51817

GENERAL

FO4

BANK OF AMERICA

CONSTANT M. VAN VLIERDEN
Executive Vice President

February 2, 1973

Mr. Peter Flanigan
Assistant to the President
International Economic Affairs
The White House
Washington, D.C. 20230

Dear Mr. Flanigan,

Once again I would like to express my appreciation for your assistance and interest in the preparation of our booklet "Direct Foreign Investment in the United States."

I am enclosing a copy of the booklet which is being distributed to potentially interested friends in the developed countries.

Again, many thanks.

Sincerely,

Enclosures filed in
Oversize Attachments #11383

1973 FEB 14 AM 11 04
EXECUTIVE SECRETARIAT CIEP

WHITE HOUSE WASHINGTON

CIEP CORRESPONDENCE PROFILE

DOC MO	DOC DA	RECD MO	RECD DA	RECD HR	LOG NBR	INITIAL ACTION OFF
02	02	02	14	11	51817	MILLER

DOC SOURCE/CLASS/DESCRIPTION

Incoming X
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Internal

From: VAV VLIERDEN, CONSTANT M.
TO: Pres
PMF X
Other

Action X
Log Only

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SUBJECT: THANKS PMF FOR ASSISTANCE AND SENDS COPY OF REPORT DIRECT FOREIGN INVESTMENT IN THE U.S.

Originator's Ref. No.

Xeroxing Instructions

SECRETARIAT DISTRIBUTION/ACTION

INTERNAL ROUTING AND DISTRIBUTION

ADVANCE CYS TO	ACTION	INFO	REC CY FOR
Executive Secretary		X	
Deane Hinton			
Bob Miller	X		
Jim Akins			
Jon Rose			
Gus Weiss		X	
Larry Brady			
Dave Gunning		X	
Dick Erb			
John Schaefer			

ACTION REQUIRED

MEMO FOR PMF ( )
MEMO FOR PRES. ( )
REPLY FOR SIGNATURE ( )
MEMO TO ( )
RECOMMENDATIONS ( )
Refer to ( )
ANY ACTION NECESSARY (X)
CONCURRENCE ( )
DUE DATE: 2/21/72

COMMENTS: *(Including Special Instructions)*
Retain Report "Direct foreign Investment in U.S." in file

INTERNAL/INTERIM ROUTING

DATE	FROM	TO	ACTION REQUIRED	Init
2/16/73	Miller	E/S	No action necessary on this	

DISPOSITION

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RECEIVED FEB 17 1973 CENTRAL FILES

GPO: 1971 OL—426-009

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THE WHITE HOUSE

WASHINGTON

March 14, 1973

Dear Mr. Congressman:

I hope that the following comments will be helpful to you in responding to Mrs. Lewis' questions on the Williams Commission Report enclosed in your recent letter.

To answer her first question, there has been intensive study throughout the government of the Commission's recommendations, but no formal report from the Commission or the government has been made since the original report was submitted in the summer of 1971. I believe, however, that Mrs. Lewis will find many of the themes of the Williams Commission reflected in the first annual "International Economic Report" of the President, prepared by the Council on International Economic Policy, which is due to be released shortly.

Regarding the recommendations which have been acted upon, I would divide my answer as follows:

1) Some of the Commission's recommendations were implemented immediately. An advance copy of the Report was available to the Administration in July of 1971, and certain recommendations (for example, an import surcharge to stimulate needed changes in our balance of payments situation) were reflected in the President's action of August 15 of that year.

2) Several recommendations related to positions or policies which the United States should adopt or follow in seeking international economic reform. A good number of these have in fact formed the basis for the policies we have been pursuing since August, 1971. (For example, the President's policy on expropriation of American investment abroad announced in January, 1972, took full account of the Commission's recommendations).

3) A great many recommendations concerned the need for new negotiating authorities and other changes in existing U.S. trade law. I believe a great many of these recommendations will be reflected in the new trade bill which the President will shortly submit to the Congress.

I hope that this information will be of use to you in answering Mrs. Lewis.

