



Washington, D.C. 20505

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OEXA 82-2064/A

*Senator  
Bradley*

Honorable William Bradley  
United States Senate  
Washington, D.C. 20510

Dear Senator Bradley:

In your letter of 19 August you raise some extremely important questions about the stability of the international financial system. We too have been concerned about these problems, and the financial crisis in Mexico obviously has increased the vulnerability of the system to major shocks, such as default by a sizable sovereign debtor. Indeed, the Executive Branch is preparing a major study of these issues for presentation at the Cabinet level and with a view to assessing the effectiveness and shortcomings of the present international financial system and to recommending appropriate improvements. We are participating in this interagency study, which is chaired by the Treasury Department.

We are also preparing our own independent assessment of the nature and seriousness of the Lesser Developed Countries (LDCs) and Soviet Bloc debt problems and their implications for the world economy and political stability in the LDCs. As part of this study we will be examining possible risks and impact of major systemic crises. Specific recommendations, however, on such matters as clarification of central bank agreements and creation of new stabilization funds, fall primarily within the expertise and responsibility of the Treasury and Federal Reserve Board. I see the role of intelligence primarily as providing international economic and political perspective based on the collection and analysis of international economic data.

We would be happy to discuss these critical issues with you and your staff and will keep you informed of the progress of the two studies just mentioned. They are due to be completed around the end of September.

Sincerely,

/s/ William J. Casey

William J. Casey  
Director of Central Intelligence

APPROVED FOR RELEASE  
DATE: JAN 2002