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(Foreign Affairs: Twenty-Two Nation  
Summit, 10/21/1981-10/23/2021 Cancun,  
Mexico)

**Case file Number(s): 018872 (1 of 3)**

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# WITHDRAWAL SHEET

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DLB 11/13/2019

**File Folder** FO006-02 (018872) (1 OF 3)

**FOIA**

F16-011

**Box Number**

BIERGANNIS

58

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
243558	MEMO	DUPLICATE OF #163086; ALEXANDER HAIG TO THE PRESIDENT, RE: A STRATEGY FOR CANCUN	4	10/8/1981	B1
243559	PAPER	SUMMARY OF POSSIBLE INITIATIVES	1	ND	B1

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

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

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THE SECRETARY OF STATE  
WASHINGTON

C. F.

018872CA

~~CONFIDENTIAL~~

FO 006-02

WS

October 14, 1981

MEMORANDUM FOR: THE PRESIDENT  
From: Alexander M. Haig, Jr. *A*  
Subject: Global Negotiations Strategy for Cancun

In the last several days we have received a considerable amount of intelligence on what to expect at Cancun. It is increasingly clear that the issue of global negotiations will be the centerpiece of the discussions. Our developed country colleagues appear to feel as strongly about this as the developing countries. A recent letter to me from German Foreign Minister Genscher stresses this point, and indicates that we would have an ample opportunity to pursue our strategy for global growth under the heading of global negotiations.

In light of this, I have taken another look at the guidance memo summarizing the results of our discussion last Thursday on global negotiations. As presently written, the memo is needlessly contentious in attacking UN Resolution 34/138. If we stand on that negative ground, it will completely undercut the positive program you have developed and, despite our efforts, we will find ourselves on the defensive and isolated in Cancun.

We can easily avoid this self-inflicted wound by presenting our position on the negotiations -- with which I am in complete agreement -- in more positive terms. Attached is a suggested rewrite of that part of the memo which does the trick. The guidance states that we would be willing to participate in preparatory talks in the United Nations provided that the four conditions on which we insist are met. On an if-asked basis, we would note that we have proposed a set of conditions for our returning to the preparatory table and would not do so if the talks were conducted on the basis of UN Resolution 34/138. Our stress would be on our hope that others would agree to put aside the substance of that resolution and begin afresh to work out a procedural basis and agenda that would offer the prospect of meaningful progress.

~~CONFIDENTIAL~~

GDS 10/14/87

DECLASSIFIED

Authority

*State Waiver*

BY *Dr*

NARDATE

*11/8/2015*

~~CONFIDENTIAL~~

- 2 -

This approach serves precisely the same interests we all have in avoiding preparatory discussions or negotiations under UN Resolution 34/138, but enables us to do so in a way which puts you in a leadership position. I recommend you approve this more positively phrased guidance.

Attachment:

Revised Guidance.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

- (1) We have said that we would be willing to "participate in preparations for a mutually acceptable process of global negotiations in circumstances offering the prospect of meaningful progress." (Note emphasis.)
- (2) We would indicate that we are now, and would continue to be, willing to participate in talks with individual countries, with regional groups and with other interested parties, and that we would be willing to return to preparatory talks in the United Nations provided that:
  - (a) the talks must have a practical orientation toward identifying, case-by-case, the specific potential for and obstacles to development--obstacles which a cooperative effort might remove;
  - (b) the talks must proceed on a basis that would respect and preserve the competence, functions, powers, voting arrangements, and charters of the specialized international institutions--and not seek to create new international institutions;
  - (c) the general objective of such talks must be the identification of conditions necessary to increase economic development (rather than a restructuring of the international economic system); and
  - (d) such talks must be entered into in a cooperative spirit rather than one in which views become polarized and chances for agreement are needlessly sacrificed.

If we were asked whether we would be willing to return to preparatory talks if they were to be conducted on the basis of U.N Res. 34/138, we would indicate that--as our previous statement implies--we would not, but that we should begin afresh to work out a procedural basis and agenda that would offer the prospect of meaningful progress and that we would hope other countries at Cancun could instruct their delegations to join us in this effort.

- (3) We believe these conditions provide the only basis on which practical progress can be made. We would, therefore, take the initiative in laying down our conditions

*at Cancun*  
NOTE: Change consent  
initially Robert  
Hornstein  
15 Oct 81  
10:20 am

~~CONFIDENTIAL~~



UNITED STATES DEPARTMENT OF COMMERCE  
The Under Secretary for International Trade  
Washington, D.C. 20230

*File*

October 19, 1981

MEMORANDUM FOR: Craig Fuller

FROM : Lionel H. Olmer *LHO*

I wish to convey Secretary Baldrige's views on the USG posture toward Global Negotiations at the upcoming Cancun Summit so that they can be accounted for in preparation of the briefing material.

The Secretary believes that we should decline to participate in the Global Negotiations (GN). The LDC's objectives for GN are in most instances diametrically opposed to ours. If we agree to participate in GN, even on a conditional basis, we would ultimately find ourselves in an untenable position and might well be forced to withdraw. This would entail much higher political costs than declining to participate from the outset. A forthright position will earn us more respect in the long run.



CLE

~~SECRET~~

THE WHITE HOUSE

WASHINGTON

October 8, 1981

ATTACHMENT

UNCLASSIFIED  
EXCEPT WHERE SHOWN  
OTHERWISE  
11/16/2019

NOTE FOR PARTICIPANTS  
IN THE CANCUN PLANNING GROUP'S MEETING  
WITH THE PRESIDENT

FROM: RICHARD G. DARMAN *RD*  
CRAIG L. FULLER *CF*

Attached are two documents referred to in this morning's preparatory meeting:

- Tab A: Options paper on "Global Negotiations" (with State Department revision of option 2)
- Tab B: Secretary of State's "Cancun Strategy" paper.

These will be discussed in this afternoon's meeting with the President.

*speech on 11/2*  
AK. 3 options

Distributed to:

- The President
- The Vice President
- Secretary Haig
- Secretary Regan
- Edwin Meese III
- Ambassador Brock
- Ambassador Kirkpatrick
- James A. Baker III
- Michael K. Deaver
- Richard V. Allen
- Martin Anderson
- Richard G. Darman
- Craig L. Fuller
- David R. Gergen

→ (P) Briefing -  
- list of countries  
- amount of aid  
- list of protectionist agreements

DR - decide on GN after Cancun

- H. Nau
- C. Tyson
- B. Bluff





## Cancun Summit and Global Negotiations

Several principles need to be kept in mind regardless of how the issue of Global Negotiations is handled at Cancun:

- The President should not be engaged in the debate on Global Negotiations between now and the end of Cancun. Rather, he should focus on the substantive views and policies of this Administration and its vision of how development is stimulated;
- The current U.S. dialogue with developing countries should be based on the realistic approach outlined by the President and Secretary Regan at the IMF/IBRD meetings and Secretary Haig at the UNGA. The emphasis should be on the positive role of the international financial institutions and the GATT;
- The Ottawa Summit Communique commits us to some process of addressing the problems of developing nations.