With warm regards,

Sincerely,

Peter M. Flanigan

Peter M. Flanigan
Assistant to the President
for International Economic Affairs

Honorable Albert W. Johnson
House of Representatives
Washington, D.C. 20515

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THE WHITE HOUSE OFFICE

GENERAL
FO4

REFERRAL

To: The Secretary of the Treasury Date: May 30, 1973

ACTION REQUESTED

_____ Draft reply for:
_____ President's signature.
_____ Undersigned's signature.

_____ Memorandum for use as enclosure to reply.

__X__ Direct reply.
__X__ Furnish information copy.

_____ Suitable acknowledgment or other appropriate handling.
_____ Furnish copy of reply, if any.

_____ For your information.

_____ For comment.

NOTE

Prompt action is essential.

If more than 72 hours' delay is encountered, please telephone the undersigned immediately, Code 1450.

Basic correspondence should be returned when draft reply, memorandum, or comment is requested.

REMARKS:

Description:

__X__ Letter: _____ Telegram: Other:

To: The President (Rose Mary Woods)
From: Howard S. Halpern, 182 Clay Hill Road, Stamford, Conn. 06902
Date: May 20, 1973
Subject: International Monetary Reform.

By direction of the President:

RECEIVED
MAY 30 1973
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Roland L. Elliott
Deputy Special Assistant
to the President

SHW:vml

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(White House File Copy)

May 20, 1973

Miss Rosemary Woods
The White House
Washington, D.C.

HANDLE AS PRESIDENTIAL

Dear Miss Woods,

The President needs new initiatives now more than ever. The problem has been that of ideas failing to penetrate to the President for his consideration; hopefully that situation has improved. I am writing to you as an avenue for such concept penetration. I hope that after you have looked over the enclosed letter and paper you will bring them directly to President Nixon's attention. He may want to sound out foreign leaders on this subject.

Very truly yours,

Howard S. Halpern

Howard S. Halpern
182 Clay Hill Road
Stamford, Conn. 06902

home phone: 203 322-5459

President Richard M. Nixon May 20, 1973
The White House
Washington, D.C.

Dear Mr. President,

Constructive actions are needed now more than ever to restore momentum and confidence in the process of government. One area where smothering with generalities has not made the problem go away is International Monetary Reform. The enclosed paper is a somewhat more recent version of a suggestion I submitted to you in August 1971 following your announcement of the New Economic Policy. At that time it did not penetrate through your staff. I have also submitted this suggestion to Dr. Arthur Burns and members of your administration and to the Congress and have received favorable response, as from Congressman Henry Gonzalez. However, it is clear that the initiative lies with you.

In a nutshell, my suggestion is that the United States establish a new monetary unit, the Trade Dollar, for settling accounts between central banks. The Trade Dollar would be guaranteed in purchasing power in terms of an index of exports of our country. The Trade Dollar could be established unilaterally. Other leading countries could do likewise, establishing a Trade Pound, Franc, Mark, Yen and Ruble.

Establishing a guaranteed value Trade Dollar is not a total solution to the international monetary problem. We must also take real action to avoid dependence upon foreign energy sources, as by substantial new taxes on energy encouraging frugality and with the revenues invested in converting oil shale and coal, tapping geothermal sources, the breeder and fusion reaction programs and so forth.

Very truly yours,

Howard S. Halpern

Howard S. Halpern

Howard S. Halpern
182 Clay Hill Road
Stamford, Conn. 06902

home phone: 203 322-5459

TBM/

GENERAL
FO 4
FG 6-20

July 10, 1973

Dear Ed:

Enclosed are a number of articles dealing with international financial markets and multinational financial firms. I hope some of them will be of interest.

When you have a chance, let's get together and discuss some of the policy issues reised by multinational financial actieities.

Sincerely,

Richard D. Erb
Assistant Director
Council on International
Economic Policy

Mr. Edward Kemp
Room 6327
Dirksen Office Building
United States Senate
Washington, D.C. 20510

TEM

GENERAL
FO 4
TA
FG 6-20

August 2, 1973

Dear Mr. Sherf:

On behalf of the President I would like to thank you for your recent letter. Your comments on the need to reestablish the strength and stability of the dollar, both at home and abroad, are fully appreciated. To accomplish that objective, the Administration has launched major initiatives on several fronts.

