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Remarks

Executive Secretary  
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United States Department of State

United States Permanent Mission to the  
Organization of American States

Washington, D. C. 20520

Executive Registry

June 6, 1985

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William J. Casey  
Director of Central Intelligence  
Central Intelligence Agency  
Washington, D.C. 20505

Dear Bill:

Thank you for your letter of December 7, 1984 and the excellent paper "Economic Forces for Change in the Third World." You also asked for my reactions and suggestions for improving this paper. I think the paper is truly outstanding as it is and represents an excellent overview of the major trends. Rather than change the existing paper, it would be my suggestion to do a series of indepth studies on some of the sub-topics discussed in the paper.

One topic which I feel merits urgent indepth analysis is briefly discussed on pages 4-5 of the paper under "Slow growth in developed country demand for imported raw materials and tropical foodstuffs." I personally believe that we have not seriously begun to analyze the implications of what the paper describes as "the worldwide trend toward greater use of synthetically-produced industrial raw materials." This trend seems to imply continued stagnation in many traditional non-food commodity markets which in turn has very serious implications for long-run solutions to the Latin American debt "crisis." For example, there are now a number of advanced prototype ceramic engines running. Such engines, once serially produced on a large scale, would obviously reduce iron and steel demand (as well as oil demand, because of their inherently greater thermodynamic efficiency). What we need is a study that extrapolates the materials' trends (to the extent possible) and uses these in a decent econometric model of the commodity markets. It is entirely possible that such an analysis might show that a recovery in commodity prices is far further in the future than is presently believed.

Another section which I believe could be an important separate study is briefly discussed on page 9 under "The Important Elusive Elements of Economic Progress." In this section, it is stated that "Those countries achieving rapid economic growth, such as NIC's, tend to possess a hard-working and well-educated labor force, as well as strong entrepreneurial

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drives ...." However, the three elements of hard-work, good education and strong entrepreneurial drives are themselves the result of one overriding factor --- the successful inculcation from an early age of the motivation to achieve. There is a fairly large body of research on achievement motivation, and I recall that there was an AID educational project in the 1950's in India which produced a large number of India's present day leaders in business as well as governments. The simplistic version of what I am talking about is the Horatio Alger story. There are simply not enough Horatio Alger stories in the LDC's, and those real life examples that exist do not receive the wide dissemination they deserve. In many LDC's, the business-economic "heroes" simply remain unsung.

A third section which I believe merits a full-scale study is that of "Fostering the development of small-scale enterprises" found on page 20. What I envision is an expanded compendium along the lines of insert 6. It should be expanded into more of a "how to" discussion; i.e., how were the investors located, who took the initiative, what were the obstacles which had to be overcome, etc. We in the OAS have a U.S.-led initiative going on small and medium size enterprises which is at the study stage, and I believe that a study of the type I envision could be extremely useful in promoting this aspect of economic development both within the OAS and elsewhere.

The last section I would like to comment on is, "Helping state enterprises to become more efficient or finding ways to turn over their functions to the private sector" found on page 21. As you know, this has been a central theme of my economic work as Ambassador to the OAS. Again, a separate and distinct study on this, I believe, could be of immense help in accelerating achievement of this objective. In particular, we need a study of all of the potential models for privatization of government enterprises, on the one hand, combined with facts on the disastrous effects of excessive state involvement in the economy, on the other hand.

With regard to the problem of "... how we might proceed to reorder our policies and instrumentalities to realize this opportunity," I must admit that this is a hard nut to crack. (In fact, trying to address that part of your letter is why it has taken me so long to respond.) My first suggestions would be to begin with some of the recommendations of the President's

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Task Force on International Private Enterprise. (I am including a copy of the executive summary of the Task Force's Report to the President.)

