Original FOIA Number: 2000-1204-F

2nd FOIA Number:

3rd FOIA Number:

4th FOIA Number:

5th FOIA Number:

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the George Bush Presidential Library Staff.

Record Group:	Bush Presidential Records
Office:	Records Management, White House Office of (WHORM)
Series:	Subject File - C.F.
Scanned/Unscanned:	

WHORM Category Code:	**FO006-04**
WHORM Category Name:	**Economic Summit, 1990, 7/9-11/90, Houston, Texas**

Document Number:	**160461**
Alpha File Name:	

Withdrawal/Redaction Sheet
(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01a. Memo	From Meg Lundsager to Brent Scowcroft Re: Houston Summit - World Bank Lending to China (1 pp.)	07/01/90	(b)(1)	C
01b. Draft Memo	From Brent Scowcroft to President Bush Re: Houston Summit - World Bank lending to China (3 pp.)	07/90	(b)(1)	C
01c. Talking Points	Talking Points concerning World Bank loan to China for discussion with cabinet members (1 pp.)	07/90	(b)(1)	C

Collection:

Record Group: Bush Presidential Records
Office: Records Management, White House Office of (WHORM)
Series: Subject File - C.F.
Subseries:
WHORM Cat.: FO006-04
File Location: 160461

Pinksheet Number: DC938
OA/ID Number: 00002-001
Date Closed: 10/12/2001
FOIA/Sys Case #: 2000-1204-F
Re-review Case #:
P-2/P-5 Review Case #:

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

C F

5276

aj

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

160461

F0006-04

NOTED

Nat'l Sec Advisor has seen

July 1, 1990

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: TIMOTHY E. DEAL TD

FROM: MEG LUNDSAGER ML

SUBJECT: Houston Summit: World Bank Lending to China

Attached at Tab I is a memorandum from you to the President for the discussion on China at the briefing in Kennebunkport on July 2. The memorandum presents the various aspects of the World Bank/China issue, particularly expected positions of the other Summit countries and U.S. Congressional concerns. A possible G-7 compromise is suggested along the lines of a slightly increased lending program clearly linked to economic reform.

Suggested talking points for your use are at Tab II.

Concurrences by: Bret Coulson ML for, Douglas Paal ML for

RECOMMENDATION

That you sign the memorandum to the President at Tab I.

General discussed w/ Pres. via FAX copy 7/2/90

Attachment
Tab I Memorandum to the President
Tab II Your Talking Points

~~CONFIDENTIAL~~
Declassify on: OADR

~~CONFIDENTIAL~~

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
2000-1204-F
03/22/2010 MM

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01b. Draft Memo	From Brent Scowcroft to President Bush Re: Houston Summit - World Bank lending to China (3 pp.)	07/90	(b)(1)	C

Collection: Bush Presidential Records
WHORM - Subject File - CF

Record Group: Bush Presidential Records
Office: Records Management, White House Office of (WHORM)
Series: Subject File - C.F.
Subseries:
WHORM Cat.: FO006-04
File Location: 160461

Document Partially Declassified
(Copy of Document Follows)
By MM (NLGB) on 3/22/10

Date Closed:	10/12/2001	**OA/ID Number:**	00002-001
FOIA/SYS Case #:	2000-1204-F	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:	2000-1204-F(8)	**MR Case #:**	
AR Disposition:	Released in Part	**MR Disposition:**	
AR Disposition Date:	3/22/2010	**MR Disposition Date:**	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

THE WHITE HOUSE

WASHINGTON

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: Houston Summit: World Bank Lending to China

Purpose

To review other Summit country and U.S. Congressional positions on the issue of World Bank lending to China, which will arise at the Houston Summit.

Background

Following the events at Tiananmen Square last year, the G-7 countries, at the Paris Summit, agreed that World Bank consideration of new loans to China should be postponed. In January 1990, we indicated that the U.S. would be prepared to support loans aimed at improving Basic Human Needs (BHN) on a case-by-case basis.

The G-7 together hold 51 percent of the votes at the World Bank and through concerted pressure this year were able to persuade World Bank President Barber Conable to withdraw from Executive Board consideration several loans that were not for BHN projects. The net result of this pressure was that World Bank lending to China in its fiscal year ending June 30 was limited to $590 million, far below the originally planned program of $2-2.5 billion. Bilateral assistance and lending programs were also scaled back.

Economic Summit Country Views

The United States is taking the toughest position on this issue; maintaining the G-7 consensus on limiting World Bank loans to BHN required many high-level interventions with G-7 finance and foreign ministry officials.

(b)(1)

[redacted]

cc: Vice President
Chief of Staff

In the time remaining before the Summit convenes, the G-7 are continuing to take a firm line on China in the World Bank. This will help keep the pressure on China to take additional steps and will reduce Congressional criticism that the Administration is eager to reopen the flow of World Bank loans.

At last weekend's Sherpa meeting various country positions appear to have firmed. [redacted] (b)(1) (b)(1)

In sum, the consensus to restrict lending to BHN-only has frayed. A possible solution would be for the Summit to agree to a slightly larger lending program, perhaps up to $700 billion, but clearly tied to economic reform. We could perhaps also maintain G-7 opposition to loans to state enterprises.

At Houston, we should also seek at the very least to obtain public commitments from bilateral lenders that their aid programs will be significantly reduced from the pre-Tiananmen period. Implementation should also be stretched out, perhaps tied to China's progress on economic reform.

<u>U.S. Domestic Pressures</u>

The Administration has submitted to Congress its request for $3.18 billion, or $1.06 billion annually for three years starting this October, for our contribution to the International Development Association (IDA), the concessional arm of the World Bank from which China predominantly borrows. The U.S. has committed to contribute 21.6% of the $15 billion in this new replenishment of IDA.

