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WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name WHITE HOUSE OFFICE OF RECORDS MANAGEMENT
(WHORM): SUBJECT FILE

Withdrawer
DLB 11/13/2019

File Folder FO006-02 (018872) (3 OF 3)

FOIA
F16-011

Box Number

BIERGANNNS

60

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
243564	MEMO	NICHOLAS VELIOTES TO THE SECRETARY, RE: YOUR MEETING WITH SAUDI ARABIAN FOREIGN MINISTER PRINCE SAUD AT CANCUN SUMMIT PREPARATORY MEETING	6	7/27/1981	B1
243565	REPORT		2	3/20/1981	B1
243566	REPORT		2	3/2/1981	B1
243567	REPORT		2	4/29/1981	B1

The above documents were not referred for declassification review at time of processing

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

- B-1 National security classified information [(b)(1) of the FOIA]
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DEPARTMENT OF STATE
BRIEFING MEMORANDUM

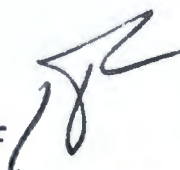
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S/S

JUL 29 1981

CONFIDENTIAL

TO: The Secretary

FROM: EUR - Lawrence S. Eagleburger 

SUBJECT: Your Meeting with FRG Foreign Minister
Hans-Dietrich Genscher at Cancun

SUMMARY

You have just seen Genscher in Ottawa and cleared the decks of most current issues. This meeting offers an opportunity for last minute coordination for the Cancun Summit, as well as discussion of lesser issues not already resolved. Although U.S. and German views on the mechanics at Cancun largely coincide, divergences in our broader views on North-South and economic development issues could cause some friction. I will be seeing Genscher at Dulles Airport on July 30, and this meeting should serve to surface any new issues which Genscher will raise with you at Cancun.

I. OBJECTIVES

1. To prepare for the Cancun Summit by determining whether Schmidt will make any special proposals, what issues he plans to emphasize, and his views on any follow-up to the Cancun Summit.
2. To express concern about delay in FRG economic and military assistance to Turkey and appreciation for Genscher's help on this issue.
3. To press the Germans to provide greater economic assistance to Poland.
4. To indicate that we are pleased that, as a result of the Ottawa talks, the Contact Group is back in action as a group and that we look forward to the proposals now being considered by experts.
5. To seek German political support for the Caribbean Basin initiative.

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RDS-3 7/28/01

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BY dh NARA DATE 11/8/2019

II. PARTICIPANTS

U.S.

The Secretary

FRG

Foreign Minister Genscher
State Secretary Lautenschlager
North-South Ambassador Sulimma

III. SETTING

Although FRG views on the mechanics of Cancun are very similar to ours, philosophical differences in our approaches to the Developing World and North-South economic relations may cause our policies to diverge. Since the Summit was inspired by the Brandt Commission, and the FRG is more sensitive to these issues than we have been, the FRG will be inclined to be sympathetic to Third World positions. Some Germans are concerned that Washington views the globe through an East-vs-West perspective, which downplays the aspirations of the developing world, avoids a North-South dialogue and emphasizes military increases. For example, FRG's Development Aid Minister Offergeld has recently been quoted as saying "The West's (U.S.'s) North-South policy prompts concern...Development policy must in no event degenerate into an instrument in the East-West conflict." This distorted image hampers our broader security objectives (e.g. TNF) in the Federal Republic. Adroit press play highlighting your participation in the August preparatory meeting and the President's role in the October Summit will be part of our effort to play a useful role in managing the FRG's domestic opposition to NATO military programs.

IV. DISCUSSION OF OBJECTIVES:

Key objectives and talking points follow on separate pages.

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-3-

1. To prepare for the Cancun Summit by determining whether Schmidt will make any special proposals, what issues he plans to emphasize, and his views on any follow-up to the Cancun Summit.

The Germans see the main focus of the August 1 and 2 meeting as establishing the procedures for October and agreeing on the main discussion topics. They oppose any change in number, or composition by region, of the participants. They want no common papers developed for October, no personal representatives appointed for preparations, and no final communique. They desire an informal interchange and an atmosphere conducive to discussions. They also hope that public expectations are not built up for some dramatic breakthrough in North-South relations. Although the FRG supports the concept of Global Negotiations (GN), they want no link between Cancun and GN and they oppose the idea that GN should be the center of Cancun considerations.

TALKING POINTS

-- OUR APPROACHES TO CANCUN SEEM VERY CLOSE.

-- DOES CHANCELLOR SCHMIDT PLAN TO MAKE ANY SPECIAL PROPOSALS AT CANCUN?

-- DOES THE FRG HAVE ANY THOUGHTS ABOUT ANY POSSIBLE FOLLOW-UP TO CANCUN?

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2. To express concern about delay in FRG economic and military assistance to Turkey and appreciation for Genscher's help on this issue.

The FRG informed the Turks on July 24 that disbursement of economic and military aid would be delayed until at least September. Last month, the Bundestag Foreign Affairs Committee voted to defer consideration of military aid until after the summer break. Given sentiment in the Committee and in the Coalition caucuses, Aid Minister Offergeld decided not to disburse economic aid until the Bundestag resolved the question of military aid. We have prepared a direct appeal from you to Genscher in an attempt to break the impasse. However, it may be too late to convene a special Bundestag session. If in fact the Germans cannot disburse economic aid before the fall, it is vital that they assure the Turks and the other donors, preferably in public, that this delay is temporary and does not in any way betoken diminished support for Turkey.

TALKING POINTS

-- WE ARE DEEPLY CONCERNED BY THE BUNDESTAG'S DECISION TO DELAY CONSIDERATION OF MILITARY AID AND BY THE DELAY IN DISBURSEMENT OF YOUR GOVERNMENT'S 1981 ECONOMIC ASSISTANCE.