All of the attached options share the following elements:

- Prior to Cancun, the U.S. must make an intensive effort to ensure that our position is well understood and supported by as many Cancun participants and observers as possible. The focus of this effort should be high level contact with the other participating governments to inform them of our positions, to seek their support and to minimize the possibility of any surprises or embarrassment for the President. In addition, consultations with Congress and press briefings/interviews should be used to ensure that public (both foreign and domestic) and congressional expectations about Cancun are consistent with the positions that the U.S. will take;
- The President will make a speech prior to Cancun in which he will elaborate on the themes of his speech before the Annual Meeting of the Bank/Fund;
- The President's statement at Cancun will emphasize a positive U.S. approach to economic growth that relies upon the specialized institutions;
- There will be some sort of follow-up to Cancun, but the form of the follow-up varies under each option.

Option I

Emphasize the Specialized Institutions  
Decline to Participate in Global Negotiations in New York

The President would present his vision of how successful development proceeds and would emphasize the role of market forces in attaining this result. He would review the role of the specialized agencies in spurring development worldwide. He would outline specific plans and measures that the United States will propose in the various specialized agencies in the coming months and would underline the fact that these institutions can address the real economic concerns of the developing world more successfully than would endless rhetoric in a political forum. We can suggest follow up and review in the specialized agencies themselves, which may allay the fears of those who think this is simply a "time-buying" approach.

As far as Global Negotiations are concerned, there are two options for how and when to indicate our position:

A. The President could announce at Cancun that although the United States fully shares the hope that the development goals of all nations will be realized, we do not think that Global Negotiations will be able to provide the tangible economic benefits sought by those who propose it or;

B. The President could forego specific mention of Global Negotiations at Cancun, in favor of outlining the U.S. position more clearly in New York at November's meeting of the General Assembly. The latter position saves the President from facing potential embarrassment at Cancun.

Pro:

- This approach would be positive in that it would lay out concrete measures designed to address developing countries' real economic concerns as well as genuinely to include them in the international economic system.

- We can deliver this option. The position tracks U.S. domestic as well as international economic policy as enunciated by Administration officials, including the President, during the past nine months. The U.S. would be presenting a firm, economically sound approach to development which offers a vivid contrast to some of our past efforts in this regard.

- Although this option may cause some immediate pain, this will be of a short-term nature, and the potential adverse effects at Cancun could be mitigated through concentrated pre-conference consultations. If we agree to go along with the concept of Global Negotiations merely to keep the "dialogue" going while knowing that there is virtually nothing we can agree on or give away, we will pay a political price which will steadily escalate until the process ends. In other words, from a foreign policy point of view, this approach would cut our losses.

- Saying "no" now would be an honest statement of the U.S. perception of its economic interest and that of the global system. The most important contribution developed countries can make in spurring economic development is to restore adequate economic growth domestically. A strong international economy coupled with realistic economic policies in developing countries is the key to sustained growth in the Third World. Global Negotiations provides a rhetorical mask for developing countries to hide behind as they ignore this fact.

- All previous North/South "dialogues" have failed to achieve results, and there is no reason to think this effort will have a different outcome. In fact, given the severe economic difficulties currently faced by nearly all countries, prospects for failure are quite high. This is especially true since LDCs equate success with direct resource transfers.

- Without U.S. participation, Global Negotiations can not be launched effectively; this would remove the threat to the specialized agencies from a UNGA attempt to supervise the work of those institutions.

- There is less unity among developed countries in their views of North-South issues than has been the case previously. This would increase the chances of an unacceptable outcome from Global Negotiations.

Con:

- This position will require us to be more forthcoming on LDC issues within the GATT, IMF and IBRD in the coming year. This may involve some economic concessions that would affect trade and financial flows.

- The United States may be isolated internationally on this position and may be portrayed by developing countries, the socialist bloc and by many developed countries (including several that share our concerns) as being unresponsive to the plight of the developing world.

- There may be some negative impact in the short-run on our relations with individual developing countries.

~~From: STAFF~~

Option II

Emphasize the Specialized Institutions as in Option I. Agree to continue preparing for Global Negotiations provided Minimum Conditions for U.S. Participation are met.

- Our basic emphasis would be to press for a broad agreement at the need for positive progress in the specialized institutions.

Our conditions for agreeing to preparatory discussions in New York are specified as:

- Protection of the competence, functions and powers of the specialized institutions.

- An agenda that addresses a limited number of global economic issues.

- A focus on the conditions for accelerating growth and on common economic problems requiring international cooperation.

- Old negotiating drafts on procedures and agenda would be discarded, and a fresh start would be made on drafting procedures and agenda.

- The Charter of the United Nations and the agreements between the UN and the specialized agencies and fora of the UN system will be respected.

Pro:

- By agreeing to continue to search for an acceptable basis for Global Negotiations, President Reagan would be spared the isolation that would occur at Cancun if he were to say "no" to Global Negotiations.

- By establishing a set of minimal conditions for U.S. participation in a universal forum, the President will have preserved U.S. concern with the integrity of the specialized institutions.

- This option gets the President through Cancun and establishes firm negotiating position for the UNGA. If our conditions are not met there, we could say no without embarrassment to the President.

- Permits the United States to be positive about discussions in the UNGA and not have to oppose a dialogue in principle.

- By keeping Global Negotiations alive at least in the short-run, we would create a more favorable environment for obtaining support for actions in the specialized institutions. If we develop enough momentum there before any breakdown of GNs, the negative impact of such a breakdown might be reduced substantially.

Con:

- Experience to date indicates that the U.S. cannot obtain strong assurance of its conditions through negotiations on agenda and procedures in New York. There is little doubt that the central issue of the specialized institutions' integrity will have to be refought repeatedly on virtually every individual trade and financial issue.

- Agreement to a post-Cancun effort to pursue preparations for Global Negotiations will be construed as a first commitment by this Administration to GNs. A subsequent decision to back out of Global Negotiations then would be portrayed as this Administration reneging on one of its "commitments" rather than reversing the previous Administration's policy.

