



DEPARTMENT OF STATE

Washington, D.C. 20520

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File

May 20, 1977

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MINUTES OF MAY 19 MEETING OF THE INTERAGENCY GROUP
ON HUMAN RIGHTS AND THE IFIS

PARTICIPANTS:

D	Warren Christopher
EA	Richard Holbrook
EA/RA	Donald Harris
EB/IFD/ODF	Joseph Winder
Treasury	Arnold Nachomanoff
ARA	Stephen Rogers
H	Douglas Bennet, Jr.
IDB	Ralph Dungan, U.S. Executive Director
D/HA	Mark Schneider
D/HA	Michelle Bova
NSC	Jessica Tuckman ✓
AID	Ted van Dyk
AID	Robert Nooter
D	Stephen Oxman
ARA/ECA	Gerard Pascua

Mr. Christopher chaired a meeting of the Interagency Group to discuss upcoming loans in the multilateral lending institutions for Brazil, Romania, Korea, Argentina, Benin and Ethiopia. The discussion, on a country by country basis, was as follows:

Brazil:

Mr. Dungan referred to Mrs. Carter's upcoming visit to Brazil and stated that the thrust of her trip should be a positive one. He therefore recommended against taking any specific action in the IFIs with regard to loans to Brazil prior to her trip. He suggested, however, that he should let his Brazilian colleague in the IDB know we were looking carefully at loans to Brazil.

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Mr. Winder agreed but cautioned that we should not be setting ourselves up as paper tigers, i.e., that is implying that we might be voting against upcoming loans unless, indeed, we were prepared to do so.

Mr. Christopher said that in the light of the unusual circumstance of Mrs. Carter's visit, he agreed that no action should be taken against the group of loans now being considered. He said, however, that we should remind ourselves when we consider the next set of loans that there had been a strong determining factor influencing the decision we reached with regard to this set.

Mr. Nachmanoff asked if we could make sure that Treasury received copies of all talking points and other references to demarches made with regard to IFI loans. It was agreed that this would be done.

Mr. Rogers said that he was disturbed by tying reversals in political developments to our policy with regard to our IFI votes.

Mr. Christopher referred to the Secretary's speech in this regard.

Mr. Rogers said that he understood that we had a variety of concerns and that we also had a variety of tools to use in trying to reflect these concerns. He said, however, that the IFIs were very strong tools.

Mr. Christopher said that the IFIs were not "out of play".

Miss Tuckman asked whether we intended to approve all the upcoming loans to Brazil through the end of June. She asked whether or not we might want to consider holding off on a decision with regard to the loans coming up at the end of June.

Mr. Christopher said that this was a good point and perhaps we should meet again in June to look at the loans coming up at the end of the month for Brazil.

Mr. Winder mentioned that we were looking through the end of June in an attempt to get ahead so that in the future we would be able to examine upcoming loans at a stage prior to the final one where they would be going to the executive board for consideration.

Miss Tuckman said that the case of Brazil, however, was an especially tough one.

Mr. Christopher said that we should mark the last two loans to Brazil on the list for reconsideration in late June.

Romania:

Mr. Nooter mentioned that among the AID being given to Romania on humanitarian grounds as a result of the recent earthquake, there was money, some \$7,000,000 set aside for various kinds of equipment. He noted that this might not meet the needy criteria.

Mr. Schneider stated his understanding that Congress has clothed the entire program for Romania in a humanitarian cloth. He did not believe there would be any problem with this \$7,000,000 portion of that program.

Mr. Bennet pointed to the provision in the Trade Act with regard to most favored nation treatment for Romania. He mentioned that people on the Hill were watching very closely.

Mr. Nachmanoff asked what kind of demarche we were anticipating in making to the Romanians. Specifically, he wondered what set of actions we would like to see occurring so that we could measure progress in Romania.

Mr. Schneider said that we were looking at the humanitarian provisions in the final Act of Helsinki with regard to such things as family reunification, treatment of minorities (such as the Hungarian minority), cultural exchanges, etc.

Mr. Nachmanoff noted that in the absence of a clear definition of how we would apply our human rights policy in certain circumstances, it didn't seem to be wise to broaden it beyond the basic human rights. He noted that this appeared to be the intention of the Congress.

Mr. Christopher told Mr. Nachmanoff that we would send him a copy of the talking points developed on Romania.

South Korea:

Mr. Schneider noted that Mr. Habib will be assessing the human rights situation on his upcoming trip to Korea even though this is not an announced purpose of the trip.

Mr. Christopher noted that Mr. Habib has as good a chance as anybody in the world to be effective in discussing human rights matters. He said he was inclined to recommend watching for results from that conversation. He agreed to brief the group on how the conversation went. He stated that he did not expect spectacular progress and noted that the Koreans are costing themselves support on Capital Hill by their actions.

Mr. Schneider asked how serious the congressional heat was with regard to Korea. He wondered if we should let Congress know about some of the things we are doing with regard to Korea. He said that we will be voting for five loans for Korea while we are fighting against any reduction in security assistance and that this might send out the wrong kind of signal.