You will note that one of the Task Force recommendations is to reorient U.S. Foreign Aid Programs. In this connection, I recently found out that during the Carter Administration, 17% of Aid's annual budget went in support of private sector programs and through year-end 1984, this percentage has remained unchanged. However, one of the most important elements necessary to change the mindset that has given us such statistics is public awareness. In that connection, I am sending you a copy of a letter I just sent to Pat Buchanan suggesting a conference under some kind of White House umbrella that would publicize the issues raised by the Task Force Report but also go beyond it. I would hope that you would do your part to support this idea if you find it has merit.

Sincerely,



J. William Middendorf, II  
Ambassador  
Permanent Representative

Enclosures:

1. Executive Summary of the President's Task Force on International Private Enterprise: Report to the President
2. Letter to Pat Buchanan
3. Selected pictures of the "La Perla" project

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## Executive Summary

The United States now faces the challenge of leading the world to a new era of prosperity created, in significant part, by unleashing the dynamism of the private sector in the Third World. Meeting this challenge successfully is a matter of our own long-term national security and is the direct requirement of a world grown more interdependent. As they have in the past, U.S. economic policies will continue to reflect and be dictated by traditional humanitarian concerns.

We believe that the United States and developing countries share a vital interest in Third World economic development, that economic growth can best be achieved through the development of the private sector, and that economic growth provides a necessary base for long-term political stability.

Among the Task Force's general recommendations are the following.

**Elevate international economic policy to a level comparable to national security.**

In the world of the twenty-first century, the security of the United States and of developing nations will depend increasingly on how well our economies interact. One of the critical determinants of our security will be the degree of our success in sharing our economic strength with the developing world. This will also require giving heightened significance to international economic policy and devising ways to share our economic know-how with developing countries.

**Establish an Economic Security Council.**

Responsibility for the formulation of international and domestic economic policy is fragmented, with portions scattered throughout the U.S. Government. A well-coordinated U.S. economic policy would mean more jobs, increased exports, and increased stability at home and abroad. We propose the creation of an Economic Security Council, responsible for formulating, coordinating, and integrating international and domestic economic policies. Some of the matters with which such a council would deal are the debt crisis, trade and agricultural policy, technology transfer, and foreign assistance.

**Expand Opportunities for Private Enterprise.**

The private sector in developing countries is hampered not only by the lack of capital and the lack of technology and management skills that accompany direct investment, but also by the absence of positive government policies toward entrepreneurship. By urging, encouraging, and using our resources to help developing countries adopt policies that attract foreign direct investment and by helping businesses identify investment opportunities in the Third World, we can make a crucial contribution to the economic development of those countries. The Task Force's *Private Enterprise Guidebook* provides specific advice on how to use U.S. resources to attract foreign and local investment.

**Reorient U.S. foreign aid programs.**

Perhaps the greatest paradox in our foreign aid programs has been that while U.S. economic success is based upon private enterprise, we have done far too little to help developing countries attract private enterprise, trade, and investment. U.S. foreign assistance programs should substantially expand their efforts to help developing countries adopt policies that will strengthen the opportunities for private enterprise. To the maximum extent feasible, the U.S. Government should not channel its foreign assistance resources to governments, but to the private sector in developing nations. For the mutual benefit of the United States and developing countries, the U.S. Government should also integrate its foreign assistance and trade programs and policies to make better use of its resources. The Task Force's action brief on strengthening AID's private enterprise thrust and its *Private Enterprise Guidebook* will serve as a blueprint for this reorientation.

**Press for Increased Trade Flows.**

American firms increasingly find themselves competing overseas with foreign firms that are supported by their national treasuries. Not only are U.S. companies losing large amounts of business to mercantilist nations that provide heavy subsidies to their firms, but these practices distort the whole pattern of international trade to the detriment of the United States, developed countries, and developing countries alike. In fact, we believe the practice of "mixed



credit" trade subsidies has become a major threat to international private enterprise. To protect U.S. firms and the free enterprise system, we recommend that the United States fight fire with fire. Specifically, we believe that the Administration should make sufficient mixed credit resources available in order to convince other nations that such practices are not in anyone's "best interest." This will press our foreign competitors to the negotiating table and bring an end to such predatory practices. In Part V of this report we recommend that the Agency for International Development (AID) and the Export-Import Bank (Eximbank) blend their resources and that, if necessary, Eximbank use the full extent of its authority. This could amount to a mixed credits program of several billion dollars.