- A decision in the Spring of 1982 that our conditions for GNs could not be met might set off a negative reaction among the Group of 77 that would damage our efforts to obtain participation by the LDCs in the preparations for the GATT Ministerial in late 1982.

Option III

Emphasize the Specialized Agencies and Establish a Work Program for Them Under The Supervision of A Cancun Followup Group. Delay Decision On Global Negotiations.

It would be agreed at Cancun that the personal representatives of the Cancun participants would meet in 3-4 months to prepare a "curriculum" for the IMF, IBRD, GATT and FAO. Representatives of these organizations would be invited to participate in this process. The curriculum would consist of a series of issues to be considered by each institution, and each institution would submit a report on its respective issues to the Cancun group within 9-12 months. In the meantime, we would attempt to stall GN discussions in New York on the ground that any agenda for GN would be much better if it had the benefit of the specialized institutions' reports.

Pro:

- This would be a concrete step to move the discussions into the specialized institutions that are our preferred venue for addressing issues of international economic cooperation.

- We would be providing a positive alternative to Global Negotiations rather than simply being negative. Thus, the President would not be isolated at Cancun yet would not have made any commitment on Global Negotiations.

- We would have enlisted the prestige of the Cancun 22 in backing an approach that puts the specialized institutions at center stage.

Con:

- Negotiations about the specialized institutions' "curriculum" very likely would encounter difficulties about how much direction outside entities should give to the deliberations of the specialized institutions. This is why Global Negotiations failed last year. (Note: all Cancun participants are not members of all specialized institutions; e.g., Algeria, Saudia Arabia, PRC, Venezuela and Mexico are not members of GATT).

- This approach does not provide an explicit U.S. response to the question of U.S. participation in Global Negotiations. The question will arise in November in the form of a UNGA resolution on GNs.

- The Group of 77 may reject this approach as inconsistent with their concept of what is needed, namely, integrated discussions across issues and control by a universal forum.

- This approach does not provide a venue for discussing energy issues, nor does it draw non-members of the institutions (especially the socialist countries) into the discussions.

*B*

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file: 7104at Negotiations 1979

UN General Assembly Resolutions 34/138 ~~34/138~~ on Global Negotiations

34/138. Global negotiations relating to international economic co-operation for development

Date: 14 December 1979  
Adopted without a vote

Meeting: 104  
Draft: A/34/L.55

The General Assembly,

Recalling its resolutions 3201 (S-VI) and 3202 (S-VI) of 1 May 1974 containing the Declaration and the Programme of Action on the Establishment of a New International Economic Order, 3281 (XXIX) of 12 December 1974 containing the Charter of Economic Rights and Duties of States and 3362 (S-VII) of 16 September 1975 on development and international economic co-operation, which lay down the foundations for the establishment of the new international economic order,

Noting with deep concern that, despite the great efforts made by many countries, especially the developing countries, at a large number of meetings and international conferences aimed at the establishment of the new international economic order, only limited progress has been achieved,

Considering the report of the Committee of the Whole Established under General Assembly resolution 32/174, 81/

Taking note of the important resolution adopted at the Sixth Conference of Heads of State or Government of Non-Aligned Countries, held at Havana from 3 to 9 September 1979, on global negotiations relating to international economic co-operation for development, 82/

Emphasizing the imperative need to establish a new system of international economic relations based on the principles of equality and mutual benefit as also to promote the common interest of all countries,

Stressing that the establishment of such a new system calls for bold initiatives and demands new, concrete, comprehensive and global solutions going beyond limited efforts and measures intended to resolve only the present economic difficulties,

Urging all countries to commit themselves effectively to achieving, through international negotiations and other concerted action, the restructuring of international relations on the basis of the principles of justice and equality in order to provide for steady economic development, with due regard to the development potential of developing countries,

Emphasizing that such global negotiations must take place within the United Nations system,

X Reaffirming in this context the central role of the General Assembly,

1. Decides to launch at its special session in 1980 a round of global and sustained negotiations on international economic co-operation for development, such negotiations being action-oriented and proceeding in a simultaneous manner in order to ensure a coherent and integrated approach to the issues under negotiation;

2. Agrees that such negotiations should:

(a) Take place within the United Nations system with the participation, in accordance with the procedures of relevant bodies, of all States and within a specified time-frame without prejudice to the central role of the General Assembly;

(b) Include major issues in the field of raw materials, energy, trade, development, money and finance;

(c) Contribute to the implementation of the international development strategy for the Third United Nations Development Decade;

(d) Contribute to the solution of international economic problems, within the framework of the restructuring of international economic relations, and to steady global economic development, in particular the development of developing countries, and, to this end, reflect the mutual benefit, the common interest and the responsibilities of the parties concerned, taking into account the general economic capability of each country;

3. Further agrees that these negotiations should not involve any interruption of, or have any adverse effect upon, the negotiations in other United Nations forums but should reinforce and draw upon them;

4. Agrees that the successful launching and ultimate success of global negotiations require the full commitment of all participants to careful and thorough preparations, including efficient procedures for the negotiations;

5. Decides that the Committee of the Whole Established under General Assembly Resolution 32/174 should act as the preparatory committee for these negotiations and propose all necessary arrangements worked out in accordance with its established procedures 83/ to enable the Assembly at its special session in 1980 to decide on an effective and prompt beginning of the global negotiations, and further decides that the Committee should submit to the Assembly at its special session its final report containing its recommendations on the procedures, the time-frame and detailed agenda for the global negotiations, taking into account paragraphs 1 to 4 above.

VON WECHMAR TEXTS OF DECEMBER 14, 1980

Procedures

1. FOR THE PURPOSE OF THE GLOBAL NEGOTIATIONS, THE THIRTY-FIFTH SESSION OF THE GENERAL ASSEMBLY DECIDES TO CONVENE A UNITED NATIONS CONFERENCE FOR GLOBAL NEGOTIATIONS ON INTERNATIONAL ECONOMIC CO-OPERATION FOR DEVELOPMENT.

2. THE CONFERENCE SHOULD HAVE UNIVERSAL PARTICIPATION, AT A HIGH POLITICAL LEVEL, AND WILL BE THE FORUM FOR CO-ORDINATING AND CONDUCTING THE GLOBAL NEGOTIATIONS WITH A VIEW TO ENSURING A SIMULTANEOUS, COHERENT AND INTEGRATED APPROACH TO ALL THE ISSUES UNDER NEGOTIATION. THE CONFERENCE SHOULD RESULT IN A PACKAGE AGREEMENT.