In our dealings with our major trading partners, we have focused our efforts in the short-run on improving our trade balance and our overall payments position by encouraging them to reduce their trade barriers. At the same we are working towards long-term international monetary reform in the negotiations of the Committee of Twenty, created by the International Monetary Fund.

Congress is currently dealing with our trade legislation which will enable us to enter the long-term trade negotiations. We have also taken steps to deal with our international economic situation in the domestic sphere with the recent Presidential announcement of Phase IV controls, as well as continuing to work with Congress to use an overall budget ceiling to achieve fiscal discipline in order to achieve domestic economic stability.

Your support for the President is greatly appreciated and your thoughtful suggestions will certainly be kept in mind as we continue to work towards a strong and healthy economy domestically and internationally.

Sincerely,

Richard D. Erb
Assistant Director
Council on International
Economic Policy

x

Mr. Nahum A. Sherf
Chairman, Sovial Science Division
North Shore Community College
Beverly, Massachusetts 01915

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PF

The Commonwealth of Massachusetts

North Shore Community College
Beverly, Massachusetts 01915

TELEPHONE:
927-4850

July 18, 1973

President Richard Nixon
White House
Washington, D.C.

Dear Mr. President:

I am a naturalized American citizen, originally born in Vienna, and have lived part of my life in Israel. I write these lines because you and the United States are standing on international cross-roads in a serious international crisis.

Because I appreciate many of your political views and positions that you took in international relations, I feel that we cannot allow the Watergate Affair to blind our eyes and take away our minds from more important problems, since the solutions will determine the fate of the Nation and the fate of the world.

The most immediate and serious crisis that requires an immediate solution is the state of our economy. The value of the dollar is dropping from day to day, and the price of gold and other currencies is rising from day to day. These two crises are causing a constant rise in the cost of living, and subsequently a constant drop in the buying power of the average American citizen.

The pocket is the most sensitive place of every citizen, and if we will ease this problem in this respect, he would not be as attentive to other problems, such as Watergate. We can do it only by finding an immediate and drastic solution to our economic problems, and then make it possible for the citizen to compare the value of morally wrong behavior, and errors that were committed by a number of people in your administration, to the achievements in international affairs and solving economic problems by the President and his administration.

In my humble opinion, based on my intimate knowledge of Europeans and their way of thinking, the American policy should be in this case a bold policy that will shake up the parties concerned. The following steps might be worth considering:

1. To demand our European Allies to pay their debts to the United States, which occurred from World War I, and on, expecially World War II debts.

2. To ask Germany and other N.A.T.O. Allies to participate adequately in the maintenance of our armed forces in Europe.

3. To prevent in anyway possible the flow of dollars to Europe by the big corporations, and by individuals that to it for spectulative reasons only.

4. To plan a campaign that will encourage local tourism (see America first) over foreign tourism, and explain the importance of preventing the negative flow of dollars to Europe and the effect of it on the value of the dollar, and the buying power of the same.

Dear Mr. President, as you can remember the expectation in Europe a few weeks ago, to a new phase of economic planning here caused a rise in the value of the dollar and a decline in the price of gold. The same thing was true on July 12, 1973, where the rumors in Europe on a new economic policy caused again the rise of the value of the dollar.

I know very well that there can be a big question, if any of the steps I mentioned are desirable from a political point of view. If you will execute them or only say that it is one of the alternatives we have, it will have a great psychological impact, and the fear of executing these steps will reverse much of the current speculation that causes the decline of the dollar.

The political and economic leaders of Germany, France, Japan, and other European countries know it well that the same dollars that they are so instrumental in depreciating are essential for the maintenance of their national economies, but the whole thing is out of their control, because the market speculators are taking advantage of the mass psychology that is based on the belief that the Watergate Affair created a situation where the President of the United States is too weak to take bold steps since the Affair occupies his time and reduces his power.

The minute that the people of Europe and the rest of the world hear that the President does move forcefully and with vigor, the speculators will loose the game, the under-valued dollar will regain its strength, and the universal financial chaos will straighten up.

