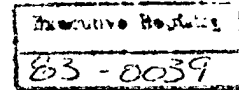




OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220
January 4, 1983



~~UNCLASSIFIED~~
~~(With Secret Attachment)~~

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE DIRECTOR, OFFICE OF MANAGEMENT
AND BUDGET
CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS
ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS
ASSISTANT TO THE PRESIDENT FOR
POLICY DEVELOPMENT
UNITED STATES TRADE REPRESENTATIVE
✓ DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT Senior Interdepartmental Group on International
Economic Policy (SIG-IEP)

Attached please find the minutes of the SIG-IEP meeting
held on Thursday, December 23, 1982.

David E. Pickford
Executive Secretary

Attachment

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SENIOR INTERDEPARTMENTAL GROUP-INTERNATIONAL ECONOMIC POLICY

Thursday, December 23, 1982
11:00 a.m.
Roosevelt Room

Attendees:

Treasury
Secretary Regan
Thomas Leddy

USTR
John Ray
Cecilia Klein

Office of Vice President
Admiral Daniel J. Murphy
Donald Gregg

CEA
Martin Feldstein

State
Secretary Shultz
W. Allen Wallis

OPD
Roger Porter

Defense
Fred C. Ikle

NSC
William P. Clark
Norman Bailey, Executive Secretary
Roger Robinson
Henry Nau
William F. Martin

Agriculture
Secretary Block
Seeley Lodwick

Commerce
Secretary Baldrige
Lionel Olmer

CIA
Director Casey
Henry Rowen
Maurice Ernst

OMB
Alton Keel

The Chairman asked Secretary Shultz to give a report on U.S.-EC relations based on the Secretary's recent visit to Europe. Secretary Shultz began by noting that economic relations with Europe can be assessed only alongside broader political and strategic concerns, and 1983 will be a critical one in every dimension of U.S.-European relations. We can be encouraged on the NATO front -- despite great difficulty, the Allies are determined to see deployment through. On East-West economic relations, we have what we need to get things moving. COCOM activities are proceeding and will be taken more seriously. Agreement has been

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reached that other high technologies, including oil and gas, should be examined for their bearing on security, although we are more convinced that a link exists than our Allies. On energy, we are undertaking an alternatives study within the framework of the OECD, including IEA. We also have agreement on credits not to subsidize the Soviet economy, although this issue will have to be addressed in its complexity. The OECD will take responsibility for this area with Treasury managing our contribution.

France has agreed to the need for an overall strategy study within NATO which casts the issue in a security context. This is appropriate from the U.S. perspective, although it does raise problems with Japanese participation. The French also noted that the various studies should be completed for the round of spring Ministerial meetings (NATO, OECD) leading up to the Williamsburg Summit. This fits our schedule well. Allen Wallis will coordinate these activities at the working level and report to the SIG-IEP. In concluding the discussion on East-West economic relations, Secretary Shultz underscored that 1983 will be a critical year in a public relations sense. He warned, and others strongly concurred, that continued indiscrete press leaks can greatly harm our effort.

Secretary Shultz then reported that some good meetings were held on agriculture. This was due to the realization that the direction we are headed is frightening and can be avoided. Discussions will continue in January. Care should be taken not to take any antagonistic steps at this time. The SIG-IEP should continue to provide input into the negotiations.

Secretary Regan then reported on international debt developments. The situation in Mexico, Argentina and Brazil is improving, but problems still exist in getting the exact sums. One of the main problems with Mexico is with the Japanese over how much they are owed. A second problem is with U.S. regional banks, which are refusing to renew or expand Mexican debt. The Brazilian effort is going reasonably well, although large banks will have to make up the shortfall resulting from failure of regional banks to participate fully. The Argentine effort is being spearheaded by Federal Reserve Chairman Volcker who is arranging 60% of the bridging loans.

The Yugoslav situation remains serious and continued close attention will be necessary into the New Year. At year end, Yugoslavia will have \$200 million in available reserves. A current account deficit for January 1983 is forecast and the IMF estimates that there are \$300 million in debt payments due. The crunch is likely to come by mid-January. The total financial gap over the year could be as high as \$1.5 billion; virtually all of it will fall in the first half.

Negotiations are underway for a third and final year of an IMF program. The specifics being asked for by the Fund are very difficult

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but necessary to meet IMF conditions and to encourage private banks to assist with complementary financing.

The desired outcome is for Yugoslavia to agree to the IMF program, private banks to put together complementary financing, governments to agree to a billion dollar medium-term package, and the IBRD to make a \$300 million structural loan. A short-term bridge loan could be put together through the BIS.

The U.S. has indicated that we could do \$200 million in export credit guarantees. Other countries have indicated pledges of \$470 million. This brings the potential total to \$670 million out of the \$1 billion to be provided by governments.

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EXECUTIVE SECRETARIAT

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19	C/IPD/OIS				
20	W/O/ECOM		✓		
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Remarks: *KJ File SIG-IEP 23 Dec 82*

Executive Secretary
1/4/83
 Date

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