3. FOR THE PURPOSE OF FACILITATING THE GLOBAL NEGOTIATIONS, THE CONFERENCE WILL, IN THE INITIAL PERIOD WHICH SHOULD NOT EXCEED EIGHT WEEKS, ESTABLISH OBJECTIVES FOR AND PROVIDE GUIDANCE ON THE AGENDA ITEMS OR PARTS THEREOF.

4. THE CONFERENCE WILL ENTRUST SPECIFIC AGENDA ITEMS OR PARTS THEREOF TO SPECIALIZED FORA WITHIN THE UNITED NATIONS SYSTEM IN ACCORDANCE WITH THEIR COMPETENCE OR TO SUCH AD HOC GROUPS AS IT WILL CREATE. THE CONFERENCE WILL INDICATE THE TIME-FRAME FOR THESE NEGOTIATIONS.

5. THE CONFERENCE WILL RECEIVE THE RESULTS FROM THE SPECIALIZED FORA AND AD HOC GROUPS WITHIN THE INDICATED TIME-FRAME WITH A VIEW TO CONCLUDING THE GLOBAL NEGOTIATIONS WITH A PACKAGE AGREEMENT.

6. IN FULLY DISCHARGING ITS MANDATE AND FULFILLING ITS ROLE, THE CONFERENCE WILL NOT:

- PREJUDICE THE COMPETENCE, FUNCTIONS AND POWERS OF THE SPECIALIZED FORA WITHIN THE UNITED NATIONS SYSTEM;

- BE PRECLUDED FROM TAKING UP ANY ISSUES RELATING TO THE RESTRUCTURING OF INTERNATIONAL ECONOMIC RELATIONS;

- BE PRECLUDED FROM ENTRUSTING AGENDA ITEMS IN ACCORDANCE WITH PARAGRAPH 4 ABOVE.

7. ALL PARTIES TO THE PACKAGE AGREEMENT WILL BE COMMITTED TO ITS IMPLEMENTATION. WHERE SUCH IMPLEMENTATION INVOLVES ACTION BY SPECIALIZED FORA WITHIN THE UNITED NATIONS SYSTEM, PARTIES TO THE AGREEMENT WILL ACT THROUGH THE INTER-GOVERNMENTAL BODIES OF THESE FORA, IN ACCORDANCE WITH THEIR COMPETENCE AND RULES OF PROCEDURES.

8. THE CONFERENCE WILL FUNCTION IN ACCORDANCE WITH THE PROCEDURES OF THE GENERAL ASSEMBLY. HOWEVER, IT WILL REACH AGREEMENT BY CONSENSUS ON ALL IMPORTANT MATTERS.

SUCH AS THOSE REFERRED TO IN PARAGRAPHS 2, 3, 4, 5, AND 6.

9. THE CONFERENCE SHOULD MEET THROUGHOUT AT UNITED NATIONS HEADQUARTERS IN NEW YORK.

10. THE CONFERENCE SHOULD START FUNCTIONING ON 1981 AND SHOULD MAKE EVERY EFFORT TO CONCLUDE BY (4)

11. THE CONFERENCE SHOULD HAVE THE HIGHEST PRIORITY IN RESPECT OF FACILITIES AND SERVICES, INCLUDING INTERPRETATION AND TRANSLATION IN ALL THE OFFICIAL AND WORKING LANGUAGES OF THE GENERAL ASSEMBLY AND ITS MAIN COMMITTEES TO BE PROVIDED BY THE UNITED NATIONS SECRETARIAT. THE NECESSARY FACILITIES AND RESOURCES SHOULD ALSO BE PROVIDED FOR ALL PREPARATORY ARRANGEMENTS, AT UNITED NATIONS HEADQUARTERS INCLUDING REGIONAL AND OTHER GROUP MEETINGS, FOR THE PURPOSE THE NEGOTIATIONS.

12. APPROPRIATE ARRANGEMENTS WOULD HAVE TO BE MADE TO ENSURE THE PROVISION AND CO-ORDINATION OF THE INPUTS OF THE SECRETARIATS OF THE UNITED NATIONS SYSTEM TO THE CONFERENCE.

13. UPON REQUEST, THE CONFERENCE MAY INVITE SPECIALIZED, INTERREGIONAL, REGIONAL AND SUBREGIONAL INTERGOVERNMENTAL ORGANIZATIONS RELEVANT TO THE TASK OF THE CONFERENCE, TO ATTEND THE CONFERENCE.

} (✓)  
Aug. (✓)  
Aug.

## Agenda

CHAPEAU

1. GLOBAL NEGOTIATIONS PROVIDE AN OPPORTUNITY FOR THE WORLD COMMUNITY TO ENGAGE IN COHERENT, INTEGRATED, SIMULTANEOUS AND SUSTAINED NEGOTIATIONS ON MAJOR WORLD ECONOMIC ISSUES OF CONCERN TO ALL COUNTRIES IN THE FIELD OF RAW MATERIALS, ENERGY, TRADE, DEVELOPMENT, MONEY AND FINANCE. THE NEGOTIATIONS SHOULD REFLECT THE MUTUAL BENEFIT, THE COMMON INTEREST, AND THE RESPONSIBILITIES OF THE PARTIES CONCERNED, TAKING INTO ACCOUNT THE GENERAL ECONOMIC CAPABILITY OF EACH COUNTRY AND SHOULD CONTRIBUTE TO:

- (A) THE SOLUTION OF INTERNATIONAL ECONOMIC PROBLEMS WITHIN THE FRAMEWORK OF THE RESTRUCTURING OF INTERNATIONAL ECONOMIC RELATIONS;
- (B) STEADY GLOBAL ECONOMIC DEVELOPMENT AND, IN PARTICULAR, THE DEVELOPMENT OF DEVELOPING COUNTRIES;
- (C) THE IMPLEMENTATION OF THE INTERNATIONAL DEVELOPMENT STRATEGY FOR THE THIRD UNITED NATIONS DEVELOPMENT DECADE.

2. EMPHASIZING THE IMPERATIVE NEED TO ESTABLISH A NEW SYSTEM OF INTERNATIONAL ECONOMIC RELATIONS, ALL COUNTRIES SHOULD COMMIT THEMSELVES TO ACHIEVING, THROUGH INTERNATIONAL NEGOTIATIONS AND OTHER CONCERTED ACTION, THE RESTRUCTURING OF INTERNATIONAL NEGOTIATIONS AND OTHER CONCERTED ACTION, THE RESTRUCTURING OF INTERNATIONAL NEGOTIATIONS AND OTHER CONCERTED ACTION, THE RESTRUCTURING OF INTERNATIONAL ECONOMIC RELATIONS ON THE BASIS OF THE PRINCIPLES OF JUSTICE, EQUALITY AND MUTUAL BENEFIT, WITH DUE REGARD TO THE DEVELOPMENT POTENTIAL OF DEVELOPING COUNTRIES.