-- WE STRONGLY BELIEVE THAT THE EVREN GOVERNMENT WILL STAND BY ITS PUBLIC COMMITMENT TO RETURN TO DEMOCRATIC RULE. WE HAVE NOTED THE GERMAN CONCERN ABOUT POLITICAL DEVELOPMENTS IN TURKEY AND HAVE DISCUSSED THIS MATTER CANDIDLY WITH THE GOVERNMENT OF TURKEY.

-- IF YOUR GOVERNMENT FALTERS NOW IN ITS SUPPORT FOR TURKEY'S ECONOMIC RECOVERY, THE OECD MULTILATERAL EFFORT MAY BE THREATENED. WE HOPE THAT YOUR GOVERNMENT WILL MAKE EVERY EFFORT TO CONCLUDE THE 1981 ECONOMIC AID

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-5-

AGREEMENT WITH TURKEY AS SOON AS POSSIBLE AND TO GIVE QUICK, FAVORABLE CONSIDERATION TO MILITARY ASSISTANCE TO TURKEY WHEN THE BUNDESTAG RECONVENES IN SEPTEMBER.

-- IF YOU CANNOT DISBURSE ECONOMIC AID BEFORE SEPTEMBER, IT IS VITAL THAT YOU ASSURE THE TURKS AND OTHER OECD DONORS THAT THE DELAY IS TEMPORARY AND DOES NOT IN ANY WAY BETOKEN A LESSENING OF SUPPORT FOR TURKEY.

-- NOT TO PROVIDE AID MAY REDUCE INCENTIVES TO RETURN TO DEMOCRACY.

-- THE POLITICAL SITUATION COULD WORSEN IF THE ECONOMY'S PERFORMANCE DOES NOT IMPROVE. AID IS ESSENTIAL.

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3. To press the Germans to provide greater economic assistance to Poland.

The Germans are split in their assessment of the advisability of further financial assistance to the Poles. Finance Minister Matthoeffler takes a dim view of further FRG aid in light of unsatisfactory contributions from other donors. The Foreign Ministry, however, strongly favors increased aid while Economic Minister Lambsdorff is somewhere in the middle.

TALKING POINTS

-- POLAND STANDS AT A MAJOR CROSSROADS. IF THE UNPRECEDENTED PLURALISTIC MODEL OF COMMUNISM EVIDENT AT THE RECENTLY CONCLUDED PARTY CONGRESS IS TO BE INSTITUTIONALIZED, POLITICAL-ECONOMIC STABILITY IN THE COUNTRY IS VITAL.

-- THE ECONOMIC SITUATION IN POLAND, HOWEVER, IS CATASTROPHIC. WE ARE CONVINCED THAT POLAND'S ECONOMY WILL CONTINUE TO CRUMBLE WITHOUT A COMPREHENSIVE ECONOMIC STABILIZATION AND REFORM PROGRAM. BUT THE SUCCESS OF SUCH A PROGRAM WILL BE QUESTIONABLE WITHOUT CONSIDERABLE EXTERNAL ECONOMIC ASSISTANCE.

-- IN ADDITION TO THE OTHER STEPS WE HAVE TAKEN, WE ARE PROVIDING POLAND WITH 400,000 TONS OF CORN ON CONCESSIONARY CREDIT TERMS.

-- IN OUR VIEW, MANY OF POLAND'S OTHER WESTERN CREDITORS HAVE NOT DONE ENOUGH IN PROPORTION TO THEIR MEANS AND TO THE STRONG WESTERN INTEREST IN HELPING MAINTAIN POLISH STABILITY.

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-7-

-- WE HOPE THAT THE FRG WILL TAKE A LEADING ROLE
IN BOTH PROVIDING ASSISTANCE TO THE POLES AND IN URGING
OTHER WESTERN CREDITORS TO MAKE A SIGNIFICANT CONTRIBUTION
TO WARSAW'S ECONOMIC RECOVERY.

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~~CONFIDENTIAL~~

-8-

4. To indicate that we are pleased that, as a result of the Ottawa talks, the Contact Group is back in action as a group and that we look forward to the proposals now being considered by experts.

The CG is meeting in Paris at the Chet Crocker level on July 30-31 and at the Political Director level on August 4 to draw up plans on how to proceed on Namibia and a common agenda on Angola.

TALKING POINTS

-- WE ARE HAPPY THAT, AS A RESULT OF OTTAWA, THE CG IS BACK IN ACTION AS A GROUP.

-- WE LOOK FORWARD TO THE OUTCOME OF THE EXPERTS' SESSIONS IN PARIS.

-- I REALIZE WE ARE ALL TIRED OF THE NAMIBIA PROBLEM, BUT THE ONLY WAY TO GET IT OFF THE INTERNATIONAL AGENDA IS TO SOLVE IT.

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-9-

5. To seek German political support for the Caribbean Basin initiative.

The FRG bureaucracy is losing enthusiasm for this initiative, while the entire Government is concerned about increased budgetary outlays. We want to regain German political support for, and participation in, devising a Caribbean economic program. Asking for money at this stage would kill any hopes of FRG participation. The Germans currently have a relatively modest (75 million DM annually) aid program for the area; there is no chance in the near term that this figure can be increased.

TALKING POINTS

-- I MET JULY 11 IN NASSAU WITH THE FOREIGN MINISTERS OF CANADA, MEXICO AND VENEZUELA, AND WE AGREED TO WORK TOGETHER TO DEVELOP A MULTILATERAL FRAMEWORK FOR THE PROGRAM.