**Constructively use U.S. Agricultural Abundance.**

We cannot afford, financially or morally, to idle large parts of our productive farmland. Rather, we must devise ways to harness our agricultural abundance so that we can increase exports from the United States and alleviate chronic starvation and malnutrition in the developing world. Food can also be used to ease the pressing foreign exchange needs of Latin American, Asian, and African nations caught in the international debt crisis. The U.S. Government can provide large amounts of food to these countries on a concessional basis to enable them to use their limited foreign exchange to meet other objectives. The Public Law (P.L.)

480 Program is one of the President's most effective tools. In Part V of this report we recommend doubling the program. Given the current costs of farm subsidy programs, the impact of this increase would be a net reduction in the Federal budget.

In designing a strategy to address current crises and long-term economic development needs, the Task Force has been guided by the following precepts.

- Market-oriented economies work, excessively planned economies do not.
- The United States has an important role to play in leading the world toward balanced and equitable economic growth.
- A free and open trading system offers the greatest hope of achieving widely shared economic growth and prosperity. However, U.S. industry and agriculture must be able to compete with the terms offered by mercantilist nations until such time as we can meet our competitors on a level playing field—in fair and open competition.
- United States agricultural abundance must be harnessed more effectively to address the human and development needs of the people of the Third World.



*J. William Middendorf, II*  
*United States Permanent Representative*  
*to the Organization of American States*

May 30, 1985

Mr. Patrick J. Buchanan  
Assistant to the President  
& Director of Communications  
The White House

SUBJECT: Conference on "The President's Task  
Force on International Private  
Enterprise"

Dear Pat:

Before I get into the main subject of this letter, I would like you take a look at the enclosed pictures of the "La Perla" project in Guatemala. The sign the workers are holding up reads, "The militia of the farm 'La Perla' are with the national army, we want more arms, we are searching for peace, long live Guatemala, death to communism." "La Perla" was converted to 40% employee stock ownership last fall and has been attacked twice by the guerrillas. The first attack resulted in the central building complex being overrun. Two hundred of the workers took up arms and drove off the guerrillas leaving dead on both sides. After this attack, the remaining workers petitioned the majority shareholders for additional arms and ammunition to be financed by a payroll deduction plan. This is clearly an example of why the President is right in advocating expanded capital ownership.

As you know, "The President's Task Force on International Private Enterprise" produced an excellent report on what is stifling private enterprise development in less developed countries as well as list of recommendations for changes in U.S. policies designed to foster international private enterprise. The recommendations (with the major exception of the reorganization of economic decision-making within the White House) largely echo my own views and those of the Reagan Administration. Up to now (and unlike the Grace Commission), this report has received very little

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publicity, and consequently, it has had virtually no impact within the realm of U.S. foreign economic policy formulation.

Through an informal network of interested parties including Frances Johnson and Bruce Mazzei of AID, Bill [redacted] of CIA and some of the members of the ESOP informal working group (Norman Bailey, Norman Kurland, et al.), we have been exploring the idea of giving the task force report wider publicity by means of a conference to be held, and the sooner the better. We have heard that Professor Ted Moran of the Georgetown University's Program in International Business Diplomacy is interested in the idea and that Georgetown could be persuaded to host such a conference. The funding would be provided by the private sector and Mr. John Keeley of the National Education Corporation, who is interested in this idea and has contacts within the private sector which could fund such a conference.