I am sure that you and your advisors are well aware of many of the points I mentioned, but I wrote this letter in order to share with you the ideas that are circulating among members of the academic community, as well as the Business Community, that I am in touch with.

If I can be of any assistance, I will be more than happy to do whatever you think might help.

Sincerely yours,

Nahum A. Sherf

Nahum A. Sherf
Chairman of the Social Science Division

NAS:pak

The Commonwealth of Massachusetts
North Shore Community College
Beverly, Massachusetts 01915

TELEPHONE 927-4850

July 18, 1973

Presidential Letter Reader
White House
Washington, D.C.

Dear Presidential Letter Reader:

I know that the President cannot read all the letters that he receives, but you never know when there is an idea that might appeal to him.

So, if at all possible, could you please try to let this letter that I have written reach the President.

It would be most greatly appreciated. Thank you.

Very sincerely yours,

Nahum A. Sherf

Nahum A. Sherf
Chairman of the Social Science Division

NAS:pak

Murphy - Reagan
Staff for action

C/.

ALAN N. ALPERN
45 EAST 89TH STREET, 33D
NEW YORK, NEW YORK 10028
689-2526

NSC 5419

GENERAL
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September 19, 1973

KISSINGER, HENRY A./Msge-Bd/1A

Dr. Henry Kissinger
The White House
Washington, D.C.

Dear Henry:

I returned from Europe last Saturday, where the news of your appointment was, I should say, well received in banking circles in Italy and the UK, where I have been spending much of my time. We wish you every success in your new post and I am sure that your arrival at State will revivify interest in the Foreign Service as a career opportunity.

I continue to be oppressed, if not obsessed, with the impact on our European friends of the vast, inconvertible dollar "float". Having matured professionally in a rather different economic world, they suffer from a form of "future shock" at an inconvertible and fluctuating dollar. At this juncture, continuing uncertainty is almost surely undesirable compared with any benefits for our export position which might flow from further devaluation, particularly if we consider that the resultant reduced costs of purchasing our prime materials and agricultural products give added impetus to the German and Japanese economic machines.

One obvious solution, in part, to the dilemma will be increasing conversion of foreign-held short-term dollar claims into long term U.S. corporate assets, for which I find considerable favorable sentiment in Europe. On the other hand, because of actions by a number of U.S. courts in supporting incumbent management against foreign take-over efforts, a good many European banking people are "gun-shy".

Dg

GENERAL

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CO1-9

Andujar, Hon. Betty

January 3, 1974

Dear Dr. Horwitz:

I was recently informed of the fine work of Pan American Health Organization, especially its program to subsidize medical textbooks for the benefit of students in Latin American countries.

A particular publication, "Texto de Patologia" as edited by P. Correa, has been suggested to me as an excellent and current Spanish language textbook worthy of subsidizing for distribution to Latin America. It is my further understanding that a committee appointed by PAHO in November, 1970 has recommended the inclusion of "Texto" in PAHO's textbook program.

Any consideration which you can personally give to "Texto de Patologia" would be most appreciated.

Sincerely,

Anne Armstrong

Mrs. Tobin Armstrong
Counsellor to the President

Dr. Abraham Horwitz
Director
Pan American Health Organization
125 53rd Street, N.W.
Washington, D.C.

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ALA:FS:pl

CIEP # 53313

GENERAL

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FG12

MANUFACTURERS HANOVER TRUST COMPANY

350 PARK AVENUE, NEW YORK, N.Y. 10022

JAMES R. GREENE 212/350-3300

SENIOR VICE PRESIDENT

AND DEPUTY GENERAL MANAGER

January 26, 1974

Mr. Peter M. Flanigan
Assistant to the President for
International Economic Affairs
The White House
Washington, D.C.

Dear Pete:

I have been actively involved for a number of years with the Bankers' Association for Foreign Trade which, as you may know, is the professional trade association of the international banking community of the United States.

The attached memoranda was sent, you will note, to Secretary Shultz.

I am not at all certain if the Committee on International Economic Policy deals with the Voluntary Foreign Credit Restraint program, Regulation Q, or the whole problem of international banking reciprocity. It may well be that these problems are handled exclusively at the Treasury or at the Fed.