-- WE WILL NEED YOUR POLITICAL SUPPORT THROUGH PARTICIPATION IN THIS EFFORT. AT THIS POINT WE WOULD ESPECIALLY NEED YOUR IDEAS REGARDING THE BEST WAYS TO ATTACK THE BASIN'S DIFFICULT SOCIAL AND ECONOMIC PROBLEMS.

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DEPARTMENT OF STATE
BRIEFING MEMORANDUM

S/S

JUL 29 1981

CONFIDENTIAL

TO: The Secretary

FROM: ARA - Tom Enders 

SUBJECT: Your Meeting with Brazilian Foreign
Minister Ramiro Saraiva GUERREIRO, Cancun

SUMMARY:

The purpose of this meeting is to engage Guerreiro in dialogue on bilateral and global issues in which Brazil has particular interest or influence, and to head off a misunderstanding that could arise from a pernicious nuclear fuel supply problem.

In addition to the substantive exchange. Guerreiro will be looking for reassurance that the United States seeks a closer bilateral relationship with Brazil. He will be particularly anxious to know whether President Figueiredo's outstanding invitation to make a state visit to the United States will be renewed for 1982.

I. OBJECTIVES:

1. To assure Guerreiro of U.S. interest in a closer official relationship with Brazil.
2. To defuse a potential problem arising from failure to agree on nuclear supply arrangements.
3. To elicit Brazilian understanding of U.S. objectives in Central America and Brazilian support of the Caribbean Basin Initiative.
4. To solicit the cooperation of Brazil at the August session of the Conference on Law of the Sea.

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GDS 7-24-87

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BY db NARA DATE 11/8/2019

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-2-

II. PARTICIPANTS:

U.S.

The Secretary

Myer Rashish (tentative)

James Fox, Special Ass't,
E (tentative)

Robert Hormats,
Assistant Secretary, EB
(tentative)

Brazil

Ramiro Saraiva GUERREIRO,
Foreign Minister

Amb. Carlos Augusto de
PROENCA ROSA, Chief, Economic
Department, Ministry of
Foreign Relations (tentative)

III. SETTING:

This is your first meeting with Foreign Minister Guerreiro. It follows an exchange of substantive correspondence which was initiated by Guerreiro. He last wrote to you in May.

Your meeting takes place at a time when Brazil is well down the path of the political liberalization process on which it embarked in the mid-1970's. The next all-important milestone will be the direct municipal, gubernatorial, and congressional elections scheduled for November, 1982.

The current economic situation bears importantly on the pre-electoral situation. An enormous foreign debt, a widening current account deficit, and an inflation rate in excess of 100% led the government to adopt a stabilization program last year which has resulted in slower economic growth. The slowdown, combined with already serious social problems, is generating pressures to back away from the program but to date the government has refused to do so. The program has succeeded in averting the balance of payments crisis toward which Brazil appeared to be heading a year ago.

Brazilian foreign policy over the past decade has emphasized a diversification of political and economic relationships and a Third World identification. Figueiredo's most notable successes have occurred in South America where he has brought about major improvements in bilateral relations with Brazil's continental neighbors while eschewing any national pretensions to continental hegemony.

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-3-

IV. DISCUSSION OF OBJECTIVES:

1. To assure Guerreiro of U.S. interest in a closer official relationship with Brazil.

The U.S.-Brazilian relationship has improved considerably since the sharp downswing of 1977. Nevertheless, even while there are few serious problems directly between us at this point, we stand considerably apart on a broad range of foreign policy issues. Brazil's Third World-focussed policy emphasizes independence from the United States and pays only rhetorical attention to Brazil's underlying sense of identification with the West.

There are valid economic reasons for Brazil to reach out to the Third World. Brazil's dependency on imported petroleum and her sharply-growing need to develop new export markets almost forces a set of short-term political interests and relationships that differ from our own. Yet the divergences in our respective policies mask our shared cultural and political values and our mutuality of interest in long-term political, economic, and security cooperation.

We have few levers to use with Brazil at this point. What we can do is to stress the positive elements in the relationship, reassure Brazil of our interest in working together, and increase substantive exchanges and symbolic visits to generate some momentum in the relationship.

Talking Points:

-- I REGRET THAT IT HAS TAKEN US SO LONG TO GET TOGETHER. I APPRECIATED YOUR VERY THOUGHTFUL LETTERS BUT THERE IS NO SUBSTITUTE FOR PERSONAL MEETINGS.

-- THE U.S. AND BRAZIL HAVE MUCH IN COMMON. WE ARE OLD FRIENDS AND ALLIES. EVEN THOUGH OUR POLICIES DIFFER SOMETIMES, OUR BASIC INTERESTS AND FUNDAMENTAL OBJECTIVES ARE THE SAME.

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-4-

-- I WOULD BE INTERESTED IN YOUR VIEWS ON HOW OUR TWO COUNTRIES CAN EXPAND THE AREAS OF COOPERATION AND CONSULTATION. THE TRADE TALKS ARE A VERY HELPFUL DEVICE IN CONTAINING TRADE PROBLEMS, AND THE ANNUAL POLICY PLANNING TALKS HELP US TO UNDERSTAND EACH OTHER BETTER. BUT WE NEED TO DO MORE.

-- ASSISTANT SECRETARY ENDERS WILL VISIT YOU LATER THIS MONTH, AND I HOPE HE WILL RETURN WITH SOME THOUGHTS ALONG THIS LINE.

-- WE ALSO HAVE BEEN CONSIDERING THE POSSIBILITY OF A VISIT TO BRAZIL OF VICE PRESIDENT BUSH, PERHAPS IN SEPTEMBER OR OCTOBER. WOULD THAT WORK OUT?

