

THE PRESIDENT HAS SEEN

6468

C. F.

THE WHITE HOUSE

WASHINGTON

1989 AUG 21 PM 9:00

06572155
FOOD 4.02

August 21, 1989

ACTION

SIGNED

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: Letter to Julius Nyerere on Third World Debt

Purpose

To reply to a letter from former Tanzanian President Nyerere, now Chairman of the "South Commission," on Third World debt relief.

Background

Former Tanzanian President Julius Nyerere (currently serving as Chairman of the "South Commission," a forum for discussion of southern hemisphere Third World problems), wrote to you on June 24, 1989, concerning Third World debt. He pointed out that, due in large part to debt servicing requirements, there is a net outflow of foreign exchange from many third world countries to the industrialized democracies, and he asked that you raise the problem with other Western leaders at the Paris Economic Summit.

Your reply tells him you did, and that there was an extensive and thorough discussion of the issue. Your letter goes on to review the steps the U.S. is taking to offer relief to Third World countries, including Tanzania. You fully acknowledge the importance of the issue and indicate that the U.S. takes it seriously and is doing what it can to be helpful.

RECOMMENDATION

That you sign the attached reply at Tab A to Nyerere.

Attachment

Tab A Letter to Julius Nyerere
Tab B Letter from Julius Nyerere

cc: Vice President
Chief of Staff

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

6468

August 18, 1989

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: DAVID C. MILLER, JR.

FROM: DAVID PASSAGE

SUBJECT Letter to the President from Julius Nyerere
on Third World Debt

Former Tanzanian President Julius Nyerere wrote to the President on June 24th concerning debt relief for the third world. His letter, stark in the picture it paints of capital transfers from the poorest countries to the richest, asked that the President raise the matter with other leaders of the industrialized democracies at the Paris Economic Summit.

The President did, and the attached letter to Nyerere reflects decisions to grant a substantial degree of debt relief to many of the hardest-pressed countries (including Tanzania). The President would make clear that he shares Nyerere's view of the seriousness of the problem, and reviews steps the U.S. has taken to help Third World countries (including Tanzania) deal with it.

Concurrence by: Tim Deal

RECOMMENDATION

That you approve the attached letter at Tab A to Nyerere and forward it to the President for signature.

Approve _____

Disapprove _____

Attachments

Tab I Memo to the President
Tab A Proposed Letter to Ex-President Julius Nyerere
Tab II Incoming State Department Correspondence



S/S 8916883

United States Department of State

Washington, D.C. 20520

6468

August 15, 1989

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MEMORANDUM FOR BRENT SCOWCROFT
THE WHITE HOUSE

Subject: Letter to President Bush from Ex-President Nyerere
Concerning Third World Debt

Attached is a proposed draft reply from President Bush to Julius Nyerere, ex-President of Tanzania and Chairman of the South Commission, which thanks him for his recent letter on third world debt. In view of President Nyerere's former position, and his continuing role as a leading spokesman for poor African countries, the State Department believes that a direct reply is appropriate. The reply outlines the various measures already taken by the U.S. and G-7 countries to provide debt and debt servicing reduction for developing countries.

J. Stapleton Roy
Executive Secretary

Attachments: 1. Draft Reply
2. Incoming Correspondence

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83 AUG 18 11:04

89 AUG 15 19 89 AUG 16 19 A 7: 04

SITUATION ROOM

DEPARTMENT OF STATE
DRAFT REPLY

Dear President Nyerere:

I read your thoughtful letter of June 24 concerning third world debt with great interest because I share your concern about the problems external debt poses for less developed countries. Along with the other G-7 countries, the United States is dedicated to helping third world countries attain both stable economic growth and manageable external debt servicing.

As agreed at the 1988 Toronto Summit, the Paris Club has set conditions for significant reduction of debt service payments for the poorest countries. Thirteen countries, including Tanzania, have already benefitted by this decision. In addition, in early July, I authorized U.S. agencies to begin a process which will provide debt relief under Section 572 of the Foreign Operations Authorization Act for a number of Sub-Saharan African countries undertaking IMF and World Bank supported economic reform programs, such as Tanzania, beginning on October 1, 1989.

His Excellency
Julius K. Nyerere,
Chairman, South Commission,
Geneva, Switzerland.

The enhancement of the International Monetary Fund Structural Adjustment Facility, the World Bank special program of assistance for the poorest and most indebted countries and the fifth replenishment of the African Development Fund are also important measures benefitting the poorest countries.

The industrial countries also recognize the need to alleviate external commercial debt problems, as demonstrated by Treasury Secretary Nicholas Brady's proposals on strengthening the debt strategy, and the endorsement of the strengthened strategy at the Paris Economic Summit. The G-7 urged developing countries to adopt sound economic policies, in which a vital factor is the implementation of proper financial and fiscal policies. Debt relief will be fleeting unless it is combined with the improvement of economic policies, particularly policies designed to mobilize savings, stimulate investment and reverse capital flight.