However, on the chance that some members of your committee may be actively involved in these issues, I am enclosing copies of the letter to the Secretary dated January 21, 1974 with the hope that you could direct them to the appropriate member of your staff. If CIEP is actively involved in any of these issues, a small number of the officers and/or Directors of BAFT would very much like to come to Washington (perhaps at a dinner meeting) to discuss in a relaxed way the public issues involved as we see them.

Kindest personal regards.

Sincerely yours,

Jim

Enclosure

BANKERS' ASSOCIATION FOR FOREIGN TRADE
1101 SIXTEENTH STREET, N.W.
WASHINGTON, D. C. 20036

COUNSEL
THOMAS L. FARMER
(202) 833-3060

January 21, 1974

The Honorable George P. Shultz
Secretary of the Treasury
Department of the Treasury
Washington, D. C.

Dear Mr. Secretary:

In February, 1973 the Administration announced its intention to phase out the three programs designed to restrict the outflow of capital from the United States (i.e. the IET, the controls on foreign direct investment, and the VFCR program) by the end of 1974. Our Association, in its policy statement of April, 1973, stated its strong approval of the Administration's announced intentions in this area; we were pleased not only that the phase-out was contemplated within a definite time frame, but also that all three programs were to be discontinued concurrently.

Therefore, we welcomed the Administration's announcement of December 26, 1973 indicating some positive steps in this direction. We were extremely disappointed, however, to note that the termination of the three programs was not being carried out simultaneously. Whereas the curtailment of the OFDI and IET programs on January 1, 1974 was quite substantial, the reduction in the VFCR program was insignificant and meaningless. Consequently,

.../...

the limitations on U.S. banks at the present time are a great deal more severe and onerous than the restraints on U.S. investors or corporations. We are unable to understand why the Administration is now making this distinction.

In our judgment, the increase of 4 percent in guideline limits, together with the increase from $2 million to $10 million for smaller banks, is a token gesture of little consequence. The increase from $2 million to $10 million in the guideline limit for smaller banks has very little real impact since most American banks with active international departments already have outstandings in excess of $10 million. Many larger banks have daily fluctuations in foreign assets in excess of 4 percent of outstandings.

We would like to point out that, even with the 4 percent increase, practically all American banks active in international lending have guideline ceilings below their original ceiling of 105 percent of December 31, 1964 outstandings. The original guideline figure was increased to 109 percent at December 31, 1965 on the correct and proper grounds that increases in foreign credits should be permitted for the necessary financing of the natural growth in international trade, but this guideline limit was then reduced to 103 percent in 1968 and further reduced by a required 40 percent reduction in Western European credits outstanding under the guidelines. Since 1964 the growth in international trade has increased dramatically; even though export credits were subsequently exempted from the VFCR program, most American banks have not been able to finance their share of this growth in world trade in the traditional manner as a result of the reduced ceilings on their loans to foreign borrowers.

We believe that further adjustments in the existing capital control programs of the Administration need to be made as soon as possible.

.../...

In fact, in view of the far reaching changes in currency relationships which are now to take place and current economic and monetary developments in many other countries, a very good case can be made for termination of the IET, OFDI, and VFCR immediately, rather than delaying termination until the end of 1974. Whereas it was argued previously that a discontinuance of these programs would be upsetting to foreign governments, we feel it now would be widely welcomed abroad.

If the capital control programs are not discontinued now, however, we believe their phase-out should be restored to balance by an immediate further liberalization of the VFCR program commensurate with the recent changes in the IET and OFDI regulations. Certainly the recent modest changes in the VFCR program are inconsistent with the measures taken to relax the other programs and do not reflect the improvement in the U.S. balance of payments and the strength of the dollar.

In the end, we would hope not only for complete elimination of all capital controls, but also for positive measures through modifications in Regulations Q and M, the Federal Internal Revenue Code, and other barriers to money flows to encourage rather than discourage the free movement of capital to and from this country and the restoration of U.S. money markets to a position of undisputed world leadership. We would welcome the opportunity to discuss these proposals with you.