-- WE ARE VERY INTERESTED IN EXPLORING THE POSSIBILITY OF A STATE VISIT BY PRESIDENT FIGUEREIDO. THE WHITE HOUSE IS NOW WORKING OUT PRESIDENT REAGAN'S CALENDAR FOR NEXT YEAR. I HOPE WE'LL BE ABLE TO SUGGEST SPECIFIC DATES SOON.

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-5-

2. To defuse a potential problem arising from failure to agree on nuclear supply arrangements.

Brazil's first power reactor (Angra I), supplied by Westinghouse, is expected on line later this year. An export license application is pending for low-enriched fuel reload, but we have been unable to come to agreement on the terms.

The principal remaining issue relates to IAEA safeguards. One of our legislatively mandated export criteria is that IAEA safeguards be maintained on all Brazilian nuclear activities at the time the export occurs. Since Brazil is not party to the NPT we consider that formal confirmation that IAEA safeguards are being maintained, and will be in effect at the time of export, is the minimum we need to obtain NRC approval of an export license.

Although it contends that all significant nuclear activities are safeguarded, Brazil has declined to offer bilateral assurances on activities developed indigenously or with other foreign suppliers. The GOB points out that the assurances we are seeking to satisfy the requirements of the 1978 NNPA go beyond the terms of our 1972 bilateral agreement. (In fact, there may also be a problem of unsafeguarded activities which we are not in a position to discuss with the GOB.) In the background is the 1977 effort of the U.S. to force modification of the Brazil-FRG nuclear program, which the GOB viewed as an attempt to maintain Brazil in a state of nuclear energy dependence.

In May 1981, Brazil offered an assurance relating only to materials supplied by the U.S., and asked for our response before July 31, arguing that it would then need to seek another source of supply for the fuel reload.

A complicating factor is that under its enrichment services contract with DOE, the utility operating the reactor is liable for termination charges of about \$15 million if it obtains fuel from another source. If we cannot agree on the assurances necessary for the export license, Brazil asks that we suspend or waive those charges. DOE asserts that a waiver would create a potentially damaging precedent with respect to hundreds of other domestic and foreign enrichment customers.

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-6-

Talking Points:

-- WE REGRET THAT WE HAVE NOT YET BEEN ABLE TO AGREE UPON ASSURANCES THAT WE MUST HAVE FOR THE NRC TO ISSUE AN EXPORT LICENSE.

-- AS YOU KNOW, NRC IS A REGULATORY BODY INDEPENDENT OF THE EXECUTIVE BRANCH, AND MUST INDEPENDENTLY JUDGE WHETHER THE CRITERIA SPECIFIED IN OUR ATOMIC ENERGY ACT ARE MET BEFORE APPROVING AN EXPORT LICENSE.

-- WE ARE CONSULTING WITH DOE REGARDING THE POSSIBILITY OF WAIVING THE PENALTY CLAUSE IN YOUR REACTOR OPERATOR'S CONTRACT IF WE CANNOT COME TO AGREEMENT. HOWEVER, DOE HAS HUNDREDS OF SUCH CONTRACTS, AND FINDS DEVIATING FROM THEIR TERMS A MATTER OF EXTREME DIFFICULTY.

-- I HOPE OUR GOVERNMENTS CAN FIND SOME ARRANGEMENT THAT SATISFIES YOUR POLICY IMPERATIVES AND OUR LEGAL LIMITATIONS ON SUCH LICENSES.

-- IN ANY EVENT, I TRUST THAT ANY DIFFERENCES WE MAY HAVE ON THIS VERY TECHNICAL ISSUE WILL NOT AFFECT CONTINUED DEVELOPMENT OF THE CLOSE AND HARMONIOUS RELATIONS BETWEEN OUR COUNTRIES.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-7-

3. To elicit Brazilian understanding of U.S. objectives in Central America and Brazilian support of the Caribbean Basin Initiative.

Brazil has been more critical than supportive of U.S. actions in Central America and particularly El Salvador. Some part of the Brazilian position is simple posturing on the principles of non-intervention and national sovereignty in which Brazil is playing to Latin and Third World audiences. Part may also derive from a genuine fear that U.S. involvement could escalate to the point of military intervention and in the process destabilize political and security relationships throughout the Americas. A third factor flows from the general foreign policy line that East-West tensions should not be played out in the Southern Hemisphere. At the same time, Brazil does not consider itself to be a major actor in Central America, recognizes that instability in Central America bears directly on important U.S. interests, and is opposed to any expansion of Cuban influence in the area.

With respect to the greater Caribbean Basin, Brazil perceives a somewhat larger but still indirect national interest in political stabilization, except for neighboring Suriname and Guyana where Brazilian security interests could be directly affected. Brazil contributed \$5 million to the Caribbean Development Fund, participates as an observer in the Caribbean Consultative Group, and also provides some bilateral assistance to Guyana and Suriname. Foreign Minister Guerreiro, who has been briefed on the Caribbean Basin Initiative by Ambassador Sayre, has acknowledged that Brazil could do more in Guyana and Suriname.

Talking Points:

Central America:

-- WE SHARE THE BRAZILIAN VIEW THAT THE PROBLEM IN EL SALVADOR IS NOT CAPABLE OF A MILITARY SOLUTION.
AT THE SAME TIME, THERE IS AN UNDENIABLE MILITARY COMPONENT TO THE PROBLEM.

-- OUR ASSISTANCE TO THE GOVERNMENT OF EL SALVADOR, AND OUR MORAL SUPPORT OF THAT GOVERNMENT'S REFORM

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-8-

EFFORTS, REFLECT OUR UNDERSTANDING THAT THE BASIC INSTABILITY HAS STRUCTURAL SOCIAL, ECONOMIC, AND POLITICAL CAUSES.

