

EXECUTIVE SECRETARIAT
Routing Slip

TO:		ACTION	INFO	DATE	INITIAL
1	DCI		X		
2	DDCI		X		
3	EXDIR		X		
4	D/ICS				
5	DDI		X		
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC		X		
10	GC				
11	IG				
12	Compt				
13	D/EEO				
14	D/Pers				
15	D/OEA				
16	C/PAD/OEA				
17	SA/IA				
18	AO/DCI				
19	C/IPD/OIS				
20	DD/OGI	X			
21	NIO/ECON		X		
22					
		SUSPENSE	Date		

Remarks:

To 20: Per DDCI and DDI please represent DCI on IG.

Executive Secretary
14 June 1983
Date

25X1

25X1

Page Denied

~~CONFIDENTIAL~~

System 11
90596

THE WHITE HOUSE
WASHINGTON

Executive Registry
83-3024

afg

DDI-435283

UNCLASSIFIED
CONFIDENTIAL
ATTACHMENT

June 9, 1983

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

SUBJECT: NSDD on U.S. Approach to the International
Debt Problem (U)

The President has approved the attached National Security
Decision Directive on the U.S. Approach to the International
Debt Problem. (U)

FOR THE PRESIDENT:

William P. Clark

Attachment
NSDD 96

UNCLASSIFIED
CONFIDENTIAL
ATTACHMENT

COPY 9 OF 12 COPIES

HA

CONFIDENTIAL

em II
30396

Sanitized Copy Approved for Release 2010/08/26 : CIA-RDP85-01156R000200290014-0

THE WHITE HOUSE

WASHINGTON

CONFIDENTIAL

NATIONAL SECURITY DECISION
DIRECTIVE NUMBER 96

June 9, 1983

U.S. APPROACH TO THE INTERNATIONAL DEBT PROBLEM (C)

The Senior Interdepartmental Group on International Economic Policy has conducted a review of the U.S. approach to the international debt problem and has reported the results of its review in a memorandum, Approach to the International Debt Problem Overview, dated April 25, 1983. This directive approves the approach outlined in that memorandum and provides implementing instructions. (C)

Orderly resolution of the international debt situation is of major importance to U.S. economic, financial, foreign policy and security interests. Successful management of the debt problem will require flexible responses, tailored to the circumstances of the individual cases that comprise the problem at an international level, in the framework of a comprehensive strategy having the following principal elements: (C)

- o Economic adjustment by borrowing countries designed to stabilize their economies and restore sustainable external positions. (C)
- o An International Monetary Fund adequately equipped to help borrowers design adjustment programs and provide balance of payments financing on a temporary basis while adjustment programs take effect. (C)
- o Readiness of monetary authorities in creditor countries to provide short-term liquidity support, when essential to assist selected borrowers that are formulating adjustment programs with the IMF. (C)
- o Encouragement to private markets to provide prudent levels of financing to borrowing countries in the process of implementing IMF-supported adjustment programs. (C)
- o Resumption of sustainable, non-inflationary economic expansion and maintenance of open markets, both in the industrial countries and in developing countries facing debt problems. (C)

CONFIDENTIAL

DECLASSIFY ON: OADR

CONFIDENTIAL

COPY 9 OF 12 COPIES
CIA

Sanitized Copy Approved for Release 2010/08/26 : CIA-RDP85-01156R000200290014-0

~~CONFIDENTIAL~~

In this framework, the United States will give priority attention to:

- o Securing prompt Congressional approval of proposed U.S. participation in the agreed expansion of IMF resources. (C)
- o Securing international agreement on the importance of avoiding recourse to protectionist measures and of laying the groundwork for future trade liberalization. In this connection, the United States should pursue its efforts to bring trade and finance officials together to consider the linkages between their areas of responsibility; should use the forthcoming high-level meetings to discourage protectionist action and encourage trade liberalization; and should pursue its efforts to improve coordination among the International Monetary Fund, the World Bank and the General Agreement on Tariffs and Trade. (C)
- o Exploring with other creditor countries possible steps to: improve the information base in the debt area; facilitate consultations on developments in the bank regulatory and supervisory area, including problems of consistency of regulatory treatment; and strengthen coordination on the management and individual debt problems. (C)

An Interagency Group (IG) under the direction of the SIG-IEP will be established to monitor the international debt situation and coordinate specific U.S. policies relating to debt. Under Treasury chairmanship, the IG will prepare for the SIG-IEP reports on individual problem countries, developments in the overall debt situation and U.S. policies in the debt area, in order to assure that senior levels of the Executive Branch are kept fully aware of significant developments and problems that may arise. (C)

The IG will review, on a continuing basis, the prospects for world economic recovery; and assess the implications for the debt situation of both substantially weaker and substantially stronger world economic performance than now anticipated over the medium-term. (C)

Among the questions that will be explored by the IG are the following:

- o The adequacy of U.S. resources for short-term "bridge" financing and the extent to which multi-lateral efforts can be expected; and the appropriate use of Exchange Stabilization Fund, Export-Import Bank and Commodity Credit Corporation funds in providing financing to countries of varying importance to U.S. interests. (C)

Sanitized Copy Approved for Release 2010/08/26 : CIA-RDP85-01156R000200290014-0

- o The availability of private lending and the adequacy of trade finance facilities -- particularly developments in supplier credits, bank cover and trade receivables; whether improvements can be made in secondary markets for trade paper (i.e., discounting of trade receivables); and whether Export-Import Bank, FCIA and private insurers can play a greater role in facilitating short-term trade transactions. (C)
- o The availability of IMF resources, particularly pending implementation of the proposed increases; and the possible implications, for U.S. views on such questions as IMF borrowing, access to IMF resources, and SDR allocations. (C)

The IG will monitor the adjustment efforts of LDC borrowers to determine:

- o The degree to which domestic political pressures hamper the adoption of prudent economic policies and compliance adjustment in the short- or medium-term. (C)
- o Whether trade adjustment is taking place on a market-oriented basis and whether import contractions are reaching a point where export-led adjustment becomes less likely. (C)
- o Appropriate U.S. responses to debtor country policies on countertrade, clearing arrangements, and other nonmarket-oriented trade policies. (C)

In pursuing this strategy, it is important that all elements of the Executive Branch recognize its medium-term nature and the fact some turbulence, both in markets and in countries facing debt problems, must be anticipated in the nearer-term. (C)

Continuing assessment and flexible adaptation of policies within the established framework will be necessary. An outcome satisfactory to United States interests will depend on determined commitment to implementation, over the medium-term, of the strategy that has been adopted. (C)

Ronald Reagan