Sincerely yours,

Charles S. Ganoe

Charles S. Ganoe
President

CSG:cfr

BANKERS' ASSOCIATION FOR FOREIGN TRADE

1101 SIXTEENTH STREET, N.W.
WASHINGTON, D. C. 20036

COUNSEL
THOMAS L. FARMER
(202) 833-3060

Statement on Reciprocity and Equality of Foreign Bank Competition

The B.A.F.T. was the first banking organization to give recognition to the growing problem of reciprocity for overseas branches and facilities and equality of competition with respect to foreign banks operating in the United States. A special study committee was established several years ago which has assembled considerable data on the subject and the matter has been reviewed at length by our officers and Board.

In our judgment, legislative and regulatory changes are desirable, at the federal or state level (or both), to subject the facilities of foreign banks in the U.S., whether branch, subsidiary, or agency, to rules and regulations comparable to the Bank Holding Company Act. We believe a foreign bank should be allowed to establish a facility in any state of its choice, but it should not then be permitted to open banking offices in other states to engage in domestic business unless federal and state laws should be changed to authorize the same privileges for U.S. banks. The foreign banks, once established in a particular state, should be allowed to expand through units analogous to Edge Act banking subsidiaries and to acquire or organize leasing companies, installment financing companies, and other such activities permissible under the Bank Holding Company Act on a basis equal to that of any other bank in their state of domicile, but they should not be allowed to engage in investment banking or other functions forbidden to American banks.

Our proposal reflects our concern for (1) the unfair competitive advantage presently enjoyed by foreign banks operating in the U.S., (2) the danger that proposed legislative and regulatory limitations on the activities of foreign banks in the U.S. might place them at such a competitive disadvantage that retaliation by foreign governments against U.S. banks operating abroad would be encouraged. We are also concerned with the urgent need to give the problem attention before further inequities develop and the importance of giving recognition to states' rights and the dual banking system in any new statutory or regulatory proposals.

We suggest that statutory and regulatory changes should provide leverage to guarantee equal access for U.S. banks operating abroad and should establish machinery to assure that foreign banks operating in the U.S. are properly managed.

Charles S. Ganoe
President

CIEP CORRESPONDENCE PROFILE Gulal

DOC MO	DOC DA	RECD MO	RECD DA	RECD HR	LOG NBR	INITIAL ACTION OFF
01	26	02	04	12	53313	ERB

Incoming X From: JAMES R. GREENE
Outgoing TO: Pres
Internal PMF X
Other

Action X
Log Only

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DOC SOURCE/CLASS/DESCRIPTION

SUBJECT: SENIOR VP OF MANUFACTURERS HANOVER TRUST COMPANY FWDS PMF A COPY OF HIS LTR TO SECY SHULTZ re THREE PROGRAMS DESIGNED TO RESTRICT THE OUTFLOW OF CAPITAL FROM THE U.S. (i.e. THE IET, THE CONTROLS ON FOREIGN DIRECT INVESTMENT, AND THE VFCR PROGRAM)

Originator's Ref. No.

Xeroxing Instructions

SECRETARIAT DISTRIBUTION/ACTION

INTERNAL ROUTING AND DISTRIBUTION

ADVANCE CYS TO	ACTION	INFO	REC CY FOR
Executive Secretary		X	
Deane Hinton		X	
Ray Sternfeld			
Robert Morris			
Jon Rose		X	
Gus Weiss			
Larry Brady			
John Niehuss		X	
Dick Erb	X		
Bill Hawley		X	

ACTION REQUIRED

MEMO FOR PMF ( )
MEMO FOR PRES. ( )
REPLY FOR PMF SIGNATURE (X)
( )
MEMO TO ( )
RECOMMENDATIONS ( )
( )
Refer to ( )
ANY ACTION NECESSARY ( )
CONCURRENCE ( )
DUE DATE: FEB 8, 1974 X
COMMENTS: (Including Special Instructions)

INTERNAL/INTERIM ROUTING

DATE	FROM	TO	S	ACTION REQUIRED	Init
2/8/74	Erb	E/S		Handled by phone-letter Dick Erb & James R. Green 151 Dick Erb	

DISPOSITION

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