-- OUR MILITARY ASSISTANCE IS ESSENTIAL TO THE SURVIVAL OF THE SALVADORAN GOVERNMENT IN THE FACE OF CONTINUING VIOLENCE FROM THE RIGHT AND THE LEFT. HOWEVER, IT IS STILL ONLY A SMALL PART OF OUR BROAD EFFORT.

-- WE ARE HOPEFUL THAT OUR EFFORTS TO ASSIST THE GOVERNMENT OF EL SALVADOR TO RESIST EXTERNALLY-SUPPORTED AGGRESSION AND TO BRING ABOUT STRUCTURAL CHANGE WILL DRAW SOME MEASURE OF UNDERSTANDING AND SUPPORT FROM OUR FRIENDS.

CARIBBEAN BASIN INITIATIVE:

-- YOU ARE AWARE OF THE GENERAL THRUST OF THE INITIATIVE AND OF THE PROGRESS MADE SO FAR IN CONSULTATIONS AMONG OTHER DONORS AND WITH POTENTIAL RECIPIENTS. THIS MAJOR EFFORT CAN SUCCEED ONLY AS A SHARED EFFORT OF ALL OF THE MAJOR COUNTRIES WITH INTERESTS IN THE AREA.

-- BRAZILIAN PARTICIPATION, OR COMPLEMENTARY ASSISTANCE TO SURINAME AND GUYANA, WOULD CONTRIBUTE IMPORTANTLY TO THE OBJECTIVES OF THE INITIATIVE.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-9-

4. To solicit the cooperation of Brazil at the August session of the Conference on Law of the Sea.

Since the beginning of the LOS negotiations, Brazil has been a leader both in the Latin American Group and the G-77 generally. Brazil has led efforts in the seabed mining negotiations to maximize the NIEO tilt of the text, of which the so-called "Brazil Clause" is the most prominent example. This provision allows developing states to exercise the same rights with respect to transfer of technology as are given to the Enterprise, though with some additional restrictions. The proposed U.S. Delegation instructions seek removal not only of the Brazil Clause but also of any obligation to transfer technology to the Enterprise.

At the last session, Brazil asked for changes in the text to restrict military operations in the 200-mile exclusive economic zone, and joined those delegations calling for notification and authorization for warship passage through the 12-mile territorial sea. Both these proposals, if adopted, would be setbacks for the U.S.

Foreign Minister Guerreiro formerly headed the Brazilian LOS delegation and is closely identified with the positions taken by the GOB on various issues. He was particularly disturbed over the U.S. decision in March to review the entire issue.

Assistant Secretary Malone met with Guerreiro in Brasilia in May and received assurances of Brazilian cooperation, although not support, at the Geneva session.

Talking Points:

-- THE U.S. WILL BE PREPARED TO DISCUSS IN DETAIL AT THE AUGUST SESSION OUR CONCERNS ABOUT THE CURRENT TEXT AND POSSIBLE APPROACHES TO RESOLVING THEM.

-- THE U.S. POLICY REVIEW WILL CULMINATE IN THE FALL WITH THE PRESIDENT CHOOSING AMONG OPTIONS

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-10-

FOR PROTECTING OUR OCEAN INTERESTS. ONE OPTION WILL BE CONTINUATION OF NEGOTIATIONS AT UNCLOS III. THE REACTIONS OF OTHER DELEGATIONS TO OUR CONCERNS AT THE AUGUST SESSION WILL BE AN IMPORTANT FACTOR IN THE CHOICE THAT HE MAKES.

-- IT WOULD BE UNFORTUNATE IF CHANGES WERE MADE IN THE DRAFT CONVENTION THAT ARE CONTRARY TO U.S. INTERESTS OR IF IT WERE FORMALIZED IN AUGUST.

-- I GREATLY APPRECIATE YOUR STATEMENT TO ASSISTANT SECRETARY MALONE THAT THE GOB IS PREPARED TO COOPERATE WITH THE USG AT THE AUGUST SESSION.

~~CONFIDENTIAL~~

ARA/BR: ~~L~~^Hilday-~~F~~^Ecker:OES/NEP-SH~~I~~^Ynsonafr
7-24-81 26541
Disc #3

Clearances:

ACDA:LWatson^u(subs)
DOE/IA:Mr.MGoldrick^u(subs)
L/N:Mr. Olson (subs)^u
M:Mr. Stratford (subs)^u
T:RBeckham (subs)^u
OES:HMarshall (subs)^u
OES/OMS:NWulf ^u
AF/L:LWilliamson ^u
P:KBrill^u

For ARA only:

ARA/CEN:RBraibanti

ARA/ECP:JSlattery

ARA/RPP:RBooth (subs)

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243567	REPORT	2	4/29/1981	B1

The above documents were not referred for declassification review at time of processing
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BM

THE WHITE HOUSE
WASHINGTON

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BE

CABINET ADMINISTRATION STAFFING MEMORANDUM

TA
F0006-02

DATE: Oct. 5, 1981

NUMBER: 018872CA

DUE BY: _____

SUBJECT: Global Negotiations

	ACTION	FYI		ACTION	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input type="checkbox"/>	Baker	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Vice President	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Deaver	<input type="checkbox"/>	<input checked="" type="checkbox"/>
State	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Allen	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Treasury	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Anderson	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Defense	<input type="checkbox"/>	<input type="checkbox"/>	Garrick	<input type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Interior	<input type="checkbox"/>	<input type="checkbox"/>	Gray	<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input type="checkbox"/>	<input type="checkbox"/>	Beal	<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input type="checkbox"/>	<input type="checkbox"/>	<u>Gergen</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Labor	<input type="checkbox"/>	<input type="checkbox"/>	<u>Hornatz</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>	<u>Porter</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HUD	<input type="checkbox"/>	<input type="checkbox"/>	Nau		<input checked="" type="checkbox"/>
Transportation	<input type="checkbox"/>	<input type="checkbox"/>			
Energy	<input type="checkbox"/>	<input type="checkbox"/>			
Education	<input type="checkbox"/>	<input type="checkbox"/>			
Counsellor	<input type="checkbox"/>	<input checked="" type="checkbox"/>			
OMB	<input type="checkbox"/>	<input type="checkbox"/>			
CIA	<input type="checkbox"/>	<input type="checkbox"/>			
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Remarks:

