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**EXECUTIVE SECRETARIAT**  
**Routing Slip**

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Remarks:

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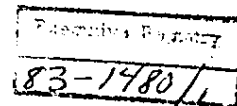
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Secretary  
Date

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

March 25, 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 ATTORNEY GENERAL  
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 are the minutes of the March 17, 1983, meeting  
of the SIG-IEP.

  
David E. Pickford  
Executive Secretary

Attachment

UNCLASSIFIED  
(With Secret Attachment)



SENIOR INTERDEPARTMENTAL GROUP-INTERNATIONAL ECONOMIC POLICY

March 17, 1983  
3:00 p.m.  
Roosevelt Room

Attendees:

Treasury

Secretary Regan  
Marc Leland

CIA



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State

Richard McCormack  
Dennis Lamb

USTR

John E. Ray  
William Triplett

Defense

Richard Perle  
Stephen Bryen

OMB

Alton Keel

Agriculture

Richard Lyng  
Allan Tracy

CEA

Martin Feldstein

Commerce

Secretary Baldrige  
Lionel Olmer

OPD

Edwin L. Harper  
Roger Porter

Justice

Michael Shepherd

NSC

Norman Bailey, Executive Secretary  
Roger Robinson  
William Martin

Korean Cotton

The Chairman asked Deputy Secretary Lyng to introduce the subject of extending blended credit to the Koreans for purchases of U.S. cotton. The direct costs to the USG for the \$10 million interest-free credit for 30 months would be \$1.7-1.9 million, but the direct benefits would be considerably more. In addition, the United States would be able to maintain its traditional share of the market (90-95 percent) which is being challenged by several developing country producers.

Opponents of the sale argued that this would be a contradictory and untimely gesture given our free market and trade approach. In addition, it would help block out sales by other developing countries who we have told to depend on trade, not aid for economic growth. After discussion, the SIG-IEP, by a vote of eight to two, decided the cotton credit should not be granted.

### Polish Debt

Març Leland reviewed the status of Polish debt. Private banks and Poland have agreed to reschedule the 1982 debt. While banks are receiving only a small portion of what is due them, some European countries are beginning to believe that partial payment is better than receiving nothing. We are likely to run into considerable pressure from the Europeans to seek an agreement to reschedule 1982 Polish debt.

However, Polish funds are limited. It is not clear that governments would receive significant amounts. On the other hand, it would get us nowhere to declare Poland in default. This standstill situation is likely to continue for some time.

Dick McCormack reported that the political situation in Poland remains grim and that Secretary Shultz is willing to try to negotiate quietly with the Poles to see if something can be worked out. The Chairman concluded by saying that Treasury, State and the CIA should form a working group to study this problem further. He also welcomed any attempts by Secretary Shultz to see if he could make progress with the Poles.

### Exchange Stabilization Fund

Secretary Regan then asked the group's guidance on the use of the Exchange Stabilization Fund (ESF). The ESF was originally created to help moderate fluctuations in the currency exchange market after the United States went off the gold standard. It was created to maintain stability in the international markets and the Secretary has recently used it to provide bridge loans to Mexico and Brazil with assurances of adequate collateral and payback schemes. More recently, we have loan requests in from Chile and Peru for \$400 million and \$170 million, respectively.

This has made Congress somewhat nervous, partly because they have no control over the \$12 billion fund.

The Secretary of the Treasury has no other fund to assist countries who, in fact, may have great needs (i.e., nations who need a bridge loan to keep them afloat until IMF funds can be supplied).

On balance, Secretary Regan was wary of using the ESF for these purposes, but he was interested in hearing the views of the SIG-IEP.

Most comments were supportive of using the ESF to provide short-term financing for needy countries, although they recognized the Secretary's concern as to where you draw the

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line. Some noted that you need to see the light at the end of the tunnel before providing a loan. Roger Robinson suggested that the protection of Treasury's prerogatives and flexibility in administering the ESF might be best served by staying within existing precedents for use of the ESF. He stated that he understood this to mean that ESF loans should be fully collateralized and that a source of payback be identified within the prescribed six-month period.

Marc Leland noted that this issue would be more thoroughly addressed in the NSSD on international debt which will be completed by April 15. The analysis and conclusions will be drawn from the four working groups currently studying different parts of the issue.

Export Administration Act

The NSC will review the three remaining issues regarding the Administration's legislation stance for the Export Administration Act renewal. These include the subjects of contract sanctity and import controls.