As you are well aware, Congressional interest in the China issue is very strong. The House has completed action on the FY91 Foreign Aid appropriations bill, which includes language stating that if the World Bank approves any non-BHN loans, the U.S. must withhold from its FY91 contribution to IDA an amount equal to the U.S. "share" of those loans, calculated as our voting power in IDA (17.2%). Additional, much more onerous amendments are being considered for the House FY91 Foreign Aid authorization bill, which is still in committee. The Senate has not yet acted on similar legislation.

Even if the other G-7 countries decide to begin supporting a few non-BHN loans to China, current law would require the U.S. to abstain on or vote against those loans. Congressional reaction to a weakened G-7 consensus and an increased lending program cannot be predicted with confidence, but it may be that Congress would acquiesce to a slightly increased lending program that was clearly linked to meaningful Chinese economic reforms.

World Bank Position

While it is difficult to determine the World Bank position, it is clear that its lending program for China is being scaled back and staff reassigned in response to the united G-7 position. The World Bank currently has in the early planning stages about 45 projects totalling over $7 billion. These loans, even under normal lending practices, would take many months, if not years, to negotiate and bring to the Board for approval. Of these planned loans, very few are for projects that would fit the BHN criteria.

Conable probably believes that the G-7 consensus is weakening and, depending on what happens in Houston, may bring some loans back to the Board this summer. He may recognize that he would still have to go slow and not return to previously planned high levels of lending. He is aware of Congressional sentiment and activity.

Conclusion

This suggests a compromise position at the Summit, where the G-7 would support increased non-BHN lending in furtherance of "economic reform." This G-7 consensus would be reached with explicit understanding that U.S. legislation will not permit U.S. support for the new non-BHN loans. The U.S. will also require agreement to a ceiling on annual World Bank loans to around $700 million.

RECOMMENDATION

That you agree to this compromise position.

Approve ____________ Disapprove ____________

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01c. Talking Points	Talking Points concerning World Bank loan to China for discussion with cabinet members (1 pp.)	07/90	(b)(1)	C

Collection: Bush Presidential Records
WHORM - Subject File - CF

Record Group: Bush Presidential Records
Office: Records Management, White House Office of (WHORM)
Series: Subject File - C.F.
Subseries:
WHORM Cat.: FO006-04
File Location: 160461

Document Partially Declassified
(Copy of Document Follows)
By MM (NLGB) on 3/22/10

Date Closed:	10/12/2001	**OA/ID Number:**	00002-001
FOIA/SYS Case #:	2000-1204-F	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:	2000-1204-F(9)	**MR Case #:**	
AR Disposition:	Released in Part	**MR Disposition:**	
AR Disposition Date:	3/22/2010	**MR Disposition Date:**	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Talking Points

-- We will have to face the question of World Bank lending to China in Houston.

-- Other G-7 countries appears to have mixed views:

(b)(1)

-- [redacted]

--

--

-- We need to determine our own position, keeping in mind that, in any event, existing legislation will require the U.S. to abstain on -- or vote against -- any non-Basic Human Needs (BHN) loans until China improves its domestic human rights situation.

-- Nick, Jim, do you believe we could reach a consensus at Houston for a slight increase in lending, perhaps to $700 million, clearly linked to economic reform? How do you think Congress would react?

~~CONFIDENTIAL~~
Declassify on: OADR ~~CONFIDENTIAL~~

National Security Council
The White House

PROOFED BY:	*LOG #* 5276
URGENT NOT PROOFED:	*SYSTEM* PRS NSC INT
BYPASSED WW DESK:	*DOCLOG* ____ *A/O* ____

	SEQUENCE TO	HAS SEEN	DISPOSITION
Bill Sittmann			
Bob Gates			
Brent Scowcroft			
Bill Sittmann			
Situation Room			
West Wing Desk	1		N
NSC Secretariat	2		N

RECEIVED 90 JUL 12 P 2:25

A = Action	I = Information	D = Dispatch	R = Retain	N = No further Action

cc: VP Sununu Other ____________

Should be seen by: ____________ (Date/Time)

COMMENTS

~~CONFIDENTIAL~~
NSC/S PROFILE

RECORD ID: 9005276
RECEIVED: 29 JUN 90 16

TO: SCOWCROFT

FROM: LUNDSAGER
DEAL

DOC DATE: 01 JUL 90
SOURCE REF:

KEYWORDS: ECONOMIC SUMMIT CHINA P R

PERSONS:

SUBJECT: HOUSTON ECONOMIC SUMMIT W/ REGARD TO WORLD BANK LENDING TO CHINA

ACTION: NFAR PER SCOWCROFT DUE DATE: 03 JUL 90 STATUS: C

STAFF OFFICER: LUNDSAGER LOGREF:

FILES: WH NSCP: CODES:

D O C U M E N T   D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		DEAL
		LUNDSAGER
		NSC CHRON

COMMENTS:

DISPATCHED BY ______ DATE ______ BY HAND W/ATTCH

OPENED BY: NSMEN CLOSED BY: NSRLG DOC 1 OF 1

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 12958, SEC 3.5(B)
WHITE HOUSE GUIDELINES, AUGUST 28, 1997
BY DGC NARA, DATE 10/12/01

~~CONFIDENTIAL~~ RECORD ID: 9005276

ACTION DATA SUMMARY REPORT

DOC	ACTION OFFICER	CAO	ASSIGNED	ACTION REQUIRED
001	SCOWCROFT	Z	90070210	FWD TO PRES FOR DECISION
001		X	90071217	NFAR PER SCOWCROFT

~~CONFIDENTIAL~~