Attached is a paper on Global Negotiations developed by the United States Trade Representative for your review. It should be considered as background information for today's meeting. (10/5/81 Conuen meeting)

RETURN TO:

Craig L. Fuller
Deputy Assistant to the President
Director,
Office of Cabinet Administration
456-2823

Global Negotiations

Issue:

Should the United States participate in Global Negotiations?

Background:

Global Negotiations is the current vehicle by which the Group of 77 (G-77) is seeking to effect its restructuring of the international economic system. The G-77's agenda for restructuring the system was defined in the UN General Assembly's Program of Action on the Establishment of a New International Economic Order (NIEO), which was adopted by the Sixth Special Session of the UNGA in May 1974. Since 1974, the LDCs have elaborated on the NIEO in ways that make it even more incompatible with U.S. economic interests. Among the major elements of the G-77 agenda on trade and payments are:

- non-reciprocal dismantling of developed countries' tariffs and non-tariff barriers affecting LDCs;
- permanent preferential access for LDC exports to developed country markets;
- preservation of the purchasing power of LDCs' primary commodity exports;
- redeployment of labor-intensive industries from the developed countries to the developing countries;
- time-bound targets for levels of development assistance, well above levels currently provided by the United States;
- creation of additional international liquidity (SDRs) linked to development financing;
- renegotiation of LDC debt with a view to concluding agreements on debt cancellation, moratoria or rescheduling;
- substantially increased role for developing countries in the decisionmaking of the international financial institutions and the GATT.

Following the Sixth Special Session, the Group of 77 tried to implement its agenda through the existing international fora for North/South discussions (e.g., UNCTAD, UNIDO). They have had limited success in these efforts because the UN fora don't have the authority or the financial resources to implement their recommendations on economic matters. Accordingly, the LDCs

attempted to obtain commitments to implement the agenda directly from major developed countries in the Conference on International Economic Cooperation (CIEC), which met in Paris between 1975 and 1977. CIEC evolved from the developed countries' desire to discuss with OPEC the effects of oil price increases upon the global economy; OPEC successfully coopted the non-OPEC LDCs by insisting that CIEC deal with a much broader range of international economic issues. The Conference essentially ended in a stalemate.

Subsequently, the Group of 77 adopted the strategy of moving the North/South discussions into a political forum in which the developing countries could command a majority of votes. The UN General Assembly was their preferred forum, and Global Negotiations was the vehicle for getting the discussions into the General Assembly. The LDCs' objective is to obtain developed countries' agreement to a set of UN resolutions that can be construed as requiring all countries to implement specific NIEO "reforms" in the GATT, the international financial institutions and the developed countries' respective policies. Last year, the United States, West Germany, and the U.K. refused to accept the terms on which the other developed countries and the Group of 77 were prepared to launch Global Negotiations. Our concern, which in fact is shared by most developed countries, is that Global Negotiations as envisioned by the Group of 77 will damage the GATT, the IMF and the IBRD by imposing upon them a degree of outside supervision from a highly politicized body that does not share our view of what promotes world economic growth and efficiency.

Options

I. Decline Further Participation in Global Negotiations

- PRO: - Saying "no" now would be an honest statement of the U.S. perception of its economic interest and that of the global system. The most important contribution developed countries can make in spurring economic development is to restore adequate economic growth domestically. A strong international economy coupled with realistic economic policies in developing countries is the key to sustained growth in the Third World. Global Negotiations provides a rhetorical mask for developing countries to hide behind as they ignore this fact.
- All previous North/South "dialogues" have failed to achieve results and there is no reason to think this effort will turn out any differently. In fact, given the severe economic difficulties currently faced by nearly all countries, prospects for failure are quite high. This is especially true since LDCs consider success to equal direct resource transfers.

- This position tracks U.S. domestic as well as international economic policy as enunciated by Administration officials, including the President, during the past nine months. The U.S. would be presenting a firm, economically sound approach to development which offers a vivid contrast to our past efforts in this regard.
- Without U.S. participation, Global Negotiations could not be launched effectively; this would remove the threat to the specialized agencies from a UNGA attempt to supervise the work of those institutions.
- There is less unity among developed countries in their views of North-South issues than has been the case previously. This would increase the chances of an unacceptable outcome from Global Negotiations.

- CON: - The United States will be portrayed by developing countries and by many developed countries (including several that share our concerns) as being unresponsive to the plight of the developing world.
- There may be some negative impact in the short-run on our relations with individual developing countries (e.g., Mexico, India, Pakistan).
 - A "no" on Global Negotiations would require us to be more forthcoming on LDC issues within the GATT, IMF and IBRD in the coming year if we wished to salvage our credibility as the leader of the global economy. This could involve some real economic concessions that would affect trade and financial flows.

II. Agree to Participate in Global Negotiations with an Agenda Agreement which would Allow the Specialized Agencies to Ultimately Conduct the Negotiations in Their Own Areas Without Derogation of Their Authority.

- PRO: - We would avoid condemnation for simply refusing to participate further in Global Negotiations.
- The agenda would be set by institutions in which the U.S. and other developed countries have much more control.
 - The developing countries might intensify their participation in the specialized institutions in order to affect the agenda.