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However, to make this all happen, a high-level symbolic political umbrella/endorsement is necessary; namely, a letter on White House or the Vice President's stationery suggesting that Georgetown sponsor such a conference on the understanding that such a conference would be financed by private sources and (which is why) I am writing to you, Pat, to see whether you could support this idea and if there is White House interest. It would be best if, within the White House, a decision were made to assign the responsibility for such a conference to the Office of the Vice President which would have the effect of:

- 1) Defusing the frequent criticism that the President's policies are good but his lieutenants don't do enough to push them; and,
- 2) Reinforcing the Vice President's credentials for pushing sound economic policies.

The conference agenda should probably cover these subjects: The President's views on U.S. policy on international private enterprise, made known at Cancun

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and Williamsburg; recommendations of the President's Task Force on International Private Enterprise-what U.S. business and government can do to implement these practical, sound recommendations; U.S. experience in helping developing countries switch from government-run economies to private enterprise-oriented economies, thus opening up business opportunity to local nationals and Americans alike; issues raised by the U.S. Catholic Bishops' Pastoral on the U.S. economy and on U.S. overseas economic programs-issues such as the morality of the profit motive and ways private enterprise can help overcome world hunger; what developing countries and the United States have to gain from creating a bigger world economic pie, such as prospects for eliminating hunger in poor countries; cutting the U.S. trade deficit to zero, and boosting America's global market share dramatically as poor countries buy more American goods and services; private property and expanded capital ownership as critical to building democratic, prosperous societies in developing countries; actions required to implement the President's policies for global economic growth, leading to a bigger market share for U.S. business-i.e., what the Executive Branch and Congress must do to open opportunity for U.S. and LDC business; and Third World views and motives for taking greater part in the global marketplace.

I am enclosing some talking points which may be of use to you in your discussions inside the White House and I look forward to your response as to the feasibility of this idea.

Best regards,



J. William, Middendorf, II

Enclosures: as stated

cc: Bill Casey

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- What is needed to get the idea moving is a letter on White House or Vice Presidential stationery suggesting such a conference to Georgetown on the understanding the private sector would finance it.
  
- It is my thinking that it would make sense to have the White House assign the task of the letter to the Office of the Vice President which would build up the Reagan-Bush team image as well as reinforcing the Vice President's credentials on these issues.
  
- I wonder if you could take up this idea within your own organization.

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AGENDA: FOR DISCUSSION  
(PANELISTS ARE ILLUSTRATIVE)

Seminar on

U.S. Policy on International Private Enterprise  
Purpose, Import and Follow-Through

- I. U.S. Policy on International Private Enterprise
- A. Presidential Policy Statements on International Private Enterprise
- Cancun, Williamsburg and European Policy Statements  
Presenter: Sec. Shultz; Commentary: Members of Congress; other
  - Public and Private Sector Cooperation in Alleviating World Hunger, The White House, December 1984  
Panelists: National Security Adviser; Mr. Bradley of International Management and Development Institute--IMDI
  - President's Speech to American Legion--1983 (Employee Stock Ownership)
- B. White House Task Force Report on Third World Hunger:  
Amb. Keating, Task Force Chairman
- Recommendations: including provision for public-private sector cooperation in alleviating world hunger.
- Panelists: Carol Brookins, Chairman, Subcommittee on Food and Agriculture of the State Department's U.S. Business Advisory Committee on Investment, Technology and Development, formed as directed in National Security Directive 143 issued by the President on July 9, 1984. Other panelists: Industrialists from Exxon, Monsanto, Ralston Purina, Pillsbury, Caltex ... (members of the Subcommittee).
- C. AID Policy Paper on Private Enterprise Development
- Presenters and Panelists: Peter McPherson, Sec. Baker, OPIC, other.
- II. President's Task Force Report on International Private Enterprise: What It Is: What It Is Not

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A. Report Highlights and Recommendations--

Panelists: Dwayne Andreas, Task Force Chairman and others

-- Rationale for a U.S. Commitment to Promote Conditions Conducive to Private Enterprise:

Commentary: Peter Drucker, I. Kristol, Simon, M. Novak, university authorities,

-- Proposals for an American International Finance Corp.  
Panelists: U.S. business

B. Report's Gold Nuggets -- Policy Dialogue and Policy Change

Commentary: George Ferris of Ferris and Company, Task Force member and advisor to State and IFC.