Mr. Bennet cautioned that the Humphrey language on the IFIs will be coming up for a vote in mid-June. He said it would be difficult for Humphrey to obtain passage of the legislation if he was confronted at the time with a number of affirmative votes which he might have difficulty in explaining.

Mr. Christopher asked if any of the loans to Korea were coming up late enough that we could take another look at them?

Mr. Winder noted that this was not clear, but that there was a possibility in some cases.

Mr. Christopher said that we should keep an eye on these loans and maybe consider talking again about them at a later date after Mr. Habib's return. He noted that it was important to maintain credibility on the Hill.

Mr. Winder noted that the first two loans which we were discussing for Korea were relatively small ones and this might not disturb the Congress.

Mr. Dungan noted that in his opinion that would not be the issue on the Hill.

Mr. van Dyk noted that \$10,000,000 was a big enough sum for people to take notice and that one of the loans was for that amount.

Mr. Nachmanoff questioned our consistency with regard to upcoming loans. He noted that we would be taking no action on Korea but that we had taken some action on Ethiopia and he wondered what we would be doing with regard to Argentina.

Mr. Schneider expressed his opinion that we were still O.K. when it came to consistency, although he noted that this was a close call. With regard to where we stood as of today, he said that we had effectively voted no on Ethiopia, having abstained for unique reasons and because of the needy complexion of the loans. He said with regard to Argentina, as compared to Korea, the situation was worse in the Argentine case. There were many times more political prisoners in Argentina; it is much more likely that people would be picked up and killed or tortured in Argentina than in Korea. He noted that in terms of recommendations coming in from our Embassies, the Argentine PARM recommends the utilization of appropriate sanctions, including the IFIs, on human rights grounds. With regard to Korea we are now at an opposite stage to that in Argentina in our relations. He noted, however, that if we were talking about systematic repression, Korea is just as bad as Argentina. He explained that he was referring to violations of the person as being worse in Argentina than in Korea.

Mr. Nooter noted that Korea was more on the minds of the congressmen at this time.

Mr. Schneider said we were talking about two things: first, our ability to demonstrate differences in the internal situation in the various countries and secondly, our ability to argue which would be the most effective tools to use in various countries.

Mr. Dungan noted that this type of comparison bothered him. He said that the sensitivity of reporters in each country tends to distort the picture as those in Korea tend to understate, while in Argentina they tend to overstate the situation.

Mr. Schneider disagreed.

Mr. van Dyk noted that there is a certain inconsistency, but it is based on our security interests in Korea.

Mr. Christopher noted that it will be hard, at least in the short run, to make each of our votes consistent.

Benin:

Mr. Schneider explained that the African bureau feels that the suggested approach to Benin, i.e., to abstain on two upcoming votes for the needy, is appropriate. He noted that the African bureau feels that this approach may have a positive effect on the government of Benin similar to the positive one that our recent action in El Salvador appears to have had. He referred to a cable from our Ambassador in El Salvador noting that the government of that country for the first time recognized the U.S. concern over human rights as being a serious one. The Ambassador noted that in light of our recent actions in the IDB, there was a good likelihood that we would see movement on the Richardson case and a general movement on the human rights situation.

There was no objection to the proposed course of action with regard to Benin.

Ethiopia:

Mr. Nooter wondered if the continuation of a bilateral assistance program in the case of Benin, if we have one there, and in the case of Ethiopia, while we were abstaining on loans in the international lending institutions, might not give mixed signals to the countries concerned.

Miss Tuckman noted that it was her understanding that it was the President's policy to give mixed signals in the case of Ethiopia.

The group agreed that the recommended course of action, i.e., to abstain on another upcoming loan for Ethiopia was acceptable.

Argentina:

Mr. Dungan noted that the first loan on the list to be considered had an FSO component. He said that we could delay this loan for at least one week should we choose to do so. He noted that the leverage

we had with regard to the other loans on the list was slight. He suggested that we could put out a signal now that we will be having difficulties with the other loans and watch for reactions on the part of the Argentines. He said that we were bound to lose if we decided to vote negatively on the last three loans, but suggested that if the Argentines push us into the position where we would have to so vote, we might then wish to consider voting negatively on the loan with the FSO component in order to demonstrate our seriousness. He felt that even though we may have lost out in previous cases, having then taken a negative action on the FSO loan, the Argentines might be disposed to come around before the later loans came up for a vote.

Mr. Nachmanoff noted that Mr. Blumenthal will be going to the IDB meeting in Guatemala at the end of May and that he would be meeting with the Argentine Minister of Economy on June 1 in Guatemala. He suggested that there would be time enough before the loans came to a vote for Secretary Blumenthal to raise the question of our concern with the Minister and ask the Argentines to hold off or postpone the \$100,000,000 IBRD loan for the time being. He noted that this loan would be the hardest one to justify on the needy criteria. The rationale given to the Minister would be that in light of the human rights situation in Argentina the U.S. Executive Directors at the banks would need more time to assess the situation before we could decide how to vote on this and other loans.

