous donor.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

ACTION

April 10, 1987

MEMORANDUM FOR FRANK C. CARLUCCI

FROM: JOSE SORZANO 
SUBJECT: Memcon with Mexican Minister of Finance,
8 April 1987

For your consideration and clearance, attached is a memorandum of conversation between you and the Mexican Minister of Finance, Gustavo Petricioli. Appropriate distribution would be to State, Treasury, CIA and to our Embassy in Mexico City.

Recommendation


That you clear the attached memcon and approve the suggested distribution.

Approve _____ Disapprove _____

Concurrence:  Steve Danzansky

Attachment

Tab A Memorandum of Conversation with
Minister Petricioli


Prepared by:
Kim Flower

THE WHITE HOUSE

~~CONFIDENTIAL~~

WASHINGTON

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Credit, and
Eduardo Hidalgo, attorney; former SecNavy

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Declassify on: OADR

EXEMPTED
ALSO BY NSC Waiver
BY JN NAFADATE 9/19/89

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