

commitments worldwide may, in large part, be due to the willingness of Western banks to make loans, especially untied loans, to the U.S.S.R. This, in turn, likely translates into a multi-billion dollar increase in the defense burden on Western taxpayers." The letter concluded by urging the President, at the Toronto Summit, to suggest that the Organization for Economic Cooperation and Development (OECD) "supervise and monitor the voluntary adoption of more prudent and disciplined lending practices by Western banks toward potential adversary nations."

It took some time for congressmen to drag out of the Reagan administration, whether or not the issue had actually been raised at the Toronto Economic Summit. An Aug. 8, 1988 letter from Treasury Secretary James A. Baker III in response to Representative Roth's letter, finally indicated: "We strongly believe that controls on capital movements should be exercised only in emergency situations. After reviewing the whole range of East-West economic relations, the Summit countries adopted a policy that East-West economic relations, including financial relations, can be expanded 'so long as the commercial basis is sound, they are conducted within the framework of the basic principles and rules of the international trade and payments system, and are consistent with the security interests of each of our countries.' "

### Round two of 'untied loans'

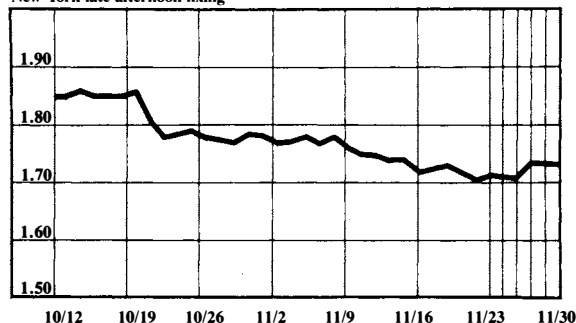
The issue appeared tabled until Oct. 7, 1988, when Rep. Robert Garcia (D-N.Y.) introduced the International Financial Cooperation and Security Act of 1988, at the height of the ten-day orgy, during which Western Europe and Japan extended \$9 billion in loans to the U.S.S.R. According to Garcia, the legislation "would require the Secretary of the Treasury to enter into negotiations with other nations belonging to the Organization for Economic Cooperation and Development to establish multilateral standards for entering into and reporting financial transactions with the Soviet Union. At the same time the Secretaries of Defense and State are instructed to hold discussions at NATO with our allies on the security implications of conducting financial transactions with the Soviet Union."

On Oct. 18, Sen. Steven D. Symms (R-Idaho) introduced amendment 3717, which passed 64-2. Its main provision states "that it is the sense of the Senate that the President of the United States should instruct the Secretary of State, the Secretary of the Treasury, the Secretary of Defense, and the Secretary of Commerce to consult immediately with allied governments on the impact on Western security of various types of private and public sector credit flows and debt reschedulings to the Soviet Union, Warsaw Pact countries, Cuba, Vietnam, Libya, and Nicaragua, and to call for a multilateral voluntary initiative, supervised by the Organization for Economic Cooperation and Development, to end untied, general purpose lending to those countries for reasons both of national security and prudent commercial banking."

## Currency Rates

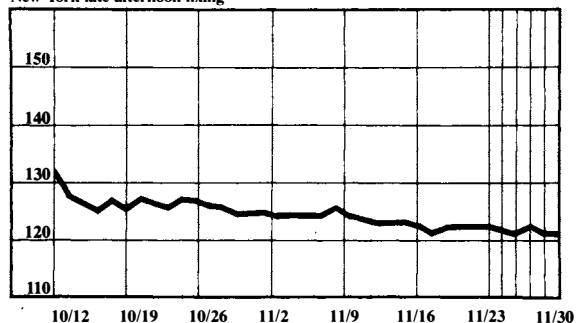
The dollar in deutschemarks

New York late afternoon fixing



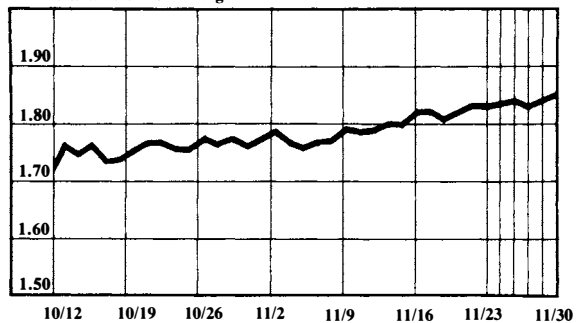
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