3. ECONOMIC INTERDEPENDENCE IS A GROWING REALITY AMONG COUNTRIES AT DIFFERENT LEVELS OF DEVELOPMENT. THIS REALITY COMPELS INTERNATIONAL CO-OPERATION WHICH SHOULD BE SUPPORTED BY COHERENT NATIONAL ECONOMIC POLICIES ON THE PART OF ALL MEMBERS OF THE INTERNATIONAL COMMUNITY, SO THAT MAXIMUM DEVELOPMENT AND STEADY ECONOMIC GROWTH CAN BE ACHIEVED BY ALL WITHIN THE FRAMEWORK OF RESPECTIVE NATIONAL DEVELOPMENT STRATEGIES AND PRIORITIES.

4. THE GLOBAL NEGOTIATIONS SHOULD BE ACTION-ORIENTED AND AIM AT REACHING AGREEMENT BY THE INTERNATIONAL COMMUNITY ON CONCRETE AND MUTUALLY REINFORCING MEASURES DESIGNED TO ACHIEVE NEW, COMPREHENSIVE AND GLOBAL SOLUTIONS TO PROBLEMS IN EACH AND ALL OF THE FIELDS OUTLINED IN THE AGENDA. THESE SOLUTIONS SHOULD GO BEYOND LIMITED EFFORTS AND MEASURES INTENDED TO RESOLVE ONLY THE PRESENT ECONOMIC DIFFICULTIES.

5. IN RELATION TO ALL ITEMS ON THE AGENDA OF THE GLOBAL NEGOTIATIONS, SPECIAL EMPHASIS MUST BE PLACED ON THE NEEDS AND REQUIREMENTS OF DEVELOPING COUNTRIES AND ON THEIR DEVELOPMENT POTENTIAL. THE GLOBAL NEGOTIATIONS SHOULD SUBSTANTIALLY CONTRIBUTE TO THE RAPID DEVELOPMENT OF DEVELOPING COUNTRIES, THUS ENABLING THEM TO ACHIEVE GREATER SELF-RELIANCE AND ENHANCE THEIR CAPACITY TO PLAY

AN EFFECTIVE ROLE IN INTERNATIONAL ECONOMIC RELATIONS, INCLUDING THE PROCESS OF DECISION-MAKING.

6. IN THE FACE OF DIFFICULT ECONOMIC CONDITIONS, CONCERTED MEASURES ARE REQUIRED FROM THE INTERNATIONAL COMMUNITY TO SUSTAIN ADEQUATE LEVELS OF ECONOMIC GROWTH AND DEVELOPMENT IN THE DEVELOPING WORLD, PARTICULARLY IN THE LEAST DEVELOPED COUNTRIES AND OTHER DEVELOPING COUNTRIES, INCLUDING THOSE IN OTHER SPECIAL CATEGORIES, WHERE THE DEVELOPMENT NEEDS AND PROBLEMS ARE GREATEST.

7. THE WORDING OF THE AGENDA ITEMS DOES NOT PREJUDGE THE OUTCOME OF THE NEGOTIATIONS AND DOES NOT PRECLUDE THE DISCUSSION OF ANY SUBJECT RELATED TO THE AGENDA.

8. ACCORDINGLY THE FOLLOWING AGENDA OF WHICH THE ABOVE PARAGRAPHS ARE AN INTEGRAL PART IS AGREED FOR THE GLOBAL NEGOTIATIONS ON INTERNATIONAL ECONOMIC CO-OPERATION FOR DEVELOPMENT.

### AGENDA ITEMS

1. QUESTIONS RELATED TO ACHIEVING A REAL INCREASE IN AND STABILIZATION OF THE EXPORT EARNINGS DERIVED FROM PRIMARY COMMODITIES AND RAW MATERIALS.
2. PARTICIPATION OF DEVELOPING COUNTRIES IN THE TRADE, TRANSPORTATION, MARKETING AND DISTRIBUTION OF THEIR COMMODITIES AND RAW MATERIALS; LOCAL PROCESSING AND STORAGE OF COMMODITIES AND RAW MATERIALS PRODUCED BY DEVELOPING COUNTRIES.
3. DEVELOPMENT OF NATURAL RESOURCES.
4. QUESTIONS RELATED TO TRADE, INCLUDING ACCESS TO MARKETS, PROTECTIONISM AND STRUCTURAL ADJUSTMENT, WHICH SHOULD LEAD, INTER ALIA, TO IMPROVEMENT IN TERMS OF TRADE.
5. (SHIPPING).
- X 6. IN THE LIGHT OF THE SCARCITY OF PETROLEUM RESOURCES, AND THE NEED TO RAPIDLY DEVELOP CONVENTIONAL AS WELL AS ALTERNATIVE SOURCES OF ENERGY TO MEET THE GROWING REQUIREMENTS FOR FUTURE ECONOMIC GROWTH AND DEVELOPMENT, AND RELATED PROBLEMS OF COMMON INTEREST:
  - (A) URGENT MEASURES BY THE INTERNATIONAL COMMUNITY TO MEET (ITS ENERGY REQUIREMENTS, INCLUDING PARTICULARLY) OF ENERGY-DEFICIENT DEVELOPING COUNTRIES, ON A CONTINUING BASIS;
  - (B) EFFECTIVE MEASURES FOR CONSERVATION AND RATIONAL USE OF ENERGY;
  - (C) DEMAND AND SUPPLY OF ALL FORMS OF ENERGY AND RELATED PROBLEMS (, INCLUDING CRITERIA FOR PRICING);
  - (D) MEASURES, BY THE INTERNATIONAL COMMUNITY, INCLUDING THE PROVISION OF FINANCIAL AND/OR TECHNICAL ASSISTANCE AND SUPPORT, AS APPROPRIATE, IN SUCH AREAS AS:

(I) EXPLORATION FOR AND DEVELOPMENT OF NEW AND RENEWABLE AS WELL AS CONVENTIONAL SOURCES OF ENERGY IN ORDER TO INCREASE ITS AVAILABILITY:

(II) TECHNICAL AND TECHNOLOGICAL ASPECTS OF CONVENTIONAL ENERGY PRODUCTION AND CONSERVATION;

(III) RELEVANT AREAS OF RESEARCH AND DEVELOPMENT;

(IV) PLANNING OF ENERGY PROGRAMMES AND PROJECTS IN INTERESTED COUNTRIES:

