

Ronald Reagan Presidential Library
Digital Library Collections

This is a PDF of a folder from our textual collections.

WHORM Subject File Code: FO006-02

(Foreign Affairs: Twenty-Two Nation Summit,
10/21/1981-10/23/1981 Cancun, Mexico)

Case File Number(s): 044849 (2 of 4)

Box: 16

To see more digitized collections visit:

<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories visit:

<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: reagan.library@nara.gov

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>

WHITE HOUSE STAFFING MEMORANDUM

DATE: 10/6/81

ACTION/CONCURRENCE/COMMENT DUE BY: 10/7/81 3:00pm

SUBJECT: CANCUN SUMMIT

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	HARPER	<input type="checkbox"/>	<input type="checkbox"/>
MEESE	<input type="checkbox"/>	<input type="checkbox"/>	JAMES	<input type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input type="checkbox"/>
DEAVER	<input type="checkbox"/>	<input type="checkbox"/>	NOFZIGER	<input type="checkbox"/>	<input type="checkbox"/>
STOCKMAN	<input type="checkbox"/>	<input type="checkbox"/>	WILLIAMSON	<input type="checkbox"/>	<input type="checkbox"/>
ALLEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	WEIDENBAUM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
ANDERSON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HICKEY	<input type="checkbox"/>	<input type="checkbox"/>
BRADY/SPEAKES	<input type="checkbox"/>	<input type="checkbox"/>	MC COY	<input type="checkbox"/>	<input type="checkbox"/>
CANZERI	<input type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
DOLE	<input type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input type="checkbox"/>	<input type="checkbox"/>	USTP	<input type="checkbox"/>	<input type="checkbox"/>
<u>FRIEDERSDORF</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
FULLER (For Cabinet)	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
GARRICK	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
GERGEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

Remarks:

You will recall that we discussed these briefly on Monday -- and agreed to be prepared to present these to the President for decision by Wednesday. Could you please provide comments by 3:00 p.m. Wednesday.

Thank you.

*See Giblin comments attached.
meb
10-6-81*

Richard G. Darman
Assistant to the President
and
Deputy to the Chief of Staff
(x-2702)

Friedewald

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

October 6, 1981

TO: Max
FROM: Bill Gribbin
RE: Memo from Cabinet Council (attached)

This is an accurate presentation of the last meeting of the Cabinet Council on the Economy: a two-hour contest between the spenders (State, AID) and the savers (Marty, Murray, et al.) over the direction of foreign aid.

In general, some of the less thoughtful suggestions about foreign assistance that were in the original Council paper have been eliminated. That will make life less difficult for all of us in the Congress.

Nonetheless, I would still suggest the following caveat to those who are preparing the President's final positions for the Cancun meeting: the mood on the Hill, especially among Republicans, has not been conducive to new foreign aid ventures, whether on-budget, in direct outlays, or off-budget, or governmental insurance programs. in loan guarantees/ It therefore becomes especially important that the President not suggest any initiatives at Cancun which the Administration may be unable to deliver from the Congress.

THE WHITE HOUSE
WASHINGTON

DATE 10-6-81

TO:

Dick Darman

FROM: MAX FRIEDERSDORF

For your information _____ ✓

See me _____

Call me _____

Please handle _____

Please follow-up _____

For your comments:

10:49 2-100 18
91 101-2 140

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

October 7, 1981

MEMORANDUM FOR DICK DARMAN

FROM: Murray L. Weidenbaum 

Subject: Cancun Summit Issues

I am in general agreement with the direction of the CCEA recommendations to the President on our approach at Cancun. I fully agree with the emphasis on increased incentives to the private sector and the need for more appropriate public policies in such key areas as agriculture and energy.

At the same time, our public positions should not overlook the fact that the public sector in the LDCs (as was the case in this country) can play an important role in some parts of the economic infrastructure, such as roads, water systems, and ports and harbors.

On the question of Global Negotiations, I remain opposed to them, and believe Option I (a flat "no") is the most honest and straightforward course to take.

Finally, it should be noted that in the "Talking Points on Cancun Trade Options", there is an incorrect version of the President's statement on MFA. His pledge is interpreted as "not to relax the existing degree of protection on textiles". The actual statement was a pledge "to strengthen MFA and to relate import growth to market growth" - a somewhat looser statement.

DECLASSIFIED

Authority

State Warier

~~CONFIDENTIAL~~

Draft -- for discussion
on Sept. 17/no standing

BY ds DATE 11/18/2019

POSSIBLE ELEMENTS OF
REAGAN APPROACH TO INTERNATIONAL DEVELOPMENT

Handwritten:
RWS
working
copy

I. BASIC THEMES

- (A) U.S. capacity to identify with the ideal(s) of development. U.S. itself was both an underdeveloped country and a revolutionary society -- and remains true to its finest traditions as a champion of liberty and opportunity for all.
- (B) U.S. capacity for compassionate action. U.S. is unsurpassed in its record as a haven for the "poor ... huddled masses yearning to breathe free ... the homeless (and) tempest-tossed ..." -- and as a contributor of financial aid and technical assistance to other countries in need.
- (C) U.S. capacity to serve as a useful example for successful development. Idealistic rhetoric (A) and charity (B) are not enough. Self-sufficiency must be the goal. And this requires:
 - (a) a favorable climate for investment;
 - (b) access to markets with potential growth;
 - (c) technical assistance;
 - (d) fair opportunities and incentives for work; and
 - (e) action programs tailored to the potential and constraints of the local/regional environment.

These are what allowed the U.S. to develop ("from the uncharted territory Columbus found ... " if speech is on Columbus Day) And these are what a program for others' successful development must be rooted in.

- (D) U.S. capacity, working through appropriate institutions, to help foster self-sufficient development -- on a practical basis -- a basis that can work. Conditions that allowed the U.S. to develop successfully can best be applied to developing countries through institutions that have a practical orientation toward:

- improving the investment climate;
- increasing access to markets;
- providing appropriate technical assistance; and
- adapting to varying local and regional conditions.

It is this practical orientation which must prevail over unproductive rhetorical exercises or grandly idealistic schemes that founder on their own naivete. (NOTE: There is the option of elaborating upon what are "unproductive rhetorical exercises" and what are "idealistic schemes that founder on their own naivete.")

II. POSSIBLE ELEMENTS OF A REAGAN PROGRAM CONSISTENT WITH (D)

- to improve the investment climate:
 - o propose new "International Investment Insurance Agency" (multi-lateral, building on U.S. experience with unilateral OPIC);
 - o support increased World Bank and IFC activity as catalysts of co-financing arrangements in developing countries (perhaps offer U.S. proposal);
 - o negotiate special bi-lateral tax and investment policy agreements (trading improved investment protection arrangements for honoring developing country tax holiday/sparing arrangements under U.S. law).
- to expand markets for products from developing countries:
 - o through GATT ministerial (1982) and subsequent trade talks, seek reduction of discrimination against LDC products via:
 - adoption of a general and liberal "safeguards" code;
 - gradual reduction of certain categories of coverage under MFA (perhaps); and

-- gradual dismantling of developed-country subsidies of certain tropical agricultural products (Note: requires attention to domestic sensitivities);

- o commit to implement safeguards code under GATT;
- o commit now to seek legislation to extend the Generalized System of Preferences (GSP -- which expires in '85), and express willingness to expand GSP coverage;
- o in MFA negotiations, seek to maintain overall 6% growth rate while redirecting benefits from "big three" (Taiwan, Hong Kong, South Korea) to smaller and newer developing country suppliers.

-- to promote and provide technical assistance:

- o (Note that most effective technology transfer is through private investment and associated technical transfers and training; hence, improving investment climate (as above) is most important key to technical assistance.) But in addition ...
- o refocus AID resources to give greater emphasis to the development of practical and sustainable productive enterprise in developing countries;
- o encourage the American private agricultural sector to become more involved in agricultural technical assistance in developing countries (as a market development strategy, not simply pro bono);
- o develop a new or enhanced (Peace Corps)-type program to send technically qualified Americans abroad as part of technical assistance teams;
- o encourage American institutions of higher education to give greater emphasis to the training of people from developing countries;

*as per...
encourage
panel*

*development
agencies*

o *Chamber of Commerce
voc. ed.*

-- to develop practical programs appropriately tailored to the local and regional environment:

- o reject the artificial and simplistic division of the world into "North-South," and reject naive one-world images -- while emphasizing the diverse and pluralistic character of the 150-plus nations of the world and the need to give greater attention to opportunities for problem-solving on a regional scale;
- o cooperate with other governments and the private sector in the development of workable regional action programs -- such as the one we (with others) have initiated for the Caribbean Basin;
- o seek to develop other such regional action programs with interested countries and investors for other regions;
- o (Optional: reduce participation in unproductive and distractive rhetorical exercises that suffer from either excessive ideological polarization or excessively global ambition -- concentrate on activities likely to produce meaningful results.)

- ASEAN
- W. Africa
- S. African
Comp. Group

III. RELATED ISSUES THAT REQUIRE ATTENTION

- Re Food: whether to renew effort toward an international wheat agreement that assures emergency relief for poor LDCs.
- Re Multilateral Development Banks (MDBs): whether to assure continued U.S. support beyond "IDA-VI" (at what level of funding expectation?); whether to increase the focus of "soft-window" funds on the poorest countries; and whether to agree to participate in replenishments of the African Development Fund and the Asian Development Fund.
- Re Foreign Aid: whether to seek Congressional support for full appropriations package earlier sought;

-- Re "Global Negotiations"

Contextual NOTE: ^{You will recall that!} The Ottawa Summit Declaration commits the summit members to "participate in preparations for a mutually acceptable process of global negotiations in circumstances offering the prospects of meaningful progress." The press release from the preparatory Cancun meeting (in which the U.S. participated) states that the Cancun Summit will "facilitate" global negotiations. Many nations now choose to interpret this as a sign or commitment that the U.S. is willing to return to the Global Negotiations preparatory meetings at the U.N. Options include:


- (1) direct announcement of U.S. unwillingness to participate in Global Negotiations -- with strong statement of rationale and alternative approach;
- (2) announcement that U.S. cannot accept Global Negotiations as presently structured, but that U.S. is willing to return to New York to attempt to negotiate acceptable procedures and agenda -- (a) with a view toward stalling, or (b) with a view toward reshaping U.N.-sponsored Global Negotiations; or
- (3) fudge -- recommending follow-on to Cancun with open question as to whether or not to return to New York.

PROCEDURAL NOTE: Any of these options requires pre-Cancun lobbying by the U.S.

(A)

October 5, 1981

NOTE FOR MIKE DEEVER

FROM: CRAIG L. FULLER 

Summary of the CCEA review:

1. APPROACH

- a. US strategy for development calls for an integrated approach on investment, trade and foreign assistance.
- b. Most important 1st step is for the developed and developing countries to put their economic issues in order.
- c. We have an economic framework in place ... just need to make improvements.

2. INVESTMENT

- a. International Investment Insurance Agency (IIIA): such an organization, working within the World Bank, could substantially increase investment in the developing countries by reducing the risk to investors.
- b. Expand Cofinance Programs: the US can encourage such programs. During the past 2 years, \$3.5 billion has gone to 40 projects.
- c. Tax Incentives: The CCEA is looking at various alternatives but believes new arrangements should be considered.

3. FOREIGN ASSISTANCE

- a. Underlying theme -- build productive capacity in developing countries ... stress need for greater involvement by US private sector in technical assistance programs.
- b. Continue to support existing multilateral institutions.
- c. refocus bilateral aid on technical assistance and training (principally in agriculture and energy fields).

4. TRADE

- a. Support the extension of the Generalized System of Preferences, in some form, beyond its scheduled termination in 1985.
- b. Seek, at a 1982 GATT Ministerial, a reduction in the barriers against LDC goods and services.
- c. Press for strong discipline on safeguard actions to reduce arbitrary, secretive, inter-industry trade restraints.

cc: Richard Darman

THE WHITE HOUSE

WASHINGTON

October 3, 1981

MEMORANDUM FOR MICHAEL K. DEEVER

FROM: ROGER B. PORTER *RBP*

SUBJECT: Cancun Summit

At its Thursday, October 1 meeting, the Cabinet Council on Economic Affairs reviewed, as requested, a series of possible initiatives for the Cancun Summit. The central strategic issue facing the President as he prepares for Cancun is the position he should take on the calls for Global Negotiations. While the Cabinet Council's review did not directly address what approach we should take to Global Negotiations, our review of possible initiatives should prove helpful in developing the next steps in preparing for Cancun.

Our review concentrated on what basic approach the U.S. should pursue in its relations with developing countries and on what policies were most likely to produce lasting mutual benefits for both developed and developing nations. We considered a number of ideas and proposals, some more promising than others.