- CON: - The Group of 77 is not likely to agree to have the agenda set outside the central body. Universal participation in the establishment of an integrated agenda is fundamental to the Global Negotiations idea.
- If the venue of Global Negotiations is the UNGA, that body can interpret broadly the agendas submitted to it and thereby achieve essentially the same results as if the agenda had been negotiated in the General Assembly itself.

III. Conduct Global Negotiations in the Specialized Institutions

- PRO: - This would be seen by developing countries as less unresponsive than refusal to participate.
- The negotiations would occur in the institutions that have the expertise to deal with economic issues at the appropriate level of detail and concreteness.
 - The negotiations would occur in institutions in which the U.S. and other developed countries have much more control.
 - This approach would remove the immediate danger of UNGA intervention in these institutions' operations.
- CON: - There is a danger of UNCTADization of the specialized institutions if participation included non-members of the respective institutions. This would be a particular problem for the GATT.
- This approach probably would not be acceptable to the LDCs because it would undermine their objectives of universal participation and negotiation of issues in an integrated fashion in an essentially political context.
 - The U.S. would be portrayed as backing away from previous acceptance of the concept of Global Negotiations, which was implicit in our participation in negotiations to date.

IV. Proceed with Preparations for Global Negotiations

- PRO: - The Administration would appear to be more responsive to the developing countries than under any of the previous options.

- There would be a positive impact in the short-run on our relations with several important LDCs (e.g., Mexico).

- CON: - We would have to fight repeatedly the battle of protecting the specialized institutions, but the issue would be clouded in each instance because it would be intertwined with individual trade or financial issues. Under these circumstances, it would be very difficult to garner support from other developed countries for a tough stand on the specialized institutions' integrity.
- There is no guarantee that ultimately we can reach agreement with the Group of 77 on procedures and agenda, in which case we'd be portrayed as reneging on this Administration's commitment to Global Negotiations rather than the previous administration's commitment.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

September 11, 1981

C.F.

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9/11 to D. Darman
F0006-02

FG012

0915

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: RICHARD V. ALLEN *Allen*

SUBJECT: Memorandum from Secretary of the Treasury Regan

Attached is a memorandum from Secretary of the Treasury Regan (Tab B) to you concerning U.S. economic policy toward developing countries and global negotiations. The NSC staff is entirely in agreement with the content of this memorandum. However, a speech by you at the IMF/IBRD in late September might provide other participants at the Cancun Summit in late October with more than sufficient time to develop a counter strategy. A speech by you or a policy pronouncement about a week before the Cancun Summit might be preferable from a policy standpoint.

RECOMMENDATION:

That you sign the memorandum to Secretary Regan (Tab A) acknowledging receipt of his memo and expressing agreement with the policy recommendations, but including that you prefer to announce this policy at an appropriate occasion closer to the initiation of the Cancun Summit.

APPROVE _____

DISAPPROVE _____

Attachments

Tab A Memo to Secretary Regan
Tab B Memo from Secretary Regan

NSC # 8105156

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE HONORABLE DONALD T. REGAN
The Secretary of the Treasury

SUBJECT: Your Memorandum of August 27 on
U.S. Economic Policy Toward Developing
Countries and Global Negotiations

Your incisive and comprehensive overview of the issue of our relations with the developing countries was very much appreciated.

Your idea of a major policy pronouncement on my part prior to the Cancun Summit meeting is a good one. However, the IBRD/IMF meetings take place almost a month prior to Cancun. I have decided that such a pronouncement will have more effective and favorable impact if issued not more than ten days before the summit convenes. I will be soliciting your help in finding the appropriate opportunity.



August 27, 1981

MEMORANDUM FOR THE PRESIDENT

SUBJECT: U.S. Economic Policy Toward Developing Countries
and Global Negotiations

Our experience at the Ottawa Summit has underscored the importance of developing countries in international economic policy. Your participation in the late October Cancun Summit with Heads of State from developed and developing countries will draw attention to outstanding issues in this area, especially with the global negotiations issue looming in the background. The September-October period would provide an excellent "window" for you to make a major policy speech to assert U.S. leadership in the international economic arena and dispel misimpressions of your Administration's attitude toward developing countries.

Foreign assistance traditionally has been viewed as a stimulus to economic growth in developing countries. Domestically, your Administration has rejected the notion that government transfers and intervention provide a necessary impetus for business activity. Vigorous economic activity and growth result from allowing the market place to allocate scarce economic resources and determine appropriate kinds of productive activity. This basic proposition is no less valid in developing countries, although it is not always popular with their governments.

As in domestic economic policy, so in international economic policy, aggressive yet practical leadership to cope with economic ills brought on by inflation and slow growth has been lacking. Industrialized countries realize they cannot sustain ever-growing foreign aid levels while their domestic economies are weak. Developing nations must appreciate that accumulating debts to finance consumption merely mortgages their future and can be no substitute for sound domestic economic policies. Successful economic growth is based largely upon internal generation of capital and foreign private financial flows.

A major policy address -- perhaps at the annual meeting of the World Bank and International Monetary Fund in late September -- could bring these ideas together, put them in perspective, and supply the basis for U.S. leadership at Cancun and thereafter.

The speech could:

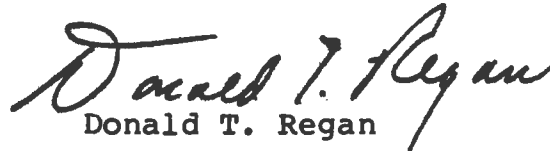
- underscore our concern and compassion for developing countries' economic problems;
- stress that the fundamental issue, nevertheless, is for all to get their internal houses in order (as we are doing);
- emphasize the full range of U.S. (and other industrialized country) contributions to the economic betterment of developing countries via the private market (trade, investment, technology, private capital flows) as well as aid;
- confirm our commitment to provide foreign assistance to the poorer developing countries;
- reject the artificial division of the world along North-South lines and offer instead to examine concrete problems on a pragmatic basis (such as we are beginning to do in the Caribbean); and
- clearly state U.S. concern over the prospect of Global Negotiations undermining the integrity of existing institutions, which are fully competent to handle emerging problems.

As you are aware, the proposed U.N.-based Global Negotiations will be a major issue this fall. "GN", which has been stalled primarily by U.S. objections, would create a central negotiating body under U.N. auspices to conduct -- in some fashion yet to be determined -- interrelated negotiations across a range of economic issues.

Our basic problem with Global Negotiations centers on the strong likelihood that the competence, integrity, and role of existing international institutions -- especially the International Monetary Fund and the World Bank -- would be undermined and distorted if they were allowed to proceed. A new international bureaucracy simply is not needed. The Fund, Bank, and other specialized international institutions are well equipped to handle the proposed topics for negotiation. Food, trade, development finance, and international monetary matters are the concern of established international organizations. Energy is the only proposed topic without such a forum.

Global Negotiations are a 'no-win' situation. Although the negotiations themselves are likely to follow a "consensus" approach, the sheer volume of developing country voting power in the U.N. (119 of 154 votes) would likely force us to choose between a highly damaging substantive outcome and blocking the conference. Thus, any favorable political atmosphere generated by a decision to move forward with Global Negotiations would soon dissipate.

Economic problems of developing countries -- which are increasingly important in our trade and political relations -- must be addressed. The United States should provide leadership to this end. The best approach, however, would be to redirect existing organizations to resolve concrete problems. We will gain nothing by encouraging political debates on these problems in the U.N. where inevitably the developing countries act and vote as a bloc. My own view is that it would be better, in effect, to break off the engagement now than be confronted with a very costly divorce later on. You could signal your inclination to do so by an appropriate passage in the speech I am recommending.


Donald T. Regan

cc: Secretary Haig
✓ Richard Allen

THE WHITE HOUSE
WASHINGTON

2 SEPTEMBER

RE: #5156

SUBJ: US Economic Policy Toward
Developing Countries and
Global Negotiations (Sec. Regan's
memorandum to the Pres.) (bailey)

JANET,

Just a note on this one. Adela in Craig Fuller's office tells me she spoke w/him on phone about original of Sec. Regan's memo. Fuller told her it would be coming back via the pouch and that action would go to NSC and State (I did not press for details as to what was meant by State getting it for action also).

Do you have any special instructions for handling Bailey's package in the interim, until our office receives the actual Fuller Referral?

(jcp)

*I have the Bailey package
don't I? Nothing further
needed, & don't think.
Thanks J.*

9/10

THE WHITE HOUSE
WASHINGTON

#5156

Tab A needs a
redo. As return
to JWB.
JR

#5156

Friday, September 4

Mr. Allen:

Dr. Sprinkel, Under Secretary of the Treasury for Monetary Affairs, called to report that he had had a conversation with Secretary Regan yesterday concerning some upcoming events for which Dr. Sprinkel will be out of town. Basically, he wanted to call your attention to a letter from Secretary Regan to the President of August 27, concerning US thrust in relations between the developed world and the USG primarily through our relations through the World Bank and others; it also mentions speeches at the IMF-World Bank meetings.

Dr. Sprinkel also mentioned that Treasury had received a copy of NSC's memo on the Cancun Summit and agreed with it. #5013

Dona

566-5164



MEMORANDUM

NATIONAL SECURITY COUNCIL

5156 *af*

August 28, 1981

ACTION

MEMORANDUM FOR RICHARD V. ALLEN

FROM: NORMAN A. BAILEY *nb*

SUBJECT: Memorandum from Secretary of the Treasury
Regan to the President

Secretary Regan has written to the President suggesting an overall approach to U.S. economic policy toward developing countries and global negotiations. Secretary Regan's positions in this memorandum are entirely consistent with ours. However, we feel that a presidential speech at the IMF/IBRD meeting in late September would be too early and would provide ample time for other participants at the Cancun Summit to launch a counter attack. In our view it would be preferable for the President to make a speech or make a major policy pronouncement on North/South relations about a week prior to Cancun.

RECOMMENDATION

That you sign the attached memorandum of transmittal to the President at Tab I.

Approve *✓* Disapprove

Attachment

- Tab I Your Memo to the President
- Tab A Memo to Regan for the President's Signature
- Tab B Incoming Memo from Regan

cc: Henry Nau

needs amending as indicated

RECEIVED 28 AUG 81 15

TO PRES

FROM REGAN, D

DOC DATE 27 AUG 81

KEYWORDS: ECONOMICS

LDCS

OTTAWA SUMMIT

SPEECHES

CM

SUBJECT: US ECONOMIC POLICY TWD DEVELOPING COUNTRIES AND GLOBAL NEGOTIATIONS

ACTION: PREPARE MEMO FOR ALLEN

DUE: 28 AUG 81 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

BAILEY

NAU

GUHIN

POATS

WEISS

COLSON

LENZ

COMMENTS *** 3 HOURS RESPONSE FOR CABINET LEVEL MEMO ***

*** ORIG 27 AUG MEMO W/ FULLER OFC

REF#

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<i>Pres</i>	<i>9/11</i>	<i>for decision / sig</i>		
	<i>11/13</i>	<i>DBE per Colson</i>		

DISPATCH

W/ATTCH FILE *WH* (C)