7. PARTICIPATION OF DEVELOPING COUNTRIES IN THE DOWN-STREAM ACTIVITIES IN THE FIELD OF ENERGY.

8. INTERNATIONAL CO-OPERATION FOR THE DEVELOPMENT AND DIVERSIFICATION OF FOOD AND AGRICULTURAL PRODUCTION AND IMPROVEMENT OF NUTRITION IN DEVELOPING COUNTRIES, THROUGH SUCH MEASURES AS:

(A) TRANSFER OF RESOURCES TO SUPPLEMENT MOBILIZATION OF DOMESTIC RESOURCES;

(B) RESEARCH AND DEVELOPMENT AND TRANSFER OF TECHNOLOGY AND ITS ADAPTATION TO THE NEEDS OF INDIVIDUAL COUNTRIES AND REGIONS;

(C) SUPPORT FOR THE IMPLEMENTATION OF NATIONAL AGRICULTURAL DEVELOPMENT STRATEGIES, INCLUDING THE IMPROVEMENT OF FOOD STORAGE AND DISTRIBUTION FACILITIES IN DEVELOPING COUNTRIES.

9. THE ESTABLISHMENT OF AN EFFECTIVE BASIS FOR WORLD FOOD SECURITY, INCLUDING FOOD AID, EMERGENCY FOOD RESERVE AND OTHER RELATED QUESTIONS.

10. URGENT, CONCERTED AND SUSTAINED INTERNATIONAL ACTION, TAKING INTO ACCOUNT UNCTAD RESOLUTION 122 (VI), TO ASSIST THE LEAST DEVELOPED COUNTRIES TO OVERCOME THEIR SERIOUS STRUCTURAL PROBLEMS (THROUGH, INTER ALIA, THE ALLOCATION OF ADEQUATE RESOURCES TO THIS END).

11. POSITIVE ADJUSTMENT POLICIES AND INCENTIVES WITH A VIEW TO ACCELERATING THE INDUSTRIALIZATION OF DEVELOPING COUNTRIES THROUGH THE RESTRUCTURING OF WORLD INDUSTRY/WORLD INDUSTRIAL CAPACITIES, TAKING INTO ACCOUNT REGIONAL STRATEGIES FOR INDUSTRIAL DEVELOPMENT AND INTEGRATION.

ALTERNATIVE FORMULATION:

MEASURES TO ACCELERATE THE INDUSTRIALIZATION OF DEVELOPING COUNTRIES, TAKING INTO ACCOUNT REGIONAL STRATEGIES FOR INDUSTRIAL DEVELOPMENT AND INTEGRATION, WHICH SHOULD LEAD TO CONTINUING RESTRUCTURING OF WORLD INDUSTRY.

12. MEASURES TO SUPPORT THE TRANSFER OF TECHNOLOGY TO DEVELOPING COUNTRIES, INCLUDING THE ADAPTATION AND APPLICATION OF SUCH TECHNOLOGY.

13. MEASURES TO SUPPORT THE DEVELOPMENT OF INFRASTRUCTURE IN DEVELOPING COUNTRIES, SUCH AS THE IMPLEMENTATION OF THE TRANSPORT AND COMMUNICATIONS DECADE IN

14. MEASURES TO ENHANCE AND IMPROVE THE TRANSFER OF RESOURCES FOR ECONOMIC DEVELOPMENT, IN KEEPING WITH DEVELOPMENT REQUIREMENTS, THROUGH:

(A) CONCESSIONAL FLOWS, INCLUDING OFFICIAL DEVELOPMENT ASSISTANCE TO DEVELOPING COUNTRIES, IN PARTICULAR TO THOSE DEVELOPING COUNTRIES WHERE THE DEVELOPMENT NEEDS AND PROBLEMS ARE GREATEST;

(B) NON-CONCESSIONAL FLOWS, INCLUDING ACCESS TO CAPITAL MARKETS, DIRECT INVESTMENT AND CO-FINANCING;

(C) RELATED ARRANGEMENTS AS MAY BE REQUIRED.)

15. FINANCING OF BALANCE-OF-PAYMENT DEFICITS.

X 16. DEBT PROBLEMS OF DEVELOPING COUNTRIES.

X 17. APPROACHES TO ENSURE THE GROWTH AND STABILITY OF NEW TYPES OF FLOWS, INCLUDING AVAILABLE FUNDS IN FINANCIAL AND CAPITAL MARKETS, TO FACILITATE SUSTAINABLE ECONOMIC GROWTH AND DEVELOPMENT (AND TO ENSURE THE SECURITY AND VALUE OF THESE FLOWS).

ALTERNATIVE FORMULATION:

NEW TYPES OF FINANCIAL FLOWS AND RELATED PROBLEMS.

18. EFFORTS TO ENHANCE THE RESPONSIVENESS OF THE INTERNATIONAL MONETARY SYSTEM TO THE ECONOMIC GROWTH AND DEVELOPMENT NEEDS OF THE INTERNATIONAL COMMUNITY THROUGH CONTINUING IMPROVEMENT AND CHANGES IN THE SYSTEM:

(A) INTERNATIONAL LIQUIDITY IN ALL ITS ASPECTS (INCLUDING SDR ALLOCATIONS AND THEIR RELATION TO DEVELOPMENT FINANCE);

(B) SURVEILLANCE OF EXCHANGE RATES AND OF BALANCE-OF-PAYMENT POLICIES;

(C) PARTICIPATION OF THE DEVELOPING COUNTRIES IN THE DECISION-MAKING PROCESS;

(D) ADJUSTMENT PROCESS IN ALL ITS ASPECTS:

(I) MODALITIES OF THE EXISTING ADJUSTMENT PROCESS AND THEIR ADEQUACY;

(II) CONTRIBUTIONS BY INTERNATIONAL FINANCIAL AND MONETARY INSTITUTIONS TO THE ADJUSTMENT PROCESS;

(III) FACILITIES IN THE CONTEXT OF THE ADJUSTMENT PROCESS;

(E) TERMS AND CONDITIONS FOR THE USE OF INTERNATIONAL MONETARY FUND RESOURCES;

(F) PROBLEMS OF PROTECTION OF REAL FINANCIAL ASSETS OF CAPITAL SURPLUS DEVELOPING COUNTRIES.)

19. IMPACT OF INFLATION ON ECONOMIC GROWTH AND DEVELOPMENT.

20. (INTERNATIONAL ASSISTANCE FOR NATIONAL DEMOGRAPHIC

~~CONFIDENTIAL~~

U.S. POLICY RE  
"GLOBAL NEGOTIATIONS"  
AND  
DEVELOPMENT

DRAFT

This formulation is in two parts:

- (I) a question and answer re the procedural issues raised by the phrase "Global Negotiations"; and
- (II) a summary of substantive themes and initiatives that comprise the Reagan administration's approach to development.

