

The original documents are located in Box 4, folder “Economic Summit - Puerto Rico” of the Richard B. Cheney Files at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

May 31, 1976

MEMORANDUM FOR: ALAN GREENSPAN
FROM: DICK CHENEY

Alan, this is a follow up to our phone call of Saturday.

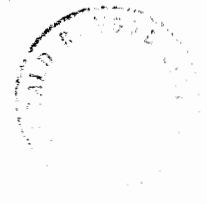
Your paper has been reviewed and approved.

You should take the following actions:

1. Make certain that papers are fully prepared on each subject, and we ought to get those in as soon as possible.
2. You should operate under the assumption and make certain that the President serves as Chairman of the Conference.
3. You will need to get information and begin planning who will lead each discussion.
4. As soon as possible prepare information to go to the President showing what our economic projections were at the time of the last Conference last fall, what our January projections were and what our current forecasts are for the future for GNP, etc., and also then show the track record in terms of what has happened.
5. I think you'll also want to prepare him some basic briefing materials on each of the other major economies so that he can totally familiarize himself with that.

The sooner we start the information flowing to him, the better off we'll be.

Attachment



THE WHITE HOUSE
WASHINGTON

Dick Cheney



O.K.

2 resume papers will
be fully prepared on each
subject.

Since I assume I will
be Chairman as Pres. G. was
I need arrangements established
as to who will lead - of each
subject etc.

Also I would like chart
material showing our Jan. projections for
G.N.P. etc + where are our now plus
current forecasts.

Burns HAK?
Simon
Seidman
Green
Scowcroft

CLASSIFIED BY Edwin H. Yeo
SUBJECT TO GENERAL DECLASSIFICATION
SCHEDULE OF EXECUTIVE ORDER 11652
AUTOMATICALLY DECLASSIFIED AT 100
YEAR INTERVALS AND DECLASSIFIED
ON DEC. 31

Under Secretary Yeo is instructed to start discussions and initiate negotiations on arrangements for providing additional financial resources to industrial countries under certain conditions against a background of the economic situation as specified below. As discussions broaden into other topics, these can be addressed in the forms set out below.

Economic Area

- (a) The objective of economic and financial policy is to prepare for the shift from recovery to expansion, a process that is already underway.
- (b) The policy challenge is to subdue and prevent reigniting inflationary pressures and to correct the dislocations that have been both cause and effect of the recent inflationary upsurge. This is the key element in the economic area -- a powerful statement from the world's leaders supporting policies that couple continued recovery with the need to restore general price stability.

Such a statement could be helpful in strengthening the will of individual countries to pursue national policies appropriate to achieve the stable medium-term growth objective and to join public understanding for the need for possible early stabilization measures. It should be clearly understood, however, that such a statement aims at furthering the mutual understanding of appropriate policy measures and does not imply any coordination of policies. Each country will pursue its own policies and in its own way work toward the objective as set out in (b) above.

Monetary Area

Discussions should be started with a view to affirming support for the Rambouillet Agreement and an evaluation of events, including the Jamaica Agreements which followed. It is possible, given the French experience in the past three months, that some of the ambiguity re the Understanding of R-1 in this area can be cleared up. (The real substance of the Understanding was deliberately obscured in deference to French public opinion). One way to clear up the ambiguities which persist would be to make public the R-1 Understanding, something the French might, at this point, be willing to do.

~~_____~~ warm 8/7/00



The general theme that you should develop in the Deputies Group is as follows: Countries' external borrowing capacity, the ability to borrow in private international money markets, has limits, and that in some cases, e.g., Italy, the limit has been reached. When this limit is reached the capacity to support the countries' currency is near exhaustion; they are out of money, and the prospects are high for disorderly adjustment, characterized by sharp depreciation in exchange rates, possible import and other foreign exchange controls, and internal and international financial strains which have the potential for inflicting severe damage on the international monetary system.

Specifically you should lead the discussion in such a way that agreement is reached on the following:

- (1) the need to provide additional official credit for those countries who have exhausted their private credit market borrowing capacity and have absorbed the official finance available on normal terms from the IMF.
- (2) The need for strict conditionality, or a specific set of national policies designed to correct in a moderately short time period the underlying domestic economic problems, one manifestation of which is a lack of equilibrium in the countries' international financial position.

You should offer as a solution and seek agreement on the plan below. Discussion of your proposal should be explicitly related to Italy and Portugal.

As a result of the Jamaica Agreements a provision has been added to permit drawings in "special circumstances" beyond the normal standards of availability. This provision would be coupled with the General Agreements to Borrow which involves the provision by the industrialized countries of additional resources to the Fund -- approximately \$5 billion would be made available this way although it could not, under the GAB, all be loaned to one country. For the U.S. there is no new legislation required and no budgetary impact.

These two elements would produce a highly conditional (the conditionality to be applied by the IMF) source of additional financing, or a "super tranche". This could be made available to cases such as Italy. (The GAB terms restrict access to this credit to the industrialized countries). The countries at R-2, under the terms of the GAB could, in effect, implement the "super tranche" on the spot.



North-South Relations

Specific instructions will be forthcoming within a week. In the meantime, North-South issues can be discussed on basis of the paragraph below and having in mind U.S. statements at UNCTAD IV.

The export earning capacity of commodity producing developing countries has improved sharply. Commodity prices, as measured by general indices, are up 20%. The physical volume of exports is rising in response to economic recovery in the industrialized world. The development of export earning capacity leads to the conclusion that the current deficits, which developing countries borrowed heavily in '74 and '75 to finance, are shrinking. This should be viewed in the context of the extraordinary provision of additional official financing that has been made available in the IMF through expansion of the compensatory financing facility and the development of the Trust Fund.

Trade

Broader instructions will be forthcoming.

Reinforcement of the Rambouillet and OECD trade pledges is important. The Rambouillet meeting had a decisive influence on British policy re import restrictions and that success could be developed further or at the least, reaffirmed.

The same type of forceful impetus could be provided the MTN.

Investment Area

- (a) Adoption of a three-part investment package (national treatment, guidelines for investment incentives, and MNC code) by the OECD ministers. A statement could be made that we should build on the three-part package and work towards agreement on additional elements of investment policies. The thrust should be positive -- to facilitate investment flows.
- (b) We could agree on language, building on the OECD communique, pushing ahead promptly on an anti-bribery treaty, an investment disputes mechanism, and greater conformity of national laws with respect to anti-trust and taxation. This could be couched in terms of building an international structure for investment relations similar to that which has long existed for trade and monetary relations.



THE WHITE HOUSE
WASHINGTON

Dick Cheney

This is very
interesting. Brent S.
should see.

June 17, 1976
Terry O'Honnell
memo to R B C
re: Connally paper
on Puerto Rico

ORIGINAL RETIRED TO
SPECIAL DOCUMENTS FILE