General Conclusions

In our discussion of possible proposals or initiatives, we reached several general conclusions:

1. The U.S. should identify with the developing countries' aspirations for greater economic growth and prosperity and show sympathy for their needs and problems.
2. We need to articulate better the U.S. record in aiding developing countries.
3. The most important step that both developed and developing nations can take is to put their domestic economic houses in order. International cooperation and economic growth depend on sound domestic policies.
4. Recommending a long list of specific initiatives or substantive proposals is unlikely to "win the hearts" of the developing nations at Cancun.
5. We should emphasize that we have a development strategy that can bring practical benefits to both the developed and developing world — one that we have found can succeed.

6. The institutional framework for what is needed is already in place but improvements can be made. We are prepared to join with others in making those improvements.
7. Our development strategy rests not on a single program or establishing a single forum. Rather it rests on an integrated approach that emphasizes trade, investment, and foreign assistance.
8. Neither government to government assistance nor massive income transfers from the developed to the developing world will bring sustained economic growth and prosperity. Lasting progress will occur only as the developing nations increase their capacity to produce goods and services and as there are markets for their products.
9. Thus, a successful development strategy must rest on an integrated approach that helps build productive capacity (through investment and technical assistance) and expand markets (through reducing barriers to trade).

Investment

The Cabinet Council examined three principal avenues for improving the investment climate in less developed countries thereby increasing the flow of private capital.

1. Multilateral Investment Insurance Arrangements.

A major constraint to the flow of direct investment to the LDC's is investors' perceptions of high political risk. Political risk insurance currently available from public and private sources is insufficient to support adequate flows of investment to the developing world, especially for high-risk, high-cost energy and minerals exploration projects.

A multilateral insurance arrangement, such as an International Investment Insurance Agency (IIIA), within the framework of the World Bank or its affiliate, the International Finance Corporation (IFC), could substantially reduce a major disincentive to investment in LDC's. Tying such an insurance arrangement to the World Bank could significantly increase its effectiveness since the potential loss of World Bank funding should prove a powerful deterrent to expropriation.

Several details such as dispute settlement and arbitration mechanisms, financial obligations, and control mechanisms (weighted

versus non-weighted voting rights) require further development.

2. Expanding Cofinancing Programs.

Multilateral development institutions can play an important role as catalysts in generating greater private investment in LDC's through cofinancing programs with commercial banks. Such programs are relatively modest now. (In the past two years, private lenders have participated with the World Bank in some 40 projects committing a total of about \$3.5 billion.) The U.S. can actively support increasing substantially the level of private cofinancing activities of the World Bank and the IFC.

3. Incentives under Bilateral Tax Agreements for Investment in Developing Countries.

Under current arrangements, when foreign governments in developing countries reduce or "spare" taxes for investors through tax holiday incentive laws, these have little effect on U.S. investors who simply end up replacing the foreign taxes they are spared with additional U.S. taxes because they receive a U.S. foreign tax credit only for taxes actually paid abroad.

One alternative examined by the Cabinet Council was allowing a U.S. foreign tax credit to U.S. investors not only for taxes actually paid to the developing country but also for taxes which would have been paid but which were "spared" under the tax holiday incentive law.

Other alternatives considered included extending a 10 percent investment tax credit to investments in developing countries, and allowing tax sparing credits only if the developing country reduced by treaty its statutory withholding tax on dividends, interest, and royalties paid to U.S. investors.

The Cabinet Council felt it was premature to endorse any of these specific tax proposals for several reasons. The current budget situation makes any near-term revenue losses extremely unattractive. Moreover, congressional agreement to support such tax changes is uncertain. There is widespread agreement that the President should not propose specific tax treaty changes on which he could not deliver. Rather, the Council felt that we could express a willingness to discuss new arrangements without supporting any specific changes in advance.

Foreign Assistance

A second major element of our development approach is foreign assistance programs. The underlying theme behind the Council's consideration of our economic assistance strategy

is the need to build productive capacity in developing countries. Increased technical assistance in its many forms, including greater involvement by the U.S. private sector in technical assistance programs, is needed. "If you give a man a fish you feed him for a day; if you teach a man to fish you feed him for a lifetime."

The Council's review of this area produced agreement on the need to:

- o Encourage sound LDC policies that promote development and that strengthen the private sector emphasizing the important role of market forces, especially in pricing policies. Governmental controls on agricultural and energy prices in many developing countries constrain development in those sectors;
 - o Continue to support existing multilateral institutions and to honor our commitments to them;
 - o Refocus our bilateral aid on programs which:
 - a. provide technical assistance and
 - b. concentrate on training;
- (Most U.S. bilateral assistance focuses on agriculture and energy.)
- o Place increased emphasis in agricultural programs on expanding food production, primarily through small farms and raising incomes by strengthening productive enterprises;
 - o Place increased emphasis in energy programs on technical assistance for energy assessment and training, reforestation, and research and development where our aid complements the private sector.

Trade

Developing nations must not only increase their capacity to produce goods and services by sound domestic economic policies, greater foreign investment, and expanded technical assistance and training; they also must have adequate markets for their products.

Five measures illustrate the absolute and comparative U.S. contribution to providing markets for LDC exports.

1. The U.S. absorbs approximately one-half of all the manufactured goods that the LDCs export to the industrialized countries.
2. In 1980, 51 percent of U.S. imports from developing countries entered duty free. Our average tariff on all dutiable imports was 5.5 percent.
3. The U.S. maintains very few quantitative restrictions and U.S. customs procedures are highly transparent and predictable.
4. Our Generalized System of Preferences (GSP) program is the most open and responsive of all the donors' programs. GSP duty-free imports have increased three-fold since 1976 and are expected to reach \$9 billion in 1981.
5. In the past two years alone, the non-OPEC LDCs earned more from exports to the U.S. (\$114.5 billion) than the entire Third World has received from the World Bank in 36 years.

Among the developed nations, the U.S. has a superior record with respect to lowering both quantitative and qualitative trade barriers to LDC products.

Building on this record, the U.S. can challenge other developed nations to join in strengthening the GATT in ways that encourage the further adoption of market-oriented, outward-looking policies by developed and developing countries.

Specific potential initiatives include:

- o Support the extension of the Generalized System of Preferences, in some form, beyond its scheduled termination in 1985.
- o Seek at a 1982 GATT Ministerial a reduction in the barriers against LDC goods and services.
- o Press for strong discipline on safeguard actions to reduce arbitrary, secretive, inter-industry trade restraints.

cc: Donald T. Regan
Edwin Meese III
James A. Baker III
✓Richard G. Darman
Craig L. Fuller
Martin C. Anderson
Richard V. Allen

THE WHITE HOUSE
WASHINGTON

From Ben Elliott
per RGD
My request

PRESIDENTIAL SPEECH ON CANCUN

I WANT TO SHARE WITH YOU TODAY MY VIEWS ON A SUBJECT OF MAJOR IMPORTANCE TO THE UNITED STATES, AND THE ENTIRE WORLD, NOW AND IN THE DECADE AHEAD. THAT SUBJECT IS THE RELATIONSHIP AMONG DEVELOPED AND DEVELOPING NATIONS, AND HOW WE CAN TOGETHER STRENGTHEN THE WORLD ECONOMY AND PROMOTE THE PROCESS OF ECONOMIC GROWTH AND DEVELOPMENT.

THE DEVELOPING NATIONS TODAY CONSTITUTE 80 PERCENT OF THE WORLD'S NATIONS AND THREE QUARTERS OF ITS PEOPLES. THEY ARE INCREASING IMPORTANT PARTICIPANTS IN THE MAJOR INTERNATIONAL POLITICAL EVENTS OF OUR TIMES. THEIR ECONOMIC PROSPERITY IS OF MAJOR AND GROWING IMPORTANCE TO OUR OWN. AND THE POVERTY, HUNGER AND DISEASE WHICH THEY ARE STRUGGLING TO OVERCOME CRIES OUT FOR ATTENTION.

MUCH HAS BEEN DONE BY THE DEVELOPING NATIONS THEMSELVES TO IMPROVE THEIR ECONOMIES AND THE LIVES OF THEIR PEOPLE. AND MUCH HAS BEEN DONE BY THE UNITED STATES AND THE INTERNATIONAL COMMUNITY AS A WHOLE TO SUPPORT THEIR EFFORTS. BUT CHANGES IN THE INTERNATIONAL ECONOMY IN THE 1970S PUT NEW STRAINS ON DEVELOPING ECONOMIES AS ON OUR OWN. PAYMENTS INBALANCES, UNSTABLE COMMODITY PRICES, THE IMPACT OF HIGH ENERGY PRICES AND INTEREST RATES, HAVE ALL ADDED TO THE BURDEN OF THE DEVELOPING COUNTRIES EFFORTS TO OVERCOME THE ~~INITIATIVES~~ ^{malnutrition,} LACK OF ADEQUATE HEALTH AND EDUCATION FACILITIES, AND DISEASE WHICH PREVENT THEIR PEOPLE FROM FULFILLING THEIR ECONOMIC AND HUMAN POTENTIAL.

THE FAST ^{pace} OF CHANGE, AND THE DIFFICULTIES EACH OF OUR NATIONS FACE, HAS MADE INTERNATIONAL RELATIONSHIPS MORE COMPLEX AND DIFFICULT. THIS IS PARTICULARLY TRUE IN RELATIONS AMONG DEVELOPED AND DEVELOPING COUNTRIES. TOO FREQUENTLY, ^{Here} ~~RELATIONS AMONG DEVELOPED AND DEVELOPING COUNTRIES~~ HAVE FAILED TO TAKE INTO ACCOUNT THE DEGREE OF DIVERSITY IN THE WORLD ECONOMY. AND JUST AS FREQUENTLY THEY HAVE FAILED TO BUILD ON THE SUBSTANTIAL COMMON INTEREST AMONG DEVELOPED AND DEVELOPING NATIONS. THESE COMMON INTERESTS LIE IN A VIGOROUS WORLD ECONOMY, AND IN PRACTICAL SOLUTIONS TO PROBLEMS OF ECONOMIC GROWTH AND DEVELOPMENT.

★
E
THE WORLD HAS AN OPPORTUNITY, THIS MONTH, AT THE CANCUN SUMMIT TO TAKE A FRESH LOOK AT THE PROBLEMS BEFORE DEVELOPED AND DEVELOPING NATIONS, AND TO MOVE FORWARD ON THE BASIS OF SHARED RESPONSIBILITY AND SHARED COMMITMENT TO PROMOTE INTERNATIONAL ECONOMIC COOPERATION AND DEVELOPMENT.

THE CANCUN SUMMIT WILL BRING TOGETHER THE LEADERS OF TWO-THIRDS OF MANKIND TO DISCUSS ECONOMIC PROBLEMS FACING THE WORLD COMMUNITY, AND IN PARTICULAR THE EFFECTS ON THE DEVELOPING NATIONS. THIS IS AN UNPRECEDENTED OCCASION AND AN HISTORIC OPPORTUNITY. I WOULD LIKE TO SHARE WITH YOU TODAY MY PERSPECTIVE ON THIS CONFERENCE AND SUGGEST SOME DIRECTIONS FOR US AS A NATION, AND AS A GLOBAL COMMUNITY, IN FACING THE TASKS BEFORE US.

U.S. INTERESTS IN THE DEVELOPING WORLD

PROFOUND CHANGES HAVE TAKEN PLACE IN THE WORLD ECONOMY IN THE PERIOD FOLLOWING WORLD WAR II. EUROPE AND JAPAN HAVE BEEN RECONSTRUCTED, AND TODAY THEY ARE THRIVING MODERN ECONOMIES.

A NUMBER OF DEVELOPING COUNTRIES HAVE BECOME EXTREMELY COMPETITIVE INTERNATIONALLY, OTHERS HAVE REALIZED THE BENEFIT OF HIGHER OIL PRICES, WHILE OTHERS DESPITE CONSIDERABLE IMPROVEMENTS IN LONGEVITY, LITERACY AND HEALTH, STILL FACE MAJOR PROBLEMS OF POVERTY.

PERHAPS THE MOST STRIKING FEATURE OF THIS PERIOD HAS BEEN THE INCREASE IN INTERDEPENDENCE AMONG NATIONS AND THE CONSTRUCTIVE ROLE INTERNATIONAL INSTITUTIONS HAVE PLAYED IN CREATING AN INTERNATIONAL ECONOMIC SYSTEM WHICH STIMULATES GROWTH AND COMMERCE AMONG NATIONS. THE IMF, THE GATT, THE WORLD BANK HAVE PROMOTED PROGRESS TOWARD AN OPEN WORLD ECONOMY, WHICH IN TURN HAS PROVIDED ENORMOUS OPPORTUNITIES FOR NATIONS TO EXPORT AND TO ATTRACT FOREIGN INVESTMENT. THEY HAVE ADAPTED WELL TO THE ENORMOUS STRESSES THE INTERNATIONAL ECONOMIC SYSTEM, AND MOST NATIONAL ECONOMIES, HAVE BEEN UNDER IN THE PAST DECADE. THEY HAVE *adjusted to accommodate,* ~~been under~~ NEW NEEDS AND NEW PARTICIPANTS.

TODAY THEY ARE AT THE VERY CENTER OF THE INTERNATIONAL ECONOMY, AND SHAPE THE RULES AND *understandings* WHICH HELP US TO MANAGE THE ENORMOUS GROWTH IN OUR ECONOMIC *interdependence.*

THE INTERDEPENDENCE OF THE WORLD ECONOMY HAS MADE US PROSPERITY INCREASINGLY DEPENDENT ON PROSPERITY IN OTHER COUNTRIES. ONE OF EVERY EIGHT INDUSTRIAL JOBS IN THE US ECONOMY IS TIED DIRECTLY OR INDIRECTLY TO THE WORLD ECONOMY; THE AGRICULTURAL PRODUCTION FROM ONE OF EVERY THREE ACRES HARVESTED IN THE US IS SOLD ABROAD.

we
Material
from
last
draft

WHEN WE THINK OF THE INTERNATIONAL ECONOMY WE USUALLY THINK OF OTHER INDUSTRIAL COUNTRIES -- EUROPE, JAPAN OR CANADA. FEW AMERICANS REALIZE THAT THE DEVELOPING COUNTRIES BUY MORE FROM THE US THAN JAPAN AND WESTERN EUROPEAN COMBINED. THE US NOW SHIPS 36 PERCENT OF ITS EXPORTS TO DEVELOPING COUNTRIES (OVER \$65 BILLION), AS COMPARED TO 30 PERCENT AND \$13 BILLION JUST TEN YEARS AGO.

THE DRAMATIC ENERGY DEVELOPMENTS OF THE PAST DECADE HAVE MADE US ACUTELY AWARE OF OUR ECONOMIC DEPENDENCE ON DEVELOPING COUNTRIES. THE US IMPORTS FROM THESE COUNTRIES SLIGHTLY LESS THAN 50 PERCENT OF THE OIL IT CONSUMES. OTHER COMMODITIES IMPORTANT TO OUR PROSPERITY AND SECURITY SUCH AS TIN, ALUMINUM, COPPER, CHROME AND COBALT COME FROM DEVELOPING COUNTRIES. IF WE ADD TO THIS LIST THE VAST NUMBER OF CONSUMER PRODUCTS, FROM THE TEA AND COFFEE WE DRINK TO THE NATURAL RUBBER IN THE TIRES WE DRIVE ON, WE REALIZE THE IMPORTANCE OF DEVELOPING NATIONS TO OUR LIVES. WE LITERALLY CANNOT AFFORD TO IGNORE IT.

BUT US INTERESTS STRETCH BEYOND ECONOMIC CONCERNS. MANY DEVELOPING NATIONS ARE MAJOR REGIONAL POWERS. THESE AND OTHER COUNTRIES PLAY AN IMPORTANT ROLE IN PEACEFUL RESOLUTION OF INTERNATIONAL AND REGIONAL DISPUTES: IN THE MIDDLE EAST PEACE PROCESS, THE RESOLUTION OF THE ZIMBABWE CONFLICT, THE FREEDING OF THE US HOSTAGES IN IRAN, ARBITRATING THE IRAN-IRAQ WAR AND ATTEMPTING TO ARRANGE THE WITHDRAWAL OF COMMUNIST FORCES IN CAMBODIA AND AFGHANISTAN.

FINALLY, WE HAVE A MAJOR HUMANITARIAN INTEREST IN THE DEVELOPING WORLD. THE AMERICAN PEOPLE HAVE A TRADITION OF COMPASSION AND SUPPORT FOR NATIONS ATTEMPTING TO OVERCOME

Handwritten notes on the left margin: a large scribble at the top, the number '10' written vertically, and a star symbol at the bottom.

POVERTY, HUNGER OR DISEASE. THIS IS REFLECTED IN OUR SIGNIFICANT CONTRIBUTION OF FOREIGN ASSISTANCE OVER THE LAST THIRTY YEARS AND OUR HUMANITARIAN ASSISTANCE TO PEOPLES HIT BY NATURAL DISASTERS. THE US PROVIDES EACH YEAR MORE FOOD ASSISTANCE THAN ALL OTHER NATIONS COMBINED; LAST YEAR WE DISPERSED ALMOST TWICE AS MUCH OFFICIAL DEVELOPMENT ASSISTANCE AS ANY OTHER NATION. YET 750 MILLION PEOPLE, A POPULATION THREE AND A HALF TIMES THE SIZE OF THE US, STILL LIVE EACH DAY IN GRINDING POVERTY. WE SHALL CONTINUE TO ANSWER THEIR CALLS AND CONTRIBUTE TO THEIR NEEDS.

Revised

THESE INTERESTS AND CONCERNS ARE AT THE HEART OF OUR POLICY TOWARD THE DEVELOPING NATIONS AND WILL GOVERN THE POSITIONS I TAKE AT CANCUN. THEY ARE ALSO REFLECTED IN THE DIVERSITY OF THE NATIONS PARTICIPATING AT CANCUN:

- OUR NEAREST NEIGHBORS - MEXICO AND CANADA.
- OUR MAJOR TRADING PARTNERS - AGAIN MEXICO AND CANADA PLUS THE UNITED KINGDOM, FRANCE, GERMANY, JAPAN, BRAZIL, INDIA AND THE PHILIPPINES.
- OUR ENERGY SUPPLIERS - AGAIN MEXICO AND CANADA, PLUS SAUDI ARABIA, NIGERIA, VENEZUELA, AND ALGERIA.
- OTHER KEY COUNTRIES IN EUROPE, AFRICA, ASIA AND LATIN AMERICA - RICH AND POOR COUNTRIES, SOME WITH DEMOCRATIC SOCIETIES AND SOME WITHOUT, BUT ALL CONCERNED WITH GLOBAL GROWTH AND DEVELOPMENT.

THE SOVIET UNION HAS DECIDED NOT TO ATTEND THE CONFERENCE - THEY ACTUALLY LET IT BE KNOWN THAT THEY DID NOT WISH AN INVITATION - BECAUSE THE LEADERSHIP IN THE KREMLIN ASSERTS THAT THE PROBLEMS OF ECONOMIC GROWTH AND DEVELOPMENT RESULT ONLY FROM CAPITALISM, COLONIALISM AND IMPERIALISM. CERTAINLY ECONOMIC CONDITIONS IN THE SOVIET UNION ITSELF, EASTERN EUROPE OR CUBA BELIE THIS TALE. IT IS UNFORTUNATE THAT THIS COUNTRY

use any example - set original rhetoric + add light touch. + 3% of Soviet farms supply 33% of food

WILL NOT ACCEPT THE BASIC RESPONSIBILITY OF SITTING AT A TABLE TO TALK WITH THE WORLD COMMUNITY TO SEE HOW WE MIGHT FASHION MORE PLOW SHARES RATHER THAN INTERCONTINENTAL BALLISTIC MISSILES.

CHOICES AT CANCUN — *for the - Peace price est. R.R. & L.P.*

AT CANCUN THE LEADERSHIP OF THE WORLD HAS BEFORE IT A KEY CHOICE.

WE ALL WANT TO BETTER THE CONDITIONS OF MANKIND AND FULFILL THE ASPIRATIONS OF OUR POPULATIONS. WE CAN TRY TO DO THAT UNDER PRESENT CONDITIONS OF SLOW GROWTH, INFLATION, RISING PROTECTIONIST ^{pressures}

~~pressures~~, HIGH UNEMPLOYMENT AND AUSTERE BUDGETS. WE CAN ALL SCRAMBLE TO CLAIM AS MUCH OF THE EXISTING GLOBAL PRODUCT AS POSSIBLE. OR WE CAN CHOOSE A DYNAMIC ALTERNATIVE WHERE WE WORK TOGETHER FOR GREATER OUTPUT, HIGHER INCOMES, AND MORE EMPLOYMENT IN ALL OF OUR NATIONS. MY OWN CHOICE -- ONE TO WHICH THE US AS A NATION IS COMMITTED -- IS TO WORK TOWARD A NEW ERA OF INTERNATIONAL ECONOMIC GROWTH, IN WHICH OUR SOCIETIES CAN CREATE NEW OPPORTUNITIES FOR OUR PEOPLES.

WE ARE COMMITTED TO THIS OBJECTIVE *because* IT WILL HELP OUR *own country and because* IT IS ESSENTIAL TO PROGRESS IN THE DEVELOPING NATIONS. NO COUNTRY IN THE WORLD HAS MORE TO OFFER THESE DEVELOPING COUNTRIES WHICH, LIKE US, HAVE WON AND NOW SEEK TO PROTECT THEIR INDEPENDENCE AND TO BRING INCREASED OPPORTUNITIES TO THEIR PEOPLES. NONE HAS DEMONSTRATED GREATER COMMITMENT TO SUPPORTING THE EFFORTS OF THE DEVELOPING NATIONS TO SAFEGUARD THEIR INDEPENDENCE, TO STRENGTHEN THEIR ECONOMIES AND TO PARTICIPATE FULLY IN THE WORLD ECONOMY.

THAT COMMITMENT TODAY REMAINS AS STRONG AS EVER. THE CHALLENGE BEFORE US IS TO GIVE IT EFFECT IN THE DRAMATICALLY CHARGED ENVIRONMENT OF THE 1980s. THE STRATEGY WE BELIEVE MOST APPROPRIATE AND SUSTAINABLE IS TO *reinvigorate international* COOPERATION TO ACHIEVE HIGHER AND *broadly shared* INTERNATIONAL ECONOMIC GROWTH.

BECAUSE I AM COMMITTED TO, AND BELIEVE IN THE WORLD'S ABILITY TO ACHIEVE A NEW ERA OF GROWTH THAT I INTEND TO MAKE THIS THE MAJOR THEME OF MY MESSAGE AT CANCUN.

HOW DO WE GO ABOUT ACHIEVING THIS OBJECTIVE?

FIRST, WE MUST EACH LOOK AT OUR INDIVIDUAL ECONOMIES AND MAKE THEM WORK BETTER. IF WE ALL MAXIMIZE OUR PRODUCTIVE EFFORTS AT HOME, WE SHOULD BE WELL ON OUR WAY TO GENERATING GREATER WORLD OUTPUT. THUS US IS ESPECIALLY IMPORTANT IN THIS PROCESS. IT PRODUCES ABOUT ONE-FOURTH OF THE WORLD'S OUTPUT AND *accounts for — 70* OF WORLD IMPORTS. WE HAVE STARTED ALREADY, AND WE HAVE THE BELIEF THAT WE ARE ON THE CORRECT COURSE.

SECOND, THE WORLD COMMUNITY MUST KEEP THE TRADING SYSTEM OPEN AND EXPANDING. TRADE STIMULATES GROWTH, INCREASES ECONOMIC EFFICIENCY, AND IS A STRONG ANTI-INFLATIONARY FACTOR. WE AND DEVELOPING NATIONS HAVE A COMMON STAKE IN INCREASING OPPORTUNITIES TO TRADE IN ONE ANOTHER'S MARKETS.

THIRD, THE INTERNATIONAL COMMUNITY MUST IDENTIFY WAYS TO INCREASE THE INVESTMENT NECESSARY FOR GROWTH. THIS INVOLVES FIRST AND FOREMOST IMPROVEMENT IN THE

★
Growth
Message
CANCUN
fulfill yourself
Michael Novak
Staff Room part

1)

2)

3)

CLIMATE FOR INVESTMENT. A FAVORABLE INVESTMENT CLIMATE IN THE DEVELOPING COUNTRIES CAN GENERATE ADDITIONAL DOMESTIC INVESTMENT, AND AVOID THE OUTFLOW OF RESOURCES WHICH OCCURS IN SOME COUNTRIES. IT CAN ATTRACT ADDITIONAL FOREIGN INVESTMENT ALONG WITH THE TECHNOLOGY WHICH SUCH INVESTMENT CARRIES WITH IT. AND IT CAN HELP THESE COUNTRIES BETTER TO TAKE ADVANTAGE OF NEW INTERNATIONAL TRADING OPPORTUNITIES.

FOURTH, NATIONS NEED TO REDUCE DEPENDENCE ON HIGH COST, IMPORTED OIL. OIL IMPORTS AT ^{current} ~~current~~ PRICES SLOW GROWTH, GENERATE INFLATION, AND ^{cause enormous} ~~enormous~~ TRADE DEFICIT FOR many DEVELOPING NATIONS. DEVELOPING NATIONS MUST SPEND LARGE AMOUNTS OF FOREIGN EXCHANGE ON OIL RATHER THAN ON INVESTMENT GOODS WHICH EXPAND PRODUCTION AND THE BASE OF WEALTH IN THEIR ECONOMIES. CONCESSIONAL ASSISTANCE COUPLED WITH PRIVATE CAPITAL, TECHNOLOGY, AND TRAINING ARE NECESSARY ^{components} OF DEVELOPING COUNTRY EFFORTS TO REDUCE OIL IMPORTS.

FIFTH, INADEQUATE FOOD SUPPLIES AND ^{malnutrition,} ARE MAJOR PROBLEMS IN DEVELOPING COUNTRIES. WITHOUT A ^{strong agricultural base,} ~~development~~ ^{development} IN MANY COUNTRIES WILL BE VIRTUALLY IMPOSSIBLE. THE KEY IS ^{a major} ~~NECESSARY~~ IMPROVEMENT AN ~~INCREASE~~ IN DOMESTIC PRODUCTION THROUGH ~~PROVISION OF~~ ECONOMIC ^{pricing} ~~PRICES~~ AND ADEQUATE ^{inputs} ~~inputs~~ TO PRODUCTION, ^{such as} ~~such as~~ ^{fertilizer,} CREDIT, AND STORAGE FACILITIES.

SIXTH, THE INTERNATIONAL COMMUNITY -- DEVELOPED AND DEVELOPING NATIONS ALIKE -- NEED TO CONTINUE TO ASSIST THE POORER DEVELOPING COUNTRIES' EFFORTS TO ADDRESS THE PRESSING ECONOMIC AND HUMAN PROBLEMS THEY FACE. THIS

China

MEANS PROVIDING LONG-TERM CONCESSIONAL ASSISTANCE TO SUPPORT THESE COUNTRIES' OWN EFFORTS. SUCH ASSISTANCE IS VITAL TO THESE COUNTRIES AND TO PROJECTS IN SUCH *areas* AS HEALTH, EDUCATION, *irrigation* AND AGRICULTURE *in* WHICH PRIVATE FINANCING IS UNLIKELY TO SUPPORT.

THE US IS ALREADY CONTRIBUTING SUBSTANTIALLY IN EACH OF THESE AREAS. ~~BUT I BELIEVE THAT~~ FURTHER US EFFORTS *and a* ~~IN THE~~ COMMON INTERNATIONAL EFFORT CAN LEAD TO FURTHER PROGRESS.

9-10-54

A PROGRAM FOR FUTURE ACTION

OUR ANALYSIS OF THE DEVELOPMENT PROCESS AND OUR CONSULTATIONS WITH OTHER DEVELOPED AND DEVELOPING COUNTRIES HAVE LED US TO CONCLUDE THAT CONCERTED ACTION IN FOUR AREAS IS NECESSARY FOR FUTURE ECONOMIC GROWTH AND DEVELOPMENT. THE UNITED STATES WILL DEVOTE ITS MAXIMUM EFFORTS TO FORWARD PROGRESS IN THESE AREAS.

FIRST, WE MUST MAKE OUR INDIVIDUAL ECONOMIES WORK BETTER. IN NINE SHORT MONTHS, WE HAVE GIVEN THE US ECONOMY THE MOST THOROUGH OVERHAUL IN ITS HISTORY, MAINTAINING MONETARY RESTRAINT, CUTTING GOVERNMENT EXPENDITURES, STIMULATING SAVINGS AND INVESTMENT, AND ELIMINATING EXCESSIVE GOVERNMENT REGULATION. WE HAVE NOT FINISHED, BUT WE HAVE THE BELIEF THAT WE ARE ON THE RIGHT COURSE. THE BENEFITS WILL COME ONLY TO EACH AMERICAN BUT WILL ALSO FLOW IN THE FORM OF INCREASED DEMAND FOR GOODS AND SERVICES TO PEOPLES THROUGHOUT THE WORLD.

1.) Get Nat. Economy on track

*MN
could
ask
to
we*

made changes on page 10

How

SECOND, WE WILL MAKE A MAXIMUM EFFORT TO ENSURE A SUCCESSFUL GATT MINISTERIAL MEETING IN 1982. WE LOOK TO CANCUN TO ENDORSE THE IMPORTANCE OF AN OPEN TRADING SYSTEM AND TO ENCOURAGE MAXIMUM USE OF THE GATT TO STRENGTHEN THAT SYSTEM. OUR GOAL WILL BE TO HELP ENSURE GREATER PARTICIPATION BY THE DEVELOPING COUNTRIES IN THE INTERNATIONAL TRADING SYSTEM WE PLAN TO TAKE FORTHCOMING POSITIONS ON SUCH ISSUES AS SAFEGUARDS, WHERE OUR INTERESTS AND THOSE OF DEVELOPING COUNTRIES SUBSTANTIALLY CONVERGE. I ALSO PLAN TO ASK THE CONGRESS TO EXTEND THE SYSTEM OF GENERALIZED PREFERENCES BEYOND 1985 IN A FORM THAT REFLECTS THE OUTCOME OF CONSULTATIONS WITH THE DEVELOPING COUNTRIES AND THE CONGRESS. WITH RESPECT TO THE MULTIFIBER TEXTILE AGREEMENT NOW UNDER NEGOTIATION, WE PLAN TO CONTINUE TO WORK CLOSELY WITH DEVELOPING COUNTRIES, AS OF COURSE WE WILL WITH OUR OWN INDUSTRY AND THE CONGRESS, AND TO BE ESPECIALLY SENSITIVE TO THE NEEDS OF THE NEWER AND SMALLER SUPPLIERS.

THIRD, WE WILL WORK WITH OUR ECONOMIC PARTNERS TO ENCOURAGE INVESTMENT FOR DEVELOPMENT. THERE IS NO SUBSTITUTE FOR EACH COUNTRY TO IMPROVE THE INVESTMENT CLIMATE IN ITS OWN COUNTRY. WE SUPPORT THE SUGGESTION BY WORLD BANK PRESIDENT CLAUSEN THAT THE IDEA OF A MULTILATERAL INVESTMENT INSURANCE MECHANISM BE GIVEN FRESH ATTENTION.

?

Need facts checked

WE BELIEVE THAT THIS IS A POSITIVE IDEA WITH GREAT POTENTIAL. WE ALSO SUPPORT THE PRIMARY ROLE OF THE WORLD BANK'S INTERNATIONAL FINANCE CORPORATION TO HELP

MOBILIZE RESOURCES NEEDED TO DEVELOP INVESTMENT OPPORTUNITIES. BOTH THE BANK AND THE IFC CAN PLAY AN IMPORTANT CATALYTIC ROLE IN GENERATING PRIVATE RESOURCES TO COMPLEMENT AID FLOWS. WE ARE LOOKING INTO THE POSSIBILITY OF CHANGES IN OUR OWN TAX LAWS TO AVOID DISINCENTIVES TO INVESTMENT ABROAD.

FOURTH, GREATER ATTENTION IS NEEDED TO ASSISTING DEVELOPING COUNTRIES TO HELP THEIR OWN PEOPLE TO INCREASE AGRICULTURAL PRODUCTION. IMPROVEMENTS IN DEVELOPING COUNTRY AGRICULTURAL POLICY, IMPROVING INSTITUTIONAL CAPABILITIES AND HELPING DEVELOP AND ADOPT NEW TECHNOLOGY ARE CRITICAL TO THIS EFFORT. IN 1982, OVER HALF OF US DEVELOPMENT ASSISTANCE WILL BE FOCUSED ON AGRICULTURE. WE WILL STRONGLY SUPPORT EFFORTS TO DEVELOP NEW VARIETIES OF PLANTS, MORE EFFICIENT IRRIGATION SYSTEMS, MULTIPLE CROPPING, AND BETTER METHODS OF HUMAN AND ANIMAL DISEASE CONTROL. WE BELIEVE THAT EXCITING BREAKTHROUGHS ARE POSSIBLE, AND ^{will} SUPPORT EFFORTS TO ACHIEVE THEM.

FIFTH, THE DEVELOPING COUNTRIES FACE ENERGY PROBLEMS -- HIGH OIL BILLS, DWINDLING FUEL WOOD SUPPLIES, INDEPENDENT ^{and inadequate scientific research} PROGRAMS.

THE POLICIES OF THE DEVELOPING COUNTRIES, PARTICULARLY ECONOMIC PRICING OF ENERGY, AND A CLIMATE FAVORABLE TO INVESTMENT IN ENERGY, ARE SINGULARLY IMPORTANT.

WE HAVE CLOSELY EXAMINED THE PROGRAM OF ACTION OF THE UNITED NATIONS'S CONFERENCE ON NEW AND RENEWABLE SOURCES OF ENERGY. WE SHARE ITS

EMPHASIS AND MANY OF ITS OBJECTIVES. ACCORDINGLY, WE WILL DOUBLE FUNDING FOR RENEWABLE ENERGY PROGRAMS, ESPECIALLY FUEL WOOD, IN THE NEXT FISCAL YEAR. WE WILL INCREASE OUR FUNDING OF FEASIBILITY STUDIES FOR ENERGY PRODUCTION AND ADAPTION OF PRIVATE SECTOR TECHNOLOGY TO DEVELOPING COUNTRIES. WE WILL DEVOTE ADDITIONAL RESOURCES TO HELPING DEVELOPING COUNTRIES TO ASSESS THEIR ENERGY RESOURCES AND THE BEST WAYS OF DEVELOPING. WE WILL INTENSIFY OUR PROGRAMS TO TRAIN DEVELOPING COUNTRY ENERGY TECHNICIANS. AND WE SUPPORT THE CONVENING OF REGIONAL CONFERENCES TO DISCUSS HOW BETTER TO HELP COUNTRIES OF PARTICULAR REGIONS DEVELOP THEIR ENERGY CAPABILITIES.

SIXTH, WE REDEDICATE OURSELVES TO HELP THE TRULY NEEDED PEOPLES IN THE POORER COUNTRIES. THE US WILL MAINTAIN SUSTANTIAL LEVELS OF ECONOMIC ASSISTANCE TO THESE COUNTRIES, THROUGH BILATERAL AND MULTILATERAL PROGRAMS. WE ARE ENCOURAGED BY THE RECENT UNITED NATIONS CONFERENCE ON THE LEAST DEVELOPED COUNTRIES AND THE SUBSTANTIAL NEW PROGRAM OF ACTION WHICH CAME OUT OF THE CONFERENCE. WE WILL DO ALL WITHIN OUR POWER TO HELP THESE COUNTRIES EXTRICATE THEMSELVES FROM POVERTY.

x 70% of our overall aid will be devoted to these countries. And we will suggest ways in which multilateral development inst. + some can debate a greater

*Pol S. Hill
Meaningful*

FINALLY, WE WILL WORK TO TAILOR OUR REGIONAL AND BILATERAL ECONOMIC RELATIONSHIPS TO SPECIFIC REGIONAL AND BILATERAL DEVELOPMENTAL NEEDS. IN OUR OWN BACKYARD THE CARIBBEAN BASIN IS A MICROCOSM OF THE DEVELOPING WORLD'S PROBLEMS. THESE TINY

*portion of their countries
revenue to these countries.*

ECONOMIES ARE VULNERABLE TO THE UPS AND DOWNS OF THE WORLD'S GIANT ECONOMIES IN A WAY WE CANNOT IMAGINE. MANY SUFFER FROM BLOATED PUBLIC SECTORS THAT STARVE THE PRIVATE SECTORS AND FROM TRAINING POLICIES THAT FOSTER DEPENDENCY AND POOR INCOME DISTRIBUTION.

THERE IS NO SIMPLE SOLUTION TO ANY OF THESE PROBLEMS. ✓
THE AREA IS TOO DIVERSE FOR UNILATERAL, MADE IN THE USA, SOLUTIONS, AND THE PROBLEMS ARE TOO LARGE FOR US TO SHOULDER ALONE. FOR THESE REASONS, AND BECAUSE IT IS OUR GENUINE DESIRE TO ADDRESS THESE PROBLEMS JOINTLY, THE US HAS JOINED WITH MEXICO, VENEZUELA AND CANADA TO WORK TOGETHER TOWARD BALANCED DEVELOPMENT OF THE COUNTRIES OF THE CARIBBEAN. WE ARE PLEDGED TO DEVELOP FLEXIBLE AND IMAGINATIVE PROGRAMS IN THE AREAS OF TRADE, INVESTMENT AND FINANCING, AND TO PROVIDE SIGNIFICANT AMOUNTS OF FOREIGN ASSISTANCE, LINKED WHERE POSSIBLE TO PRIVATE SECTOR ACTIVITIES, TO HELP THESE COUNTRIES HELP THEMSELVES.

THE PROBLEMS OF AFRICA -- STAGNANT ECONOMIC GROWTH IN MANY COUNTRIES, LAGGING FOOD PRODUCTION, HIGH POPULATION GROWTH, PAYMENTS DEFICITS AND AN ENVIRONMENT PRONE TO DRAUGHT AND OTHER NATIONAL DISASTERS -- REQUIRE A DIFFERENT SORT OF PROGRAM. WE WILL WORK INTERNATIONALLY WITH OTHER AID DONORS, AND THROUGH REGIONAL ORGANIZATIONS, INCLUDING THE SAHEL GROUP AND ECOWAS IN WEST AFRICA, AND THE SOUTHERN AFRICAN DEVELOPMENT GROUP. WE PLAN TO MAKE MAJOR EFFORTS IN THE FUTURE TO ACQUAINT AMERICAN BUSINESSMEN WITH TRADING AND INVESTMENT OPPORTUNITIES IN AFRICA.

IN ASIA WE WILL CONTINUE TO DEVELOP STRONG BILATERAL COMMERCIAL TIES WITH CHINA AND KOREA, AND A PARTICULARLY POSITIVE AND UNIQUE RELATIONSHIP WITH ASEAN. THAT IMPRESSIVE ORGANIZATION HAS STRENGTHENED COMMERCIAL TIES AMONG ITS MEMBERS AND WITH THE US. WITH IT, WE MAINTAIN AS HIGHLY CONSTRUCTIVE ECONOMIC DIALOGUE. AND THE US GOVERNMENT HAS COOPERATED CLOSELY WITH THE ASEAN/US BUSINESS COUNCIL.

get this Verbiage

IN THE MIDDLE EAST OUR ECONOMIC RELATIONSHIPS HAVE BEEN CARRIED ON PRIMARILY THROUGH CLOSE BILATERAL CONSULTATIONS WITH THE COUNTRIES OF THE AREA. AMERICAN TECHNOLOGY IS PARTICULARLY IMPORTANT TO MANY OF THESE COUNTRIES. WE HAVE ESTABLISHED HIGH LEVEL JOINT ECONOMIC COMMISSIONS WITH A NUMBER OF COUNTRIES FOR THE PURPOSE OF STIMULATING TRADE, INVESTMENT, TECHNOLOGY TRANSFER AND TECHNICAL EXPERTISE. WE INTEND TO GIVE NEW EMPHASIS TO THESE EFFORTS.

BUT THE GROWTH OF WORLD INTERDEPENDENCE HAS MEANT THAT WE HAVE GONE BEYOND NATIONALISM IN OUR ECONOMIC ORGANIZATION. WE ARE COLLECTIVELY BUILDING ECONOMIC INTERNATIONALISM. HOW NATIONS TOGETHER ORGANIZE THIS SYSTEM, AND ON WHAT PRINCIPLES IT IS BUILT, WILL BE THE DETERMINENT OF WHETHER IT SUCCEEDS. A NEW ERA OF GROWTH CAN NOT BE BUILT ON THE SANDS OF FALSE PHILOSOPHIES.

THIS IS ANOTHER REASON I AM GOING TO CANCUN. INTERDEPENDENCE NECESSITATES INCREASED COOPERATION AND CONSULTATION.

INTERDEPENDENCE INCREASES OUR WEALTH BUT IT ALSO INCREASES NATIONAL VULNERABILITY. WE SAW THIS IN THE US DURING THE ENERGY EMBARGO AND CRISIS. AS WE GROW MORE INTERDEPENDENT WE NEED TO ESTABLISH WITH OTHER COUNTRIES RULES OF INTERNATIONAL ECONOMIC PROCEDURE AND THE ECONOMIC INSTITUTIONS TO REINFORCE OUR COOPERATIVE EFFORTS. THIS IS WHY WE MUST STRENGTHEN SUCH INSTITUTIONS AS GATT, THE IMF AND THE WORLD BANK AND TO ALLOW THEM TO EVOLVE TO MEET THE CHANGING NEEDS OF THE WORLD COMMUNITY.

BUT THE REAL BASE OF ECONOMIC GROWTH IS FOUND IN NATIONAL POLITICAL AND ECONOMIC SYSTEMS. IT CAN ONLY BE ACHIEVED BY DOMESTIC SAVINGS, DOMESTIC INVESTMENT AND HARD WORK BY THE MILLIONS OF FARMERS, WORKERS AND ENTREPRENEURS TO SEE THE FUNDAMENTAL STRENGTH IN THE DEVELOPING PROCESS. IF REWARDS AND INCENTIVES ARE NOT PROVIDED TO THE PEOPLE; THERE WILL NOT BE ADEQUATE WORK OR ADEQUATE SAVINGS; THERE WILL NOT BE ENOUGH INVESTMENT; AND THERE WILL NOT BE SUFFICIENT GROWTH.

THIS IS THE LESSON FROM OUR OWN REVOLUTION. THE SHOT THAT WAS FIRED AT LEXINGTON, MASSACHUSETTS MAY WELL HAVE BEEN HEARD AROUND THE WORLD, BUT THE FACT REMAINS THAT THERE ARE FEW REAL DEMOCRACIES THAT EXIST. INTERESTINGLY, THESE FEW COUNTRIES WHO HAVE COUPLED PERSONAL FREEDOM WITH ECONOMIC REWARD, NOW PRODUCE MORE THAN ONE-HALF OF THE WEALTH IN THE WORLD. THIS IS THE REVOLUTION. WE ARE STILL THE REVOLUTIONARIES ON THIS GLOBE. ECONOMIC DEVELOPMENT CAN NOT BE IMPOSED. IT IS A PRODUCT OF THE PEOPLE, BY THE PEOPLE AND FOR THE PEOPLE.

I, THEREFORE, GO TO CANCUN WITH THIS MESSAGE OF OUR REVOLUTION AND OUR COMMITMENT TO GLOBAL COOPERATION FOR THE MUTUAL BENEFIT OF MANKIND.

THE WHITE HOUSE

WASHINGTON

October 3, 1981

MEMORANDUM FOR THE PRESIDENT

FROM: RICHARD V. ALLEN

Mr. President:

I hesitate to inflict an additional ten pages of reading on you for the weekend, but the time you will invest in looking at these three articles will be amply repaid.

Several years ago, you will recall, I sent you Jeane Kirkpatrick's article in Commentary magazine. It was a significant piece, and it had an impact.

Now I am sending you a piece I consider to be of equal importance, especially in light of your preparations for the Cancun Summit. In "Speaking to the Third World" (from the October Commentary), Peter Berger summarizes both the problems and the opportunities in the "North-South Dialogue."

The problem:

The most frequent "obstacles to development" are internal to the societies in quest of development. Among such obstacles are economic systems that stultify growth and impede productivity; political corruption; oppression of people to the point where they cease to be economically active; persecution of economically productive minorities (such as the Asians in eastern Africa and the Chinese in southeast Asia); and, in some cases, indigenous social patterns and cultural values that are not conducive to economic activity. The fixation on external villains is a convenient stratagem for Third World elites who are either unable or unwilling to face up to internal obstacles. There is no reason, however, why we should fortify them in this evasion.

The opportunity:

Americans must have the confidence to present a positive model of development that is properly their own -- to present, that is, an American ideology of development. Americans had such confidence before the recent period of national self-criticism, and some of it, let it be conceded, was overconfidence. . . . What we must rather do (and this is by no means an easy task) is to isolate certain key elements of the American experience which are not necessarily dependent on the peculiar historical and cultural features of our society, and define the manner and degree to which they can be transplanted to different societies.

SEC 49 2-110 8

81 OCT-5 P4:32

Two such elements stand out: democracy and capitalism. At the heart of any American ideology of development must lie the concept of democratic capitalism. . . . Specifically, what needs to be shown is that the human benefits associated with the democratic ideal are linked empirically (and perhaps linked necessarily) with societal arrangements that, minimally, leave important sectors of the economy to the free operation of market forces.

Two other short pieces by Lisle Widman and Bill Safire on the same subjects are also included.

You will spend a great deal of time in preparation for the Cancun Summit, but these ten pages state the problem in a way that no briefing paper can: they get to the heart of the matter, and lay out a positive response.

Your speech to the World Bank laid down the first principles of a realistic approach. Cancun will test our ability to stick wth that excellent first step.



Attachments

- Tab A - "Speaking to the Third World," Peter L. Berger
- Tab B - "US Should Say 'No' to Global Negotiations," F. Lisle Widman
- Tab C - "Can-Do" at Cancun," William Safire

- cc: The Vice President
- Ed Meese
- Jim Baker
- Mike Deaver
- M.C. Anderson
- Murray Weidenbaum

UNCLAS

CLASSIFICATION

CIRCLE ONE BELOW

MODE

PAGES 15

IMMEDIATE

DACOM # 15

RELEASER (GND)

PRIORITY

DEX #

DTG 1981 OCT 5 22 37

ROUTINE

TTY #

FROM/LOCATION/

1. RICHARD ALLSY

TO/LOCATION/TIME OF RECEIPT

1. MAJOR KUNE FOR THE PRESIDENT

TOIR 03/2328Z Oct 81

2. MICHAEL DEEVER

INFORMATION ADDRESSEES/LOCATION/TIME OF RECEIPT

- 1.
2.

SPECIAL INSTRUCTIONS/REMARKS:

FOR IMMEDIATE DELIVERY

8 22 52

WHITE HOUSE SITUATION ROOM

CLASSIFICATION

Speaking to the Third World

Peter L. Berger

“THIRD WORLD.” The very phrase by now evokes a multitude of images, positive as well as negative. Empirically, of course, the words bear little resemblance to reality—except, perhaps, at the United Nations, where the so-called Group of 77 does possess a real political form. But what, after all, do Brazil and Bangladesh have in common, or Singapore and the Seychelles, not to mention the oil-rich nations of the Gulf and the starvation-ridden countries of the Sahel? The so-called Third World includes countries of astronomically diverse economic, social, political, and cultural characteristics.

There are alternative terms. Within the United Nations, parlance has shifted from “underdeveloped countries” to “developing” to “less developed,” each creating difficulties of its own. There is also the currently fashionable term “South,” as in the “North/South dialogue” or “North/South global negotiations” urgently propagated by the Brandt Report and other voices for reform of the international system. This terminology, if nothing else, suffers from geographical absurdity. India is “South” and Australia “North,” while the industrial societies of the Soviet bloc are in a never-never land left out of the “dialogue” altogether.

Political language is rarely an exercise in scientific logic, however, and chances are that we are stuck with the terms we have. The Third World, whatever else it may or may not be, is a rhetorical reality, and when Americans speak to the poorer nations of Asia, Africa, and Latin America (and even to some of the less poor nations in those regions), they are indeed addressing the Third World.

The phrase itself originated in the early 1950’s, and was solemnly proclaimed as a reality at the Bandung conference of 1955, when a number of “non-aligned” countries (including Sukarno’s Indonesia, Nehru’s India, and Tito’s Yugoslavia) asserted their right to pursue a path independent of the two superpower blocs. But already more was implied with respect to the American and Soviet systems than simple non-alignment. There was

also the notion of a “third way” of development, different from the allegedly flawed models of American-style capitalism and Soviet-style Communism. Just what that third way might be was never spelled out with much precision. Presumably it was more socialist than the American model and more democratic than the Soviet one—some sort of social democracy, yet not simply a copy of Western models, rather an indigenous construction doing justice to the cultural traditions of the countries first gathered at Bandung.

These implications have remained in place. Although the quarter-century that has elapsed since Bandung has not produced a sharper definition of the development “inodel” to which all of the countries concerned (by now well over one hundred) might jointly adhere, this vagueness has not prevented the emergence of something that could accurately be called a Third World ideology. Nor has it prevented powerful emotional associations with the phrase “Third World,” not only in the countries deemed to belong to that world but in Western countries as well.

In the Western mind, the phrase evokes eschatological themes dating all the way back to Joachim of Flora’s Third Age and to the dream of a Third Rome (leaving aside the obscene parody of these themes in the myth of the Third Reich propagated by the Nazis, who also took that phrase from much earlier sources). For leftists there is the additional association with the threefold Hegelian dialectic, the third moment of which, the “synthesis,” is to solve redemptively the contradictions of the preceding thesis and antithesis (in this case, presumably, the contradictions between capitalism and Communism).

In recent decades, and particularly since the 1960’s, the Third World has served as a gigantic Rorschach card onto which Westerners have projected their fantasies, their fears, and their hopes of salvation. Academic experts in “nation-building,” Peace Corps volunteers, and would-be revolutionaries have flocked to this or that Third World country in search of a suitable laboratory for their particular projects of designed social change. In the 60’s and 70’s, the New Left, eager to find a Marxist experiment free of the acknowledged flaws of the Soviet model, enthroned one Third

PETER L. BERGER is University Professor of Sociology at Boston University. He has written widely on problems of developing countries for many years.

World country after another as the locale of humane socialism: Cuba, China, North Vietnam, more esoterically Tanzania or Mozambique, for a brief moment of glory Allende's Chile, more recently Nicaragua. The counterculture evinced a generalized interest in the Third World as the place where simpler, healthier, and spiritually more profound ways of life were to be found—for years young people in peasant clothes, looking for the peasants with whom to affiliate, commuted haplessly between Kabul and Katmandu or meditated on the beaches of Goa, prey to every guru on the make. The same Third World of the imagination continues to haunt a miscellany of counter-modern movements in Western countries—such radical offshoots of environmentalism as anti-nuclear activists, zero-growth enthusiasts, advocates of solar energy and holistic healing, propagandists of "alternate technology" and Tantric meditation.

Needless to say, these people have contributed little if anything to the countries to which they have come as political pilgrims (to use Paul Hollander's apt term), while at home their main contribution has been to legitimate various tyrannies. Still, only a relatively small group of people in America and other Western countries have utilized the Third World in this manner. (In Western Europe the phenomenon still appears to be on the rise, while in America it has been declining.)

Not surprisingly, there has also been a counter-image of the Third World—an image of hopelessly corrupt, incompetent, and oppressive regimes, opposed to American purposes and ideals. In this conception of the Third World, instead of noble revolutionaries and wholesome peasants, we get predatory dictators; the only way to deal with such regimes is to ignore them or tell them off.

As an overall stance toward the Third World, an attitude of contempt and hostility is no better than an attitude of awed and guilt-ridden admiration. If nothing else, the aforementioned diversity of the Third World should preclude such one-sided responses. The Third World is not an arena for our utopianisms; neither is it a zone in which to locate our sundry demonologies.

JUST because so much nonsense has been spouted about the Third World, it is useful to step back and try to gain some perspective on a phenomenon which is, at bottom, nothing less than the entry onto the stage of history of vast masses of people who until now have lived in a situation that can be accurately described as pre-historical.

Immense anguish and pain, physical as well as moral, have been associated with the entry of these people into the common history of our age. There is a timeless dignity to the forms of human existence provided by tribe, village, and other traditional structures, and the disturbance of these life-forms by the turbulent forces of modernity has

hardly been an unambiguous boon. Yet many if not most of the images of anguish turn out, upon closer scrutiny, to be superimposed upon images of hope.

Take one of the most common negative images of Third World development—the overcrowded slums of the enormous urban agglomerations of Asia, Africa, and Latin America, symbolized by the names of Calcutta, Lagos, Mexico City, and all those other cities that impress one as gigantic explosions, human volcanoes in cataclysmic eruption. It is easy to contrast the turbulence and undeniable misery of these places with the supposed tranquility and relative contentment of the villages from which most of their inhabitants have only just arrived. But there is another side to the picture. The overwhelming majority of the people in these urban agglomerations have come to the cities voluntarily. What is more, they have come knowing full well what to expect: Third World peasants are no less rational than Western intellectuals in making important decisions for themselves and their children, and the networks of clan and caste insure that highly reliable information is fed back to home villages. Why do they keep coming? The answer is very simple: because they have reason to believe that their chances of a better life are greater in the cities than at home.

Thus the vast migrations of the Third World are not mindless movements of dehumanized and desperate masses (as depicted, for example, in the apocalyptic novel *The Camp of the Saints* by the French writer Jean Raspail). Rather, they represent the quest of countless individuals and families for a life of greater dignity and decency. To be sure, that quest is often frustrated. Many times over, however, it is realized. And precisely in places like Calcutta one is impressed by the vitality, courage, and resourcefulness of people who, all at once, are given hope of a better life.

If one asks why so much of the Third World is so crowded, the reason is not high birth rates; it is the dramatic lowering of death rates, and particularly of the rates of infant mortality. This change begins to take place even at very rudimentary levels of economic development, with the introduction of quite modest improvements in nutrition and hygiene. The human consequence of this change is extraordinarily simple: whereas, previously, most children died, now more and more children survive. In this there is joy and hope, and it is precisely these emotions that fuel the energy with which much of the Third World seems to overflow. No amount of skepticism about the blessings of modernity can nullify the human and moral progress which this change signifies.

It cannot surprise us that politics in these cataclysmic circumstances should be volatile, often violent, often irrational. But the politics of the putatively more developed West have not exactly been a model of order and rationality in this century. (An observer from Zaire, once a colony of Bel-

gium, noted mordantly that the irrational conflicts between the French and the Flemish in that country, which have brought about the irremediable destruction of the ancient university of Louvain, one of the historic centers of Western learning, clearly demonstrate that Belgium is not yet ripe for self-government.) It is all too easy to denigrate the nascent nationalisms of the Third World, to ridicule such practices as the investment of scarce capital in the "empty symbolism" of, for example, a national airline. But this self-affirmation of people who only yesterday, so far as the rest of the world was concerned, were silent, must also be part of our understanding of the Third World. It is something to be affirmed, even celebrated.

If the ideology of the Third World consisted only in proclaiming these realities, we should have no serious difficulty with it. Even if that ideology insisted that it was our obligation, humanly and morally, to help, we should assent. The eradication of starvation and of degrading misery is a moral imperative for states and for the international community, as well as for concerned citizens and non-governmental groups in rich countries. Unfortunately, Third World ideology has gone considerably beyond such propositions, and it is not possible, either intellectually or morally, to assent to it as a whole.

Not that the Third World is an ideological monolith. Just as it is diverse in its economic, social, and political realities, so is it diverse ideologically. It contains explicitly Marxist states and explicitly anti-Marxist ones, states (notably in the Muslim world) that profess to be governed by religious tradition and emphatically secular states. If one speaks of a Third World ideology, then, one is referring to an "ideal type." This does not mean that the type has no relation to reality. It does. The reality surfaces most visibly within the United Nations system on those occasions when Third World countries agree on a common position (which happens quite frequently).

To be sure, even within the United Nations different states proclaim this ideology with different nuances and varying forcefulness. Singapore does not speak like India, Senegal says different things from Ethiopia, Brazil from Mexico. But one interesting and unifying aspect should be noted: the construction that one may call the Third World ideology is, broadly speaking, leftist—indeed, in important intellectual respects it depends on elements of Marxist theory—and it is given lip service by states that are anything but leftist in their domestic arrangements. If one asks why that should be, the answer, one must surmise, is that these states expect to gain, politically or economically, from a rhetorical adherence to positions which happen to contradict their own internal strategies. This is distressing—but also hopeful, for it shows the fragile basis of the Third World consensus and provides openings for dissenting points of view.

WITH these qualifications, it is possible to point to a series of propositions as the common core of the Third World ideology:

- Development is not just a matter of economic growth. Rather, one can only regard as development those processes of change in which the dynamism of economic growth is harnessed to transcendent social purposes—to the progressive rescue from degrading poverty of masses of people and to a more egalitarian distribution of the benefits of growth.

- The causes of Third World poverty must be sought primarily outside the Third World itself—historically in the depredations of colonialism and imperialism, today in the consequences of an unjust international economic system which is heavily weighted in favor of the rich countries of the West (or "North") against the poor countries of the Third World (or "South").

- The West owes "compensation" or "reparations" to the Third World for past acts of exploitation. Also, the West owes the Third World a redress of the unjust international economic system through a variety of juridical, political, and economic measures. This, in the long run, will be of benefit to all countries, as it will result in a more stable world order.

- The establishment of a just international system is a prerequisite for all aspects of development, not only economic but political and human as well. For that reason economic and social rights must be accorded parity with civil and political rights within the general conception of human rights espoused by the international community.

These propositions constitute an intellectual and moral whole. That is, they are based on a set of presuppositions about the nature of the world and they also put this view of the world into a moral context, a view of what the world *ought* to be. Moreover, this ideology, culled from a variety of sources (most of them, incidentally, of Western provenance), is not an abstract intellectual enterprise. Rather it is a political instrument, used to legitimate specific objectives. Thus the broad acceptance of this ideology by Third World governments has gone hand in hand with various political initiatives, almost all of them within the United Nations system.

These initiatives have not only been aimed at securing favorable treatment for Third World countries in terms of trade and aid, but have also sought to enshrine some of the features of Third World ideology in international law. In 1974, the United Nations General Assembly adopted a Charter of Economic Rights and Duties of States. This was meant to forge into a juridical instrument the calls for a New International Economic Order, which, first issued by Mexico in the early 1970's, had increasingly become a rallying point for the Group of 77.

This thrust to establish a legal foundation for

Third World demands continues today in efforts to change the structure of international monetary institutions, to set in motion a multilateral process of "global negotiations," and to recognize the "right to development" as a fundamental human right (individual as well as collective). A French commentator on this process, Alain Pellet, has aptly described it as one in which "recommendations" are progressively transformed into "obligations." The United States and other Western states have continually resisted these efforts to make the United Nations into a quasi-legislative body on behalf of Third World concerns, but the Group of 77 has been able to override most of the resistance within the United Nations system. (The real world outside the United Nations enclaves of New York, Geneva, and Vienna has been less tractable.)

This is not the place to discuss the farreaching juridical problems relevant to the Third World initiatives. Nor is it the place to go into the economic and political questions that are currently on the agenda of "global negotiations"—terms of trade, aid levels, control over natural resources, regulation of transnational corporations, and the like. What I should like to do here is to formulate a possible American response to the main themes of Third World ideology.

IT is clear that, with one or two exceptions, such a response must be mainly negative—as, indeed, it has been when American spokesmen have confronted elements of the ideology in the United Nations. Maintaining such a negative stance is not comfortable—not for the individuals who must appear in international forums where the emotional temperature is often very high, and not for a people that historically has an idealistic image of itself and a strong psychological need to be liked.

Thus one question that must be considered immediately is whether Americans are wise to put themselves into such a negative position. It is a question often raised by Europeans. After all, they say, what is at issue here is mainly words; the United Nations itself is largely a word-factory, and the words mean very little; for public-relations reasons, since nothing substantive is being given away, why not give "them" the words they want?

The suggestion is attractive (perhaps especially so to anyone who has been forced to listen to the endless rhetoric of international meetings at which Third World spokesmen angrily present their views). Yet it must be firmly rejected, and for two reasons, one political and one moral. Politically, it is an error (if you will, a vulgar Marxist error) to believe that words mean nothing. Words embody ideas, and ideas have real consequences, in the long run if not immediately. Morally, the attitude of giving "them" words rather than substance is patronizing, even an expression of contempt (in the case of some Europeans, one suspects a conti-

nunity here with attitudes of the not-so-distant colonial past). Whatever we may think about their views on some matters, Americans must confront their Third World interlocutors as equals. It is to equals that one is free to say "no." And it is "no" that we must often say.

Often, but not always. To the proposition that development is not the same as economic growth, we can indeed assent. Demurring from the over-emphasis on equality, we can also assent to a definition of development that includes greater access to a decent life and institutions for the protection of the human rights of everyone in society.

But we must dissent from the fundamental idea of economic relations that underlies the Third World ideology. This is a vast elaboration of Proudhon's dictum that property is theft. Economic relations are seen here as a zero-sum game. The gain of one is necessarily the loss of another. Wealth is acquired at the expense of the poor. Resources are owned by one and taken away by the other. To be sure, there are such cases, and they can be appropriately characterized as exploitation, but they are the exception rather than the rule. More to the point, this exploitation "model" does not fit the relations between the Third World and the advanced societies of the West either in the past or today.

THE thesis that colonialism and imperialism impoverished and hampered the development of Third World societies is highly questionable, to say the least. As P.T. Bauer has pointed out repeatedly, the poorest countries tend to be those whose economic relations with the West have been minimal, while many ex-colonies have done very well indeed. There is no way in which the affluence of a long list of Western countries, including the United States, can be causally explained by colonial exploitation. As for the great colonial powers themselves, such as Britain and France, historians will argue for a long time whether they in fact profited more from their colonies than they put into them.

It is also very questionable whether the contemporary international system can be described as exploitative in the sense that "Northern" wealth is extracted from "Southern" poverty. With the exception of some natural resources, among which oil is paramount, the economies of the "North" are quite independent of the "South." Indeed, that is precisely the problem for Third World economies, which, in order to develop, must seek to enter the "rich" system under favorable conditions. This is a very real problem and a difficult one, and one with a moral dimension. Recognition of that dimension, however, stems from our common humanity and from the solidarity between nations. It is not something that can be optimistically proclaimed in various international instruments; it cannot stem from distorted history, bad law, or pathological guilt feelings.

AN
AMERICAN
RESPONSE

P

The demand for "compensation" or "reparations" is thus spurious—historically, juridically, and morally. It is also absurd: one need only ask whether it recognizes any statute of limitations or how the putative debtors are to be defined. Can Hungary demand compensation from Mongolia for the depredations of Genghis Khan? Are black Americans to sue the states of West Africa for the collusion of past political authorities with the slave trade?

There is an even more serious distortion of economic reality in Third World ideology. That is the emphasis on external rather than internal "obstacles to development." These external obstacles are recurrently invoked in what has by now become a litany of exorcism—"imperialism, colonialism, neocolonialism, racism, *apartheid*," to which catalogue, for good measure, "Zionism" is occasionally added. The litany is mostly malicious nonsense.

Let it be stipulated that there are, in fact, situations where external forces serve to impede the development of a country. In these situations the character and strength of such forces must be assessed, and the country in question is fully entitled to seek relief by whatever means. I would contend, though, that such situations are quite rare—except in the massive case of Soviet imperialism, which, for reasons that are patently political, is hardly ever mentioned in this context.

The most frequent "obstacles to development" are internal to the societies in quest of development. Among such obstacles are economic systems that stultify growth and impede productivity; political corruption; oppression of people to the point where they cease to be economically active; persecution of economically productive minorities (such as the Asians in eastern Africa and the Chinese in southeast Asia); and, in some cases, indigenous social patterns and cultural values that are not conducive to economic activity. The fixation on external villains is a convenient stratagem for Third World elites who are either unable or unwilling to face up to internal obstacles. There is no reason, however, why we should fortify them in this evasion.

One may note here as well the tendency of Third World spokesmen and their sympathizers in the West to stress the allegedly growing gap between rich and poor nations and the deteriorating condition of the Third World as a whole. Both propositions are dubious. It is not at all clear that the gap is broadening, especially in recent years when Western economies have faced serious difficulties, many of them caused by the astronomical rise in energy costs (OPEC is virtually never mentioned in Third World pronouncements as a cause of poverty in these countries—roughly for the same reasons Soviet imperialism is not mentioned). And while the condition of some countries has deteriorated, there have also been phenomenal success stories in the Third World, such

as those of South Korea, Taiwan, and some of the ASEAN states.

What with all the emphasis on juridical instruments and agreements between states, one gets the impression that many Third World representatives look upon development as something to be wrested from others—namely, the industrialized countries of the West, or rather their governments. It is to be development by fiat, following upon a political struggle in which concessions are won by moral suasion or by pressures of various sorts.

This strange view is perhaps encouraged by the unreality of the United Nations, in which words appear to take on a life of their own, and by the simple fact that the "North-South dialogue" is mainly conducted by government officials who tend to hold an exaggerated idea of the importance of political institutions.

All of this, however, obfuscates the fact that development, in any meaning of the term, cannot be the result of juridical and political arrangements between states (though such arrangements can be useful in particular instances). Development is the result of the sustained economic activity of large numbers of people, the result of effort, hard work, and ingenuity. It cannot be wrested from someone else, like a chunk of valuable matter. Indeed, such a view masks a paternalism of its own, for if development is something that can be wrested from us in the West, then it is we who grant it. This stands in curious contradiction to the oft-repeated Third World principles of self-reliance and freedom from dependency. Whatever development may mean, it should not mean the establishment of an international welfare system.

THE bias in Third World statements about development derives from the fact that many Third World regimes follow some variety of socialism both in theory and practice, while many others, if not socialist, are heavily statist in their economic system. Although a detailed discussion of socialist models of development would take many pages, suffice it to say that among the socialist regimes of the Third World there is not a single success story—defining success not in "our" terms but, precisely, in the Third World terms of victory over the more wretched forms of poverty and a reasonable degree of egalitarian distribution. The typical record of Third World socialism is one of economic stagnation, often perpetuating abject poverty if not outright starvation; the species of egalitarianism that prevails among the "masses" is one of an equality among serfs, lorded over by a privileged elite of party bureaucrats and managers. Shmuel Eisenstadt has called this system "neo-patrimonialism"; Pierre Bourdieu's term, "socialo-feudalism," is also apt. The vast panorama of "different paths to development" in the contemporary world only reinforces the conclusion that socialism is incapable of producing in terms of its own promises.

In non-socialist cases, too, it is quite clear that the state as such is not the bearer of development. At best, states can institute policies that leave room for the real agents of development—enterprising individuals, families, clans, *compadre* groupings, and other traditional units, and more modern associations such as cooperatives or credit unions.

The moral aspect of this ought to be stressed. A heavy moral responsibility rests on those who impose unproductive and inefficient economic arrangements on developing societies, doubly so when these arrangements are adhered to in the face of hunger, disease, and degrading poverty. It is obscenely inappropriate when the very people who propagate this criminal waste of human and material resources claim to be or to represent the "party of compassion."

Official United Nations declarations and position papers are reassuringly clear on one point: economic, social, and cultural rights are to be thought of as an indivisible whole with civil and political rights, and neither set of rights is to be given priority over the other. This would seem to be official Secretariat doctrine and, on the face of it, would preclude the notion that civil and political rights can be set aside until certain economic and social goals have been achieved (in the manner of both Marxist and other "development dictatorships"). Unfortunately, Third World spokesmen are not always so clear. There is often the suggestion that civil and political rights are devoid of real meaning unless or until economic and social rights have been secured. Worse, the securing of the latter set of rights is now often identified with the establishment of the New International Economic Order, an eschatological event comparable to the final passage to Communism in Marxist thought. This facet of Third World ideology, which offers a pretext for legitimizing sundry violations of human rights in the unredeemed present, is but another version of a gambit favored by many tyrants of our age.

There is one last element of Third World ideology to which we may give at least qualified assent—that is the proposition that Third World development is in the long-term interest of the industrial societies of the West. This proposition is often advanced on economic grounds (as in the Brandt Report), reflecting a Keynesian view of economics that many in the West will not find persuasive today; if Keynesian economics has not worked very well within societies, one may be skeptical about its working between societies. On political grounds, however, there is much to be said for the proposition. A permanently impoverished, politically turbulent Third World cannot be in the interest of the industrial democracies of the West, and steps to forestall such a situation can be seen as expressions of self-interest.

It is appropriate to appeal to people to do things out of self-interest; it is difficult to do so

while at the same time denouncing them. In their stance toward the West, Third World spokesmen will have to choose between statesmanship and evangelism; both cannot be plausibly exercised simultaneously. Of the two, statesmanship would appear to be the more promising course.

GIVEN the adversary posture of Third World ideology vis-à-vis the United States, it is inevitable that Americans will have to adopt a critical stance. At the same time, Americans must have the confidence to present a positive model of development that is properly their own—to present, that is, an American ideology of development. Americans had such confidence before the recent period of national self-criticism, and some of it, let it be conceded, was overconfidence. The idea that the American experience could be directly transplanted to the Third World and enulated there in all its details was dubious even in the 1950's. It is both intellectually dubious and politically ineffective now. What we must rather do (and this is by no means an easy task) is to isolate certain key elements of the American experience which are not necessarily dependent on the peculiar historical and cultural features of our society, and define the manner and degree to which they can be transplanted to different societies.

Two such elements stand out: democracy and capitalism. At the heart of any American ideology of development must lie the concept of democratic capitalism, to use the felicitous phrase which Michael Novak has introduced. Specifically, what needs to be shown is that the human benefits associated with the democratic ideal are linked empirically (and perhaps linked necessarily) with societal arrangements that, minimally, leave important sectors of the economy to the free operation of market forces.

We do not, at this point, possess a comprehensive theory of capitalism, but one thing we know is the empirical correlation between capitalism and political liberty (as well as the correlation between political liberty and the whole gamut of human rights). That correlation can be stated with great precision: every democracy in the contemporary world has a capitalist economy; no society with a socialist economy is democratic. The fact that a sizable number of countries, all now in the Third World, are capitalist and non-democratic does not negate the correlation between democracy and capitalism, which can be theoretically explicated in terms of the brakes on state power that a private sector tends to produce.

Another thing about which we know a good deal is the relationship between economic systems and success in the achievement of development goals. As I noted above, there is not a single socialist success story; all the success stories have occurred in countries with capitalist systems. We do not as yet know enough about the reasons for the failure of some capitalist systems. Obviously all

societal decisions entail risks; there are no guarantees. But if the goal is both development and institutions protecting liberty and human rights, capitalist economic arrangements are the better bet.

This does not mean that Americans should engage in a great crusade to make the world safe for democratic capitalism. We do not have the power to do this and, even if we had, we should respect those who choose other directions (assuming, which is rare, that they choose freely). But this need not prevent us from speaking openly and without embarrassment about the realities that we perceive, even if doing so puts us in a minority position in most international forums and among intellectuals in most countries. The socialist vision has been the grand fantasy of our age; amid all the celebrations of illusion and wishful thinking, it may be the mission of America to represent the "reality principle."

The practical implication is that American advice and assistance on development (by government as well as by non-governmental bodies) should emphasize the private sector and private entrepreneurship wherever possible. Such an emphasis by no means implies focusing on the large transnational corporations (though the demonological view of these institutions should be repudiated). Rather, the focus should be on indigenous enterprise, much of it small and precarious. Most important of all, the focus should be on the privately owned and operated family farm, which virtually everywhere has been the agent of successful agrarian development.

There are a good many Third World societies in which such an emphasis on the private sector is not practicable. But even in socialist or heavily statist societies, it is an illusion that economic activity can be totally controlled from the political command posts. Development is invariably the fruit of individual and small-group effort, and Americans should reiterate this elementary fact over and over again in the face of the self-aggrandizing delusions of bureaucrats and intellectuals.

IT MUST also be a part of the American position on development that democracy, with its panoply of protections for individual rights, is not a luxury of the rich. On the contrary, it is the poor who need democracy much more urgently than the rich. In most places, certainly in most places in the Third World, the rich manage to protect their interests. It is the poor who need the institutional protections of liberty the most—protection against the arbitrary powers of local police, against employers who would deny them the right to organize, against those who would prevent a journalist from writing about conditions of poverty, and so on.

The proposition that democracy is a luxury of rich countries is also false. Democracy and development may not be invariably linked phenomena, but most countries in which democracy has been

suppressed in the name of development have not attained their development goals, either. On the other hand, in authoritarian regimes, as development gains the pressures for democracy increase.

In the development literature as well as in the rhetoric of Third World spokesmen there is much talk about "participation"—the notion that people should be the subjects rather than the objects of development strategies. But participation outside the framework of a democratic polity is invariably questionable. "Mobilization" is not participation; it is usually the opposite, the regimentation of people in the service of projects to which they did not agree and over which they have no control. And even in democratic or near-democratic situations the meaning of the term is not always clear. Participation means little unless the values and indigenous institutions of the people engaged in development efforts are respected by the authorities. It is very important to stress that, in most Third World countries, these are *traditional* values and *traditional* institutions. Americans should always insist on the literal meaning of the term "participation" and debunk relentlessly situations in which the term is used to camouflage the imposition of social-engineering designs on people who were never asked. In other words, participation means that people have real choices and real influence, or it means nothing at all.

One of the most intractable problems of modern life concerns the fate of those institutions ("mediating structures" in sociological parlance) which stand between the individual and the macro-structures of the state. These are the institutions that provide meaning and identity to individuals. Paramount among them in all societies are the family and the religious community. In Third World societies other groupings of a traditional character have to be added—clan, tribe, caste, village, ethnic and regional subcultures. Superimposed on these, and existing often in a symbiotic relation to them, are a variety of local economic, social, and political associations of modern provenance.

A good case can be made that development strategies which ignore or run roughshod over such mediating structures are unlikely to succeed. This case should be made strongly by Americans, as against the totalitarian tendencies in much thinking about the Third World. But the case should be related to the argument for democratic capitalism. Capitalism "leaves room" for mediating structures, while socialist development models almost always try to suppress, regiment, or (perhaps worst of all) "mobilize" them. Indeed, this tendency is causally related to the failures of socialist development; the record is particularly clear in the area of agriculture. What we now know about the fiasco of Maoist policies in China may serve as the *exemplum horribile* of such strategies.

Already in the 1950's the idea was prevalent that traditional values and institutions were "ob-

stacles to development. But development strategies which defy tradition at all points run into great peril. Iran offers an important example. A counter-example is Japan, where, apparently to date, the society has successfully modernized while leaving traditional values and institutions intact over large areas of life. Similarly successful "creative schizophrenia" seems to be a factor in the development of Asian societies with a strong foundation in Confucian or neo-Confucian morality. Recent events in India are also instructive in this regard. Hinduism, more than any other traditional culture, has been characterized by development analysts as an "obstacle"; in the 1960's and 1970's India was always compared unfavorably with China. We now know, beyond a shadow of a doubt, the dismal reality of China's Maoist experiment. In India, in the meantime, there has taken place what may yet come to be seen as an agricultural miracle. The causes of this, as far as one can tell, have been a combination of technological innovation (the "Green Revolution") and imaginative government policies on credit and technical assistance to small farmers. It did *not* involve an attack on traditional Hindu values and social patterns. On the contrary, development has taken place within the traditional forms of Hindu village life.

Once again, Americans should speak for a view of modernity which does not regard traditional ways of life as something to be despised and discarded. And once again, the case should be made that for such purposes democratic capitalism provides the model.

THE individuals who purport to speak in the name of the Third World are, typically, unelected and unrepresentative of anything but the tiny group that happens to hold state power at a particular moment. Even when they do represent elected governments, they typically belong to a very small elite with Western education and an international outlook. Most of them have as little knowledge of or contact with "the masses" of their own people as a Harvard professor purporting to represent "the masses" of America (happily, few Harvard professors make such a claim). We should not disguise our awareness of this fact. In addressing the Third World, we may often have to try and speak to people over the heads of their governments. We cannot do this everywhere with equal facility, but in many places we have the capacity if we have the will.

It has often been said that the United States is a

conservative or counterrevolutionary power in the contemporary world. There is truth in this—if one looks at the world in purely political terms. American foreign policy has indeed been dominated by the desire to stabilize, while the other superpower has aimed to destabilize. But if one looks at the world in economic, social, and cultural terms, nothing could be farther from the truth. The Soviet Union represents economic stagnation, social conservatism, and cultural sterility. By contrast, the Western world, and the United States above all, brims over with economic, social, and cultural vitality. Whether one considers technological innovation, industrial and agricultural productivity, or the vast array of social and cultural experiments, it is America that is in the lead.

One can ascribe this vitality to a number of factors, but at the core of it is, precisely, the gigantic transforming power of democratic capitalism, that power which Joseph Schumpeter once called "creative destruction." Put simply: the only real revolution going on in the world today is that of democratic capitalism. Its adversaries represent counterrevolution and reaction.

The most important evidence for this elementary fact is the irresistible attraction of American culture—the culture *par excellence* of democratic capitalism—even in, indeed especially in, countries where anti-Americanism dominates political rhetoric. From the realm of ideas to the trivia of everyday living, from high culture to the least appetizing pop fashions, and across the entire range of material and non-material furnishings of what is considered a desirable "life-style" (itself a deeply revealing term, of American origin), it is the symbols and the substance of American civilization that are sweeping the world. There seems to be no letup in this process, and no viable competitors have appeared on the scene. What is more, this revolutionary culture has the unique ability to thrive under conditions that foster freedom and that allow expression to a plurality of values, including many of the values of tradition.

Just as it is preposterous that the international Left, with its miserable and misery-creating record, still arrogates to itself the status of the "party of compassion," so it is preposterous that it pretends to be the party of revolution. In creating an American mode of address to the Third World, we should remind ourselves that we represent the only revolution in the world today that can credibly promise economic development, political liberty, and respect for the dignity of human beings in their infinite variety.

INDIA

US Should Say 'No' to Global Negotiations

By F. LISLE WIDMAN

When President Reagan attends the North-South "summit" conference in Cancun, Mexico, next month he will be confronted with a series of extreme economic demands from the Third World. He could agree to the "global negotiations" they will propose and thus avoid political attack. The United States — and the Third World itself — would, however, be better served in the long run if the president simply said, "No."

The time has come to stop feeding unrealistic expectations and focus the energies of Third World leaders toward the pursuit of domestic policies which offer some hope of actually ameliorating their poverty and distress.

The economic problems of developing countries are serious. Severe poverty is widespread and restiveness is rampant. Increasing domestic production, Third World leaders feel, is too slow and uncertain a remedy; they can't spare the money from current consumption to invest for the future. They have no confidence in the private sector of the economy and the public sector must look largely to the industrial nations for financing. (In some cases the expansion of domestic production might require curbs on the power and profit of the government's elite supporters or on the volume of military spending.) They want the United States and the other industrial countries to save them by diverting to the developing countries some of the income that now accrues to the people of the industrial nations.

These Third World demands are not new. They have been presented in virtually every international forum. Although the list of demands is long, the prize goal is a "reform" of the international monetary system which would give the Third World much

greater influence in the International Monetary Fund and the World Bank, so that they could obtain more loans on easier terms with fewer conditions, increased money creation (allocations of special drawing rights) by the IMF and the allocation of new SDRs to the developing countries rather than on the basis of IMF quotas.

Third World leaders are overjoyed at the opportunity to confront the U.S. president in person. Despite earlier agreements, they appear to be readying a structured agenda and polishing up both prepared statements and detailed studies. If, under the intense klieg lights of the media in the context of an international summit they can get President Reagan to commit the United States to global negotiations in the United Nations they will have achieved success.

Although the word "global" may, to the uninitiated, simply imply participation of all nations, in the specialized language of the Third World proposals the word global actually means inclusion in a single compre-

hensive negotiation of all the subjects the Third World wants to discuss. To agree to global negotiations is, in essence, to agree to renegotiate the structure of the IMF and the World Bank — not in those institutions under the amendment procedures set forth in the charters (where the United States has veto power) but in a U.N. General Assembly framework where each nation has an equal vote. In this arena the United States and those industrial countries which stand with it would be subjected to the political pressure of defying "majority" world sentiment if they resisted Third World demands.

Foreign offices which are more sensitive to political pressures and less aware of the economic and financial implications of specialized phrases would be likely to control the negotiations. Rather than face the political reaction to a breakdown of negotiations once begun, they might accept compromises with more significance than appeared on the surface.

The IMF and the World Bank have already lost a great deal of public and congressional support in the United States by being, in the view of the American public, too responsive to the Third World. Any major concessions to Third World pressures arising out of global negotiations would further reduce that support, destroying the effectiveness of the institutions and actually reducing the flow of funds to the developing world.

There is both a humanitarian and a commercial-political self-interest within the industrial nations in the economic progress of the developing countries and a few of the Third World demands have some merit. Several of the smaller industrial countries have been prepared to make substantial concessions. The new Socialist government of France may

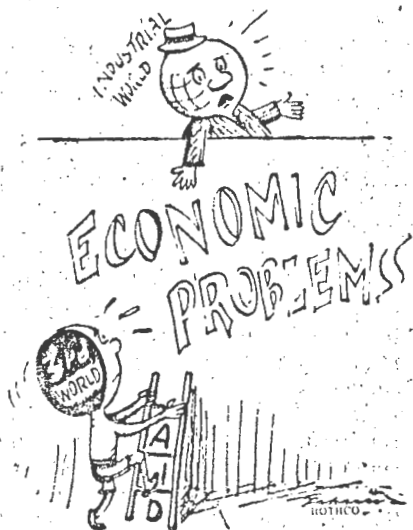
now join that contingent. U.S. officials, however, have long recognized that the major Third World demands would be disastrous for the international trade and payments system as well as unacceptable to the American people.

Previous U.S. administrations have used a combination of stall and the yielding of minor concessions to avoid political "confrontation." Each stall, achieved through an agreement to "study" or "consider" plus a modest concession when each study was concluded, has encouraged expectations that the demands would ultimately be accepted. When the studies and agreements on phrases susceptible to diametrically opposite conclusions have not yielded the gains the Third World expected, their leaders have become angry and impatient. They see the Cancun meeting as a golden opportunity to stop the stall by engaging President Reagan's personal prestige in the success of negotiations conducted in an arena in which they have all the leverage.

Mr. Reagan should avoid that type of trap. It is time to be straightforward. The Third World leaders should be told that their problems cannot be solved by persuading the United States and other industrial countries to reduce the living standards of their own people in order to raise those of the Third World. Their only real solution is to strengthen production incentives in the private sectors of their own economies and to improve the efficiency of public sector enterprises. In such an effort they would have U.S. help.

So that they can protect their images at home, the Third World leaders should be warned before they go to Cancun.

Mr. Widman is a consultant in international monetary affairs.



"Can-Do" at Cancún

By William Safire

WASHINGTON, Sept. 23 — No wonder we're all confused about foreign aid. When Secretary Haig set forth the U.S. position at the U.N. this week, the headline in The Washington Post was "Haig Pledges Aid to Third World," while The New York Times headline read "Haig Rebuffs Poor Nations' Program for More Aid."

This split decision cannot be attributed to "haigravation," that curious politico-military patois favored by our SecState; this time, his speech was in understandable English and made sense. He did pledge more aid, but his central point was that the massive transfers of wealth demanded by third-worlders who think the other worlds owe them a living was "simply unrealistic."

The confusion stems from the guilt-ridden way we have let others measure America's contribution to the growth within "L.D.C.'s," or Less Developed Countries, which used to be less euphemistically called the have-not nations.

Economic aid—government-to-government handouts—has for too long been the only standard for compassion, and that yardstick has recently been used to whack the United States. Although the U.S. handout—over \$7 billion in 1980—is by far the largest of the 17 free-world industrial countries, it is sniffed at by the French Foreign Minister, Claude Cheysson, because that sum is only 0.2 percent of our gross national product; France hands out 0.6 percent. By that sole criterion, the French are the fifth most generous; we are fifteenth.

That is the yardstick used to make us feel guilty and the Scandinavians and French self-righteous. A month from now, at Cancún, Mexico, our European allies will join with cup-rattling third-world militants in an orchestrated effort to put the arm on Uncle Sam. Mexico's President José López Portillo, friend of the guerrillas trying to overthrow the Government of El Salvador, has dragooned President Reagan into attending what could be an international shakedown.

However, before Mr. Reagan steps into the trap, he should make a speech that would alter the emphasis in Cancún. (I still cling grimly to the belief that he is capable of making a foreign policy speech.)

First, he should say that the U.S. is proud of, and certainly not ashamed of, its world leadership since World War II in helping other nations— including the Europeans and Japan, now capable of doing unto others as we did unto them. We will participate in U.N. "global negotiations" only when applicants for aid stop whimpering about entitlements from supposed colonial

victimization and start getting serious about the local creation of wealth.

Second, we need a new measurement for development assistance that goes beyond handouts. The United States buys as much from poor nations as the rest of the rich nations combined. France, now posing as the pal of the poor, ranks 16th out of the 17 in imports from undeveloped nations: when it comes to helping businesses in poor nations get a start, the French are not buying.

Third, that new measurement—the Cancún Index, if Mr. López Portillo is pleased to call it that—must include a percentage of private investment in poor nations. We lead the way in that vital start-up activity; even measured in percentage of G.N.P., the U.S. ranks third in investment, Japan thirteenth.

Only when taken together—aid, imports, investment—can a fair assessment be made of real development help. Right now we rank a respectable seventh in the combined percentages (though by far the first in actual dollars) compared to France's 13th.

Finally, the President should call upon the Cancún conferees to demand that OPEC countries make up for the tremendous burden that a rising oil price has placed on the poorest nations. The direct aid proffered so far, mainly among Moslems, is a drop in the oil bucket: the windfall taken from the poorest nations as a result of the tenfold price rise should be returned to them in a combination of aid, imports and investment from the oil producers.

That OPEC responsibility should require some risk. Up to now, cautious sheiks have been directing their investments to nations they have helped impoverish through American and European banks, getting the credit for returning a small portion of their profits without taking a normal investment risk.

Nobody is going to want to hear such a message; it will discomfit the smug Europeans, prick the conscience of the oil-rich and upset the propaganda mindset of the poor.

But the third world must come to grips with the real world. No poor nation is entitled to a share of what the people of other nations have earned. On a globe spun by self-interest, the have-not nations can best present a moral claim for aid when they are willing to try to create a climate attractive to investment and trade.

Turn the tables at Cancún: we should challenge other rich nations to use a realistic measurement of development assistance, and offer poor nations the opportunity to work their way out of permanent dependency.