Through joint efforts by all parties affected by the external debt problems of developing countries, we can continue to make progress in the coming years.

My best personal regards.

Sincerely,

George Bush



Ch. du Champ-d'Anier 17, case postale 228, 1211 Geneva 19
Tel: (22) 98 34 33, Telex: 415616 soc ch, Telefax: (22) 98 85 31

as from:

P O Box 71000,
Dar es Salaam,
Tanzania.

24th June 1989

President George Bush,
The White House,
Washington D.C.,
U.S.A.

Dear President Bush,

I am writing to you on a subject which you have doubtless discussed ad nauseum. It is the problem of debt.

In the five years leading to 1982 there was a net transfer through long term lending of 140 billion U.S. dollars from the developed countries of the North to the developing nations of the South. Historically and morally this was accepted as a natural flow of resources.

In the five years 1983 to 1987, however, there was - just on account of long term debt servicing - a net transfer of over 70 billion dollars in the reverse direction. This does not take into account the very much larger amounts effectively transferred to the North through the deterioration in the terms of trade of developing countries - in other words, as a result of commodity prices going down while the prices of manufactured goods went up.

This immoral phenomenon of net transfers from poor to rich has now become the order of the day. In 1988 alone, the 17 most highly indebted countries of the South made a net transfer to their Northern creditors of 31 billion dollars! This trend is made worse as the developed country governments combat domestic inflation through interest rate increases.

It has been estimated that when the North raises its interest rates by one percentage point, the 17 Highly Indebted Countries together pay an extra 4 billion dollars in debt servicing every year. Their interest payments were (at 41 billion dollars) one third larger in 1988 than in 1987, largely because of such increased international interest rates. Thus, in addition to the price they are having to pay for their own adjustments to decisions of the North, the poor countries have also to pay the costs in the North of any measures taken by Northern Governments for domestic stabilisation purposes.

Despite these huge transfers from South to North, the debts of the Southern countries still get larger year by year. And because the vast majority of the peoples of the developing countries are poor or desperately poor, hungry people have less to eat as their governments try to honour their international obligations. Sacrificed in this process is the governments' obligation to provide an opportunity for their people to earn a decent living through national economic growth.

As another result of such massive transfers, the South cannot make new investments in education or health, industry, infrastructure, or agriculture; it cannot even replace old investments as they wear out or become obsolete. The economies of the South degenerate, the living standards of the already poor are further depressed, and the land on which they try to eke out a precarious existence is further degraded. To pay debts even the unborn are being robbed. Is this right?

SOUTH COMMISSION

Mr. Bush: in our personal lives we would not, as decent human beings, take the bread we do not need from a poor person who needs it, even if he or she owed it to us. Not a single person in the North would go hungry if the South was relieved of these oppressive debt servicing obligations; speculators did not go hungry when the computers in the Stock Exchanges sent out the wrong signals on a remembered day of October 1987. Yet bread is being taken from the poor of the South, and millions of children are being allowed to die or go naked in order to balance the books of the bankers.

How does a wrong cease to be a wrong because it is collective, and is committed on our behalf by institutions and through the workings of 'economic laws'? Is it because the victims are too many, and not all of us see them face to face?

Mr. President: the figures I quote are taken from World Bank and U.N. publications; in their details they may still be questioned by some experts. What few people now dispute is the unbearable burden on the people of the South which the undeniable massive transfers do represent. Thus we have the social tensions, the political instability and the destructive food riots in many of the indebted countries as their governments try to impose - on already over-burdened peoples - externally designed 'solutions' to the national economic problems.

Hence also - and admirably - the Toronto proposals, the Baker and Brady and other schemes to ease the burden. But the reality is that none of these proposals can achieve the necessary objective. That must be to transform the present regressive flow from South to North into a positive flow of resources from the Rich to the Poor countries.

Thus - to give just one example - by January 1989 the Toronto decisions in favour of the poorest countries had led to

SOUTH COMMISSION

a reduction of just 10 million dollars in the debt servicing obligations of five Sub-Saharan African countries, compared with 500 million dollars which they actually paid out in debt service the year before!

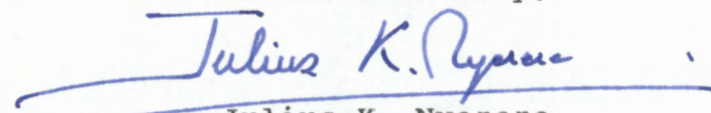
The Toronto agreement, like other plans for other groups of debtors, was a menu of technical proposals. But the solution of this tragedy cannot be found at a technical level: it has to be the outcome of bold political action.

Mr. President: I am asking that you and your colleagues in the Group of Seven (to whom I am sending a similar letter) should give this whole question of the iniquitous net transfer of resources from the poor to the rich, and the stultification of growth and development which results from it, your most urgent and earnest consideration when you meet in Paris in July. In particular I suggest that you and your colleagues call a joint meeting with the leaders of a representative group of the indebted countries, and that together you take a political decision to reverse the present flow of resources, so that they again flow from North to South - from rich to poor. After such a decision has been jointly made, experts should be instructed to produce a plan within six months.