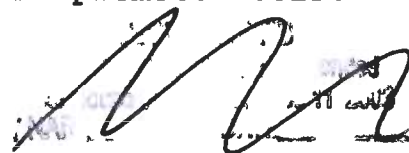
(I) Q. & A. RE "GLOBAL NEGOTIATIONS"

Q. The Ottawa Summit Declaration committed the summit members to "participate in preparations for a mutually acceptable process of global negotiations in circumstances offering the prospect of meaningful progress." The co-chairmen's press statement following the Cancun Ministerial Preparatory Meeting (in which the U.S. participated) stated that a purpose of the Cancun Summit is to "facilitate global negotiations." Is the U.S. now willing to return to the U.N. preparatory discussions on global negotiations?

- A. (1) The United States strongly favors the development of a cooperative strategy for global growth. We believe that experience -- including our own development experience -- confirms the importance of:
- (a) opening up markets, both within individual countries and among countries;
  - (b) improving the climate for private investment, and the transfer of technology that comes with such investment;
  - (c) orienting assistance toward the development of self-sustaining productive capacities;
  - (d) tailoring particular development strategies to the specific needs and potential of individual countries and regions; and
  - (e) creating a political climate in which practical solutions can move forward -- rather than founder on naive or contentious rhetorical debate.
- (2) With this general framework as our guide, we are prepared to examine the specific needs and potential of particular countries and regions -- while at the same time we examine how a common effort might best overcome identified obstacles and promote desired development.

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- (3) We have said that we would be willing to "participate in preparations for a mutually acceptable process of global negotiations in circumstances offering the prospect of meaningful progress. (Note emphasis.) We do not believe that Global Negotiations as contemplated and defined in U.N. Res. 34/138 (December 1979) would offer the prospect of meaningful progress. The agenda is at once too general and too far-reaching to provide a practical basis for proceeding. And references to the "New International Economic Order" and the "restructuring of international economic relations" are undesirable reminders of the type of contentious ideological environment in which cooperative solutions are unlikely to be found. We therefore would not return to preparatory talks if they were to be conducted on the basis of U.N. Res. 34/138.
- (4) On the other hand, we are now, and would continue to be, happy to participate in talks with individual countries, with regional groups, with other interested parties -- and even with all countries simultaneously -- provided that:
- (a) the talks must have a practical orientation toward identifying, case-by-case, the specific potential for and obstacles to development -- obstacles which a cooperative effort might remove;
  - (b) the talks must proceed on a basis that would respect and preserve the competence, functions, powers, voting arrangements, and charters of the specialized international institutions -- and not seek to create new international institutions;
  - (c) the general objective of such talks must be the identification of conditions necessary to increase economic development (rather than a restructuring of the international economic system); and
  - (d) such talks must be entered upon in a cooperative spirit rather than an adversarial one.
- (5) We believe these conditions provide the only basis on which practical progress can be made. Preparatory talks conducted on the basis of U.N. Res. 34/138 have not and could not meet these conditions. But if talks at the U.N. could, on a new basis, meet these conditions, we would be willing to participate in them.



## II. SUBSTANTIVE ELEMENTS OF U.S. DEVELOPMENT POLICY FOR CANCUN

Long-term, non-inflationary growth depends upon:

- a) adoption of appropriate domestic policies by developed and developing countries,
- b) mobilization of internal (private sector) resources,
- c) recognition that external resources generated by trade and investment are more important than development assistance.

Emphasis must shift from "resource transfer" proposals which have characterized the dialogue with developing countries to "resource generation" measures. Our approach requires an integrated policy approach across economic sectors, specifically, investment, trade, agriculture and energy.

### INVESTMENT

It is essential to create an overall economic and political environment conducive to both domestic and foreign investors.

#### Proposals

1. Increase co-financing and other private financing with the multilateral development banks.
2. Enhance the International Finance Corporation activities -- the IFC fosters private sector debt and equity financing of investments in the developing countries. Its program is increasing in both size and diversity. The bulk of the IFC projects (about \$3.3 billion) are privately financed in the LDCs from domestic and external sources.
3. Multilateral investment insurance guarantees should be arranged through an "International Investment Insurance Agency" (within the framework of the IBRD).
4. Create a mechanism to promote general agreement on investment, similar to the GATT, allowing countries to harmonize investment policies and negotiate mutually beneficial improvements.
5. Tax measures -- An effort will be made to identify tax measures which might increase market-oriented investment from both external and domestic sources in the LDCs.

## CANCUN TRADE OPTIONS

The U.S. is committed to an open world trading system which will provide all countries an opportunity to strengthen and diversify their economies.

### Proposals

1. Establish strong safeguard actions for the LDCs.
2. Encourage further trade liberalization, especially with the advanced developing countries -- use GATT.
3. Launch extensive rounds of consultations with all countries, including developing countries, in preparation for the GATT ministerial.
4. Announce that the U.S. will support extension of the generalized system of preferences (GSP) beyond its scheduled termination date of 1985. *and expansion*

## AGRICULTURE

Emphasis will be on the importance of market-oriented policies, fostering greater reliance on markets and entrepreneurship. It is expected that this approach will create rising agricultural productivity, self-sustaining capacity for research and innovation, and stimulation of employment-creating entrepreneurship in rural areas.

### Proposals

1. Encourage LDC economic policies which: (a) reduce or eliminate subsidies to food consumers; and (b) provide adequate and stable price incentives to the agricultural sector to increase production.
2. Emphasize innovative joint research and development activities undertaken through U.S. and LDC institutions.
3. Encourage rural credit, improved storage and distribution facilities, and roads to facilitate marketing and education.
4. Insist that recipient countries adopt a market-oriented agriculture policy, which permits prices to find their own levels without production or consumption subsidies.

## ENERGY

The U.S. will increase funding for energy-related activities in the years ahead, with emphasis on a mix of public and private efforts and the mobilization of LDC resources.

### Proposals

1. U.S. bilateral assistance program in energy must stress technical assistance rather than resource transfers. The U.S. will support energy lending by multilateral institutions provided projects are economically viable. Such lending should accelerate LDC energy development by encouraging private investment in energy development.  
(Note: U.S. opposed to new Energy Affiliate.)
2. Greater private sector support will be sought in the energy area.
3. The U.S. will support selected elements of the program of action of the U.N. Conference on New and Renewable Resources of Energy.
4. Intensified energy training programs for technicians from developing countries will be considered.