C. Flaws in the Task Force Report?

1. Who will private enterprise enrich?

The Report seems to favor expanding private enterprise primarily to enrich Americans. Is this so?

Panelists: Task Force member, U.S. Catholic Bishops' Pastoral member, others.

2. Private Enterprise and American Economic Imperialism

Would endorsing Task Force Report recommendations give official sanction to American business exploitation of the Third World?

Advice and counsel from panel of U.S. and Third World authorities.

Panelists: LDC Finance Ministers, IBRD representative (e.g., E Berg), international bankers, U.S. business, church, PVO, and Peace Corps representatives.

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III. The Profit Motive and Open-Market Economic Systems

A. Prospects for Prosperity and the General Welfare:

Prosperity With Profits and Open-Markets--or Without Them?

- Countries that have taken off with open-market and export-oriented economies (Korea, Taiwan, other)
- Lower taxes reap higher revenues
- Sri Lanka: Its central economic planning road to general welfare and switch to market systems for prosperity.

Panelists: Rep. J. Kemp, Amb. Middendorf, university authorities, others.

B. U.S. Catholic Bishops' Pastoral on U.S. Economic Programs with LDCs

- Pastoral's Objectives, Goals and Ideals: Economic Justice and Human Dignity
- Bishops' recommendations for U.S. economic and social programs to alleviate poverty at home and abroad
- Will the Bishops' Proposals Work? Will They Produce the Size of Results Wanted? In the Time Desired?

Panelists: Key proponents and practical critics of the Pastoral.

C. Economic Incentives for Individuals: Blessing or Plague?

Prospects of Food for All through Private Enterprise

1. How Peasants in China and Zimbabwe Fare--with More Open Markets
2. Does the U.S. Know How to Enable LDCs to Set the Stage for Food for All through Enterprise?



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How USAID works with governments in Zimbabwe and other LDCs to provide food for total populations through private enterprise, with governments playing constructive roles.

Panelists: Marc Winter of AID; Richard Newberg, AID consultant; John Fischer of U.S. University, Executive Director, Consortium for International Development, Dr. Fischer proposes that AID field small advisory teams to LDCs that desire to eliminate hunger and malnutrition through public and private sector cooperation.

3. National Food Supply Systems: A Litmus Test for How an LDC Economy Works.

Who controls food supply and distribution, in public and private sectors? Who reaps the benefit? The politics of food distribution through government-controlled or free market systems.

4. Recommendations: Business as Key to Ending Hunger.

Panelists: End Hunger Project and university representatives.

- a. U.S. Private Sector Recommendations: IMDI Report: Recommendations of the U.S. Business Community on Government and Private Sector Cooperation to Alleviate World Hunger;
- b. Recommendations of the Brookings Food Subcommittee, U.S. Business Advisory Committee, Department of State.

IV. Fostering Private Enterprise Policies and Growth:

Who Gains from the Bigger Economic Pie?

A. For Third World Countries: Advantages and Disadvantages of Global Economic Growth:

Panelists: U.S. Trade Representative Office, Treasury, IBRD, IMF, LDC Finance Ministers, international bankers, other.

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B. For the United States: Purposes and Principles Pursued through Global Economic Growth:

How and why promote establishment of a global framework of policy, law, order and market-driven commerce (See "Golden Book").

Panel of Norman Bailey, Rep. William H. Gray III, I. Kristol, Sen. John Danforth, Amb. Wm. Middendorf, others.

U.S. Interests Served When LDC People Go into Business For Themselves

1. Prospects for LDC investors to become prosperous by investing in domestic industry, thereby reducing pressure for capital flight and relieving pressure on the high-value U.S. dollar.
2. Prospects for Americans to increase global market share as LDC buyers earn dollars through exports: By doubling the growth rate of U.S. exports of the 1970's, U.S. trade levels would grow by \$354 billion, thereby allowing the government to collect \$142 billion more in revenue each year.
3. Prospects for increased political security, democratic processes and reduced terrorism in Third World countries.

Panelists: Prof. T. Moran (Georgetown University), John Richardson (American University) and other authorities.

4. Lessons the USSR Can Learn from New Peasant Prosperity in China and Zimbabwe. Accomplishing national ideals through incentive economics: risks and returns. Examining Gorbachev views and experience with incentive economics for the agriculture sector in the USSR.

Panelists:

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V. Private Property, Expanded Capital Ownership and Political Liberty: Grounds and Evidence for Private Property--as Critical to Democratic Society

The President's Task Force Report implicitly advocates development based on private property. The Seminar will examine this proposition, using H. Con. Res. 31 as a case study. This resolution, introduced by Rep. Barnes and Rep. Crane, urges the expanded use of employee stock ownership plans in Central America and the Caribbean as a means of promoting political and economic pluralism and strengthening democratic institutions. The resolution proposes that the President call upon leaders of the private sector to create and finance a private sector voluntary task force, to be known as the Presidential Task Force on Project Economic Justice.

Panelists: N. Kurland (Equity Expansion International), Members of Congress, Third World authorities.

VI. Shaping and Implementing U.S. Policy on International Private Enterprise

Roles of Branches of the U.S. Government: (See "Golden Book", Item E).

- A. Roles of the Executive Branch: Concerted Implementation of U.S. Foreign and Domestic Economic Policy Impacting on International Private Enterprise: White House, National Security Council, Departments of State, Treasury, Agriculture, Commerce, Labor, U.S. Trade Representative, Export-Import Bank, OPIC, AID, other.

Plans for implementation of AID Policy Paper on Private Enterprise Development (March 1985) and Key Recommendations of President's Task Force on International Private Enterprise:

Panelists: from U.S. Government Departments and Agencies.

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B. Roles of the Legislative Branch:

Foreign Assistance Act Authorization and Appropriations Committees.

Other Congressional Committees with jurisdiction for U.S. foreign and domestic economic policy and programs: Finance, Ways and Means, Commerce, Banking, Agriculture, Joint Economic, other.

Panelists: from Key Congressional Committees; private sector

VII. Third World Views on Private Enterprise Development--  
Perspectives of Representatives of Developing Countries:

A. Validity of Private Enterprise Development as Element of  
Economic Growth. Views on Global Economic Growth:  
Prospects; Advantages and Disadvantages:

1. Can developing countries enable the people through private business to help achieve national goals of GNP growth, jobs and daily food?
2. Can developing countries endue local investors with sufficient confidence in their own economy so that they invest at home and attract investment from abroad?
3. What will developing countries do?

B. Views on U.S. Initiatives in Private Enterprise Develop-  
ment and Global Economic Growth (i.e., the "Bigger  
Economic Pie")

- What Should the United States Do and Not Do?
- What Role and Caveats for U.S. Business?
- Other Views and Advice.

May 1984  
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Washington, D. C. 20505

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Mr. Edwin Hartrich

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Dear Mr. Hartrich:

Thank you for your positive comments on our study "Economic Forces for Change in the Third World." I agree with you that economic factors are increasingly becoming forces for change toward the Western model of development with major implications for future political relationships both in the Third World and the Communist Bloc.

While I believe that a book on this important subject would be useful, I am concerned that any perception of a CIA connection to the book could, in some eyes, tarnish its message. In addition, most of the information on which such a project would be based is generally available. Thus, I must decline your proposal but wish you well in pursuing the theme.

I appreciate your interest in pursuing this topic and look forward to a continuing exchange of ideas.

Sincerely,

*WJ Casey*

William J. Casey  
Director of Central Intelligence



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**SUBJECT: Letter to Mr. Edwin Hartrich from the DCI**

**NIO/AL/DL:**

**28 February 1985**

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Feb. 11th, 1985

Mr. William J. Casey,  
 Director of Central Intelligence,  
 Washington, D.C. 20505.

Dear Mr. Casey:

Ever since you sent me a copy of your special report, "Economic Forces for Change in the Third World", I have been studying how to exploit the opportunities for U.S. economic power and high technology on the global scene, for the ultimate benefit of the CIA and the U.S. government. I have some ideas for your consideration.

I suggest the creation of a special instrument which would expand and further promote the ideas and information in your special report, which incidentally, are the same in my book, "The American Opportunity." This would be a book for general sale and distribution in the United States, Europe, the Far East and the Third World.

In short popularize the message that "economic forces for change" are at work, not only in the Third World, but throughout the world, including countries allied to Moscow. The objective of this project would be to educate and to influence world opinion that Leninist-Marxism is in retreat globally because pragmatism is replacing ideology, that ecopolitics is taking over from geopolitics in world affairs. This transition period is a watershed of history, to the long-term benefit of the United States.

This book would be important and attract attention in international political and intellectual circles because it would have a solid core of information not readily available to the journalist and researcher. This information would be provided from the CIA's files, and other sources at your command. When used some of this information could be attributed to the CIA so as to increase the book's credibility.

I further suggest that I write this book in close collaboration with the CIA, which would have complete editorial control of the manuscript from start to finish. When completed the MS would be submitted by me -- in my capacity as an independent writer -- to a publisher, such as Macmillan, which has published my previous books. We would further arrange for its overseas publication in

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in Great Britain, France, Germany, Japan, etc.

To maximize the long-range political benefits of this project I further suggest that the CIA provide funds to promote the sale and distribution of the book. Such promotion would involve advertising, public relations, etc. These activities could probably be carried out through some acceptable cover agency, such as a privately-funded Foundation. (The Olin Foundation, for example, headed by William Simon, and which promotes private enterprise capitalism.)

This letter sketches out in the broadest strokes the essentials of this project. If it is of serious interest to you and your organization, the whole subject can be readily explored at greater length. In this, I am at your service.

In closing let me point out that this retreat of Communist ideology in the face of advancing free market economics will eventually be recognized for what it portends. However, this book project could hasten immeasurably this political development.

Best Regards

Sincerely



Edwin Hartrich



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7 December 1984

Mrs. Neal Peden  
 Bureau for Private Enterprise  
 Agency for International Development  
 320 - 21st Street, N. W.  
 Washington, D. C. 20523

Dear Neal,

It was good to see you at [ ] Christmas party the other evening and to learn that you are undertaking what should be a very interesting and indeed critical job at AID. For you to understand why I think it is so important, I am sending you a paper I had prepared to generate ideas on what can be done on what I believe to be a historic opportunity to bring progress to lesser developed countries (LDCs) around the world, help solve our own economic problems and demonstrate that Western capital, technology and managerial skills can accomplish what Soviet military and economic assistance and statist approaches have failed to deliver.

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LDCs around the world are shifting to more pragmatic approaches to solving their problems. They recognize that their highly centralized development policies have been a major cause of economic stagnation. They know that the Soviet economic system did not live up to expectations, and Communist countries supplied only meager amounts of economic aid and were unable to provide significant markets for LDC goods. They see that the newly industrialized countries (NICs) of the Far East have attained economic progress and succeeded in coping effectively with the oil price hikes, recessions, high interest rates and heavy debt which have so adversely affected the LDCs. They know that prospects for large amounts of Western foreign assistance have diminished. The fact that the NICs have succeeded without Western aid, together with LDC need for infusions of capital, technology and skills available from the West, creates a historic opportunity for us.

It is the lesser developed countries that can least afford the burden of inefficient government bureaucracies and ponderous state enterprises. In many of these countries a response is beginning to take shape. In some cases, large "second economies" consisting of small-scale enterprises are emerging. LDC governments are increasingly willing to contemplate and experiment with market-oriented approaches.

This changing climate presents significant economic opportunities for the United States:

- To increase the promotion of small-scale enterprises within LDCs and the acceptance and adaptation of new technologies.
- To enlarge the flow of foreign direct investment, and to help state enterprises become more efficient and find ways to relinquish some functions to the private sector.

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-- To strengthen its trade, finance and investment links with LDCs based upon a growing mutuality of economic interest.

The shift to more domestically-oriented development also will likely limit North-South trade frictions and help quiet protectionist sentiment in the developed world. Those additional LDCs that do become major exporters of manufactures (including China) will be mainly selling less sophisticated products and, as such, they will be taking away developed country markets from the current NICs.

In order to make the most of this increasingly important evolutionary and grass roots development process, we need to reorder economic aid programs so that more assistance reaches the small-scale entrepreneur.

The forces at play here have security implications as well. They can strengthen the West's position relative to that of the Soviet Union in LDCs. Soviet domestic economic and foreign financial constraints over the next ten years will make Moscow even less able to compete in nonmilitary sectors. At the same time, US security interests will often coincide with opportunities for economic support, and security assistance can reinforce the willingness and ability of an LDC to bring in and develop capital, technology and needed skills.

I would like your reactions and suggestions on how this paper might be improved and how we might proceed to reorder our policies and instrumentalities to realize on this opportunity.

Yours



William J. Casey

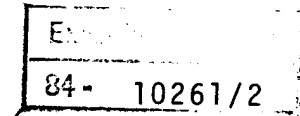
Attachment:

Paper entitled "Economic Forces for Change in the Third World," dtd 15 November 1984

**CONFIDENTIAL**

The Director of Central Intelligence

Washington, D. C. 20505



7 December 1984

The Honorable William J. Middendorf II  
United States Representative to the  
Organization of American States  
Department of State  
Room 6494  
Washington, D. C. 20520

Dear Bill,

I want to thank you for sending me that splendid speech of yours to the OAS on the need for Reaganomics in the Third World. It was a masterful piece of work.

I send to you a working paper I had prepared to generate ideas on what can be done on what I believe to be a historic opportunity to bring progress to lesser developed countries (LDCs) around the world, help solve our own economic problems and demonstrate that Western capital, technology and managerial skills can accomplish what Soviet military and economic assistance and statist approaches have failed to deliver.

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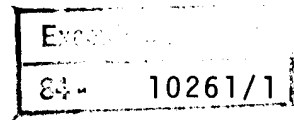
Attachment:

Paper entitled "Economic Forces for Change in the Third World," dtd 15 November 1984

**CONFIDENTIAL**

The Director of Central Intelligence

Washington, D.C. 20505



7 December 1984

The Honorable Alan Greenspan  
120 Wall Street  
New York, New York 10005

Dear Alan,

I owe you an explanation of the nature and purpose of the paper I asked you to read and sent to you yesterday. I had it prepared here in order to generate ideas on realizing what I believe to be a historic opportunity to bring progress to lesser developed countries (LDCs) around the world, help solve our own economic problems and demonstrate that Western capital, technology and managerial skills can accomplish what Soviet military and economic assistance and statist approaches have failed to deliver.

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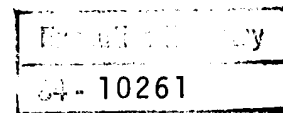
Yours,

A handwritten signature in cursive script, appearing to read 'Bill Casey', written in dark ink.

William J. Casey

The Director of Central Intelligence

Washington, D.C. 20505



7 December 1984

The Honorable Leo Cherne  
Research Institute of America  
589 Fifth Avenue  
New York, New York 10017

Dear Leo,

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William J. Casey

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ER/Jim:

The letters to Middendorf and Peden  
need attachment that was sent the other  
evening to Greenspan and Cherne--Economic  
Forces for Change in the Third World  
dtd 15 November 1984, authored by

[Redacted]


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[Redacted] 7 December

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ECONOMIC FORCES FOR CHANGE IN THE THIRD WORLD

  
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15 November 1984

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