It is my firm conviction that the interests of peace and prosperity in the whole world are tied up with a just solution to the international debt problem and to the destabilising and regressive resource transfer to which it has given rise. How can there be peace without justice?

This letter comes to you with my warm personal greetings and good wishes.

Yours sincerely,


Julius K. Nyerere.
Chairman

SOUTH COMMISSION

NATIONAL SECURITY COUNCIL
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DOCUMENT CLASSIFICATION: ~~CONFIDENTIAL~~

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PAGE 01 OF 01 PAGES

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WASHFAX RECEIPT

THE WHITE HOUSE

C

DEPARTMENT OF STATE

-6 A9:00

MESSAGE NO. 2144 CLASSIFICATION CONFIDENTIAL PAGES 2

FROM G. PHILIP HUGHES
(NAME) (EXTENSION) (ROOM NUMBER)

MESSAGE DESCRIPTION PRES LTR TO PRES NYERERE ON THIRD WORLD DEBT

LOG # 6468

<u>TO (AGENCY)</u>	<u>DELIVER TO:</u>	<u>DEPT/ROOM NO.</u>	<u>EXTENSION</u>
<u>STATE</u>	<u>MR. J. STAPLETON ROY</u>	<u>EXEC SEC</u>	<u></u>
<u></u>	<u></u>	<u></u>	<u></u>
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MESSAGE NO. 2142 CLASSIFICATION ~~CONFIDENTIAL~~ PAGES 2
 FROM G. PHILIP HUGHES 24
 (NAME) (EXTENSION) (ROOM NUMBER)

MESSAGE DESCRIPTION PRES LTR TO PRES NYERERE ON THIRD WORLD DEBT

LOG # 6468

<u>TO (AGENCY)</u>	<u>DELIVER TO:</u>	<u>DEPT/ROOM NO.</u>	<u>EXTENSION</u>
STATE	MR. J. STAPLETON ROY	EXEC SEC	

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#6468 LETTER TO JULIUS NYERERE ON THIRD WORLD DEBT

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CLASSIFICATION

NATIONAL SECURITY COUNCIL

ID 8906468

REFERRAL

DATE: 06 SEP 89

MEMORANDUM FOR: ROY, J

DEPT OF STATE

DOCUMENT DESCRIPTION: TO: NYERERE, JULIUS K

SOURCE: PRESIDENT

DATE: 05 SEP 89

SUBJ: PRES LTR TO NYERERE RE THIRD WORLD DEBT

REQUIRED ACTION: FOR DISPATCH

DUE DATE:

COMMENT: ADVANCE CY ALREADY SENT VIA LDX FOR CABLING

FOR



GEORGE VAN ERON

DIRECTOR NSC SECRETARIAT

**National Security Council
The White House**

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Philip Hughes	_____	_____	_____
Bob Gates	_____	_____	_____
Brent Scowcroft	<u>2</u>	<u>✓</u>	_____
Philip Hughes	_____	_____	_____
Situation Room	_____	<u>Shope</u>	<u>LIX/PMC</u>
West Wing Desk	<u>3</u>	<u>CM 8/21</u>	<u>D</u>
NSC Secretariat	_____	_____	_____
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A = Action I = Information D = Dispatch R = Retain N = No further Action

cc: VP Sununu Other _____

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RECORD ID: 8906468

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001 PASSAGE
002 SCOWCROFT
003 PRESIDENT
004
004 STATE

CAO ASSIGNED ACTION REQUIRED

Z 89081608 PREPARE MEMO FOR SCOWCROFT
Z 89082107 FWD TO PRES FOR SIG
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National Security Council
The White House

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Philip Hughes	<u>✓</u>	<u>[Signature]</u>	
Bob Gates			
Brent Scowcroft			
Philip Hughes			
Situation Room			
West Wing Desk	<u>3</u>	<u>ST 9/6</u>	<u>DN</u>
NSC Secretariat	<u>4</u>	<u>[Signature]</u>	<u>D</u>

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E.O. 12958, SEC 3.4 (B) September 11, 2006
By DTG NARA, Date 9/6/2007

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TO: NYERERE, JULIUS K

FROM: PRESIDENT

DOC DATE: 05 SEP 89
SOURCE REF:

KEYWORDS: TANZANIA
HS

ECONOMICS

PERSONS: NYERERE, JULIUS K

SUBJECT: LTR TO PRES FM EX PRES NYERERE RE THIRD WORLD DEBT

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TO: SCOWCROFT

FROM: ROY, J

DOC DATE: 15 AUG 89
SOURCE REF: 8916883

KEYWORDS: TANZANIA

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PERSONS: NYERERE, JULIUS

SUBJECT: LTR TO PRES FM EX PRES NYERERE RE THIRD WORLD DEBT

ACTION: PREPARE MEMO FOR SCOWCROFT DUE DATE: 19 AUG 89 STATUS: S

STAFF OFFICER: PASSAGE

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