Mr. Christopher asked whether this argued for not taking action against any of these loans today but instead maintaining flexibility to look at them later.

Mr. Schneider noted that we were somewhat limited in our flexibility by the Harkin amendment provisions.

Miss Tuckman noted that she had discussed the Argentine situation with the Latin American representatives on the NSC and that his feeling was that the Argentines might be receptive to a demarche now and suggested we list four or five specific actions which we would like to see taken linking progress in these areas to our vote on the \$100,000,000 loan.

Mr. Christopher noted that Mr. Schneider's point was to ask how we could vote for the second and third loans on the list, which were IDB loans which might not

meet the needy criteria, if we saw no signs of progress in Argentina.

Mr. Winder noted that the gas pipeline might be defined as meeting the needy criteria, although he wondered if the same determination could be made in the case of the petro-chemical loan.

Mr. Rogers referred to the legislative history with regard to findings of needy exceptions to the Harkin Amendment. He stated that Assistant Secretary Todman had spoken with Mr. Harkin about this issue recently. Apparently, Mr. Harkin had agreed that there are some kinds of projects which cannot be excepted on the needy basis and the IBRD \$100,000,000 loan would be one of these. Mr. Rogers noted that ARA would agree to asking Argentina to postpone consideration of this loan. With regard to other loans, however, based on past decisions and recent talks with Mr. Harkin, it would seem as if these projects, if they can be shown to have a valid developmental impact as contrasted with the kind of loans in which it was impossible to tell exactly where the money would be going (e.g., the \$100,000,000 industrial credit loan), might be justified under the needy criteria. He went on to note that we are looking at two questions: one, the legal question of Harkin and the IDB and two, the Administration's policy with regard to the IFIs. With regard to the first aspect, Mr. Rogers noted that he would not necessarily agree that we could not justify the IDB loans on the current list under the needy criteria.

Mr. Christopher asked that we get a list of conditions and special things that we would like to see done in Argentina to Mr. Blumenthal and that we meet again in early June.

Mr. Bennet mentioned that Senator Church will be considering a cut-off in security assistance about the same time, and that if we can show that some progress has been made at that period, we might be able to talk him into changing his course of action.

Mr. Nachmanoff noted that we had a certain advantage with regard to the IBRD loan in that we are not legislated into taking action in the World Bank, so that if we were to take action on this particular loan, it would demonstrate our commitment in this area.

Mr. Dungan stated that he would be willing to put signals out to his Argentine colleagues in the bank to tread water at least for one week. He suggested that similar signals be put out in Buenos Aires.

Mr. Nachmanoff suggested that Hal Reynolds could also do this.

Mr. Christopher noted that we were close to getting a set of procedures and that something would be circulated this afternoon.

Mr. Oxman asked whether it was also acceptable in the case of Benin to make a statement on the Board explaining our abstention as we did in the case of Ethiopia.

Mr. Nachmanoff stated that this was a good idea and said he would like to preserve the option of having the Executive Director to the IBRD make another statement on Ethiopia as well.

Miss Tuckman stated that she wished to inform the group that she had just recently heard of a move to defeat the Humphrey bill on the Senate floor. She said that the church groups and non-governmental organizations have mounted a huge effort. She told Mr. Christopher that his support might be necessary. She noted that Senator Case would like the President to take some action in favor of the bill which would be reported in the Sunday newspapers.

Mr. Bennet noted that it was most important to demonstrate the use of our voice and vote in the IFIs.

Mr. Christopher stated that the action taken with regard to El Salvador had been a good one.

Mr. Dungan said that this could be turned around on us, however, noting that he had heard comments that this action had just gone to prove that Harkin had really been a fine thing.

End of Meeting.

Drafted: D/HA:MBova:mk
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THE WHITE HOUSE
WASHINGTON

CONFIDENTIAL GDS

April 1, 1977

MEMORANDUM FOR: The Secretary of State
 The Secretary of the Treasury

SUBJECT: Decision-Making on Human Rights Issues
 as They Relate to Foreign Assistance

We are bound to be faced with a large number of issues involving the interrelationship between human rights and our foreign assistance program. It would be helpful to set up a small interagency group to examine our bilateral and multilateral aid decisions as they relate to human rights, to provide guidance regarding specific decisions on bilateral and multilateral loans and to ensure proper coordination of a unified Administration position. This group should be chaired by a representative of the Secretary of State and in addition to a representative of the Secretary of the Treasury should include officials of the Department of Defense, the National Security Council Staff, and the Agency for International Development.



Zbigniew Brzezinski

cc: The Secretary of Defense
 The Administrator, Agency for International Development

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~~HR: Foreign Assistance / IFIs (Interagency Group), 4/77-3/78~~

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HR Argentina, 8/78 - 3/79

~~HR Chile 2/78~~

HR: Foreign Assistance / IFIs (Interagency Group), 4/77 - 3/78