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NOTE: The foregoing proposals are elaborated upon in a set of papers developed through the Cabinet Council on Economic Affairs. In addition to detailed papers on the above, there are also papers which elaborate upon contributions already made by the U.S. -- to be interwoven as appropriate.

Q's and A's for Global Negotiations Options

General Questions:

Q. Didn't the Ottawa Summit Communique commit the United States to Global Negotiations?

A. No, the Ottawa Summit Communique commits us to some process of addressing the problems of developing countries.

If the President were to be drawn into further questioning on the Communique he should say:

The Ottawa Summit Communique "reaffirmed" our willingness to explore all avenues of consultation and cooperation with developing countries in whatever forums may be appropriate" .... using a "mutually acceptable process" and "in circumstances offering the prospect of meaningful progress."

We think that such a dialogue can yield the most meaningful results if it is conducted in the specialized institutions that have the experience and expertise to deal with international economic issues in concrete terms.

Q. What is the purpose of the United States attending Cancun if it is opposed to Global Negotiations?

A. The purpose of the United States' participation in the Cancun Summit is to engage in a dialogue with the Heads of State of developed and developing countries to seek solutions to the problems of economic growth.

Q. You have said that the United States is committed to encouraging the development process in LDCs yet at the same time the United States offers the least amount of foreign aid in relation to GNP to these countries compared with any other industrial country attending this conference.

A. The United States is proud of its record on international economic development and contrary to what you've said, has traditionally shouldered the largest worldwide responsibility on behalf of development. For thirty-five years, the American people have demonstrated a deep and consistent commitment to alleviating global poverty. In addition to providing more than \$130 billion in grants and loans for economic assistance from the government, the American people have been the most generous contributors to private sources of assistance to the Third World. Moreover, U.S. firms currently have more than \$50 billion in direct investment in developing countries. This investment not only provides substantial financial resources to these economies but also imparts technological, administrative and managerial resources that are essential to the development process. Also,

U.S. private financial institutions have been instrumental in recycling petrodollars to the oil-importing countries at a time when other institutions and nations were unwilling to assume the risk of such intermediation. U.S. capital markets and markets for imports are the most open in the world. The U.S. absorbs approximately one-half of all the manufactured exports of developing countries although we account for only about one-fourth of the world's GNP. Without this enormous outlet for their debt and merchandise, developing countries would never have made the substantial progress that they have achieved since World War II. Finally, the United States has been at the forefront of establishing and improving the international institutions that have provided very substantial, tangible economic benefits to the developing countries. The IMF, GATT and the multilateral development banks all have been launched, strengthened and adapted to changing circumstances with the financial, intellectual and political support of the United States.

#### Questions for Option One

Q. Why is the U.S. opposed to Global Negotiations at the U.N.? Is it afraid to discuss these issues in a forum where it may not be able to control the results?

A. The United States believes that constructive progress on matters of development has been made and will continue to be made in specialized institutions such as the GATT, the IMF and the IBRD. The UN General Assembly does not have the economic expertise to make substantive trade and monetary decisions. The international institutions, however, can achieve concrete results and provide the best means of spurring economic development.

Q. What alternative can the U.S. offer to Global Negotiations which can be viewed as a good faith effort to continue the North-South dialogue?

A. The United States has always actively participated in international efforts designed to encourage real economic growth in developing countries. This will continue. With respect to trade, next year's GATT Ministerial offers an excellent opportunity to discuss how the international trading system can best address -- and solve -- the trade problems of the next decade. Developing countries play a large and growing role in international trade flows and we expect, and encourage them, to play a major role in the preparations for the GATT Ministerial.

At the same time the international financial institutions offer developed and developing countries enumerable ways to explore further how development can be encouraged on a global basis. The United States recently has been reviewing several proposals that we hope will be developed in these institutions which should increase the flow of private capital to developing countries and

thereby increase their economic growth potentials. Specifically, we would like to suggest that an International Investment Insurance Agency be set up in the framework of the World Bank or the International Finance Corporation. This Agency would encourage greatly expanded capital flows to developing countries by insuring against expropriation.

We feel that multilateral development institutions likewise can play an important role as catalysts in generating greater private investment in LDCs through co-financing programs with commercial banks. The United States actively supports a substantial increase in the level of private co-financing activities of the World Bank and the IFC and is anxious to discuss with developed and developing country members of those institutions how this can best be done.

Q. You have repeatedly said that the international specialized agencies provide the appropriate forums for discussing and solving the problems of development. Yet all countries, and this is especially true for developing countries, are not even members of these institutions. For instance, you have proposed that a GATT Ministerial be held next year, yet nearly a third of the LDC Cancun participants are not GATT members -- including the host country. How can such an institution fairly represent the concerns of all trading nations?

A. The GATT has provided the framework around which international trade has grown from \$75 billion to over \$1 billion in the past 30 years. The GATT has provided great stability for the international trading and has protected the free flow of goods and services through numerous international economic crises during this time. One hundred and fourteen countries, accounting for 85 percent of world trade, are GATT members. The GATT lays down the agreed upon rules for the fair conduct of world trade is the only body which has the mandate to undertake multilateral trade negotiations. I would think that all countries would want to be a part of this system and actively engage in shaping the global trading system of the 1980's.

#### Questions for Option Two

Q. We understand that the United States is willing to participate in Global Negotiations if certain conditions are met. Yet it seems to me that these conditions make real progress in Global Negotiations impossible.

A. We feel that if Global Negotiations are going to contribute effectively to the development process, the great resources of the United Nations need to be channelled. All our economies currently are under great stress and none can afford a waste in resources. Likewise, the international institutions which represent us globally cannot afford to waste resources through a duplication of efforts. We are simply suggesting that Global Negotiations focus on identifying the conditions for accelerating international economic growth and that the competence and jurisdiction of the

specialized agencies be respected.

Q. How does this situation differ from the one of last year when after lengthy negotiations Global Negotiations failed to get off the ground?

A. Perhaps we expected too much from the process last year. Perhaps the various agendas under review were too overwhelming to manage. We are suggesting that this year we be more modest in our expectations and planning which will allow us to expect more meaningful results.

### Questions for Option Three

Q. How does the establishment of the Cancun follow up group affect the future of Global Negotiations?

A. The work of the follow up group should provide excellent background for our discussions at a later date on the future of Global Negotiations. The follow up group, because it is small and representative, should be able to focus more quickly on the solutions to the problems that face today's development process.

Q. The idea behind Global Negotiations was to discuss global economic issues -- that is, all economic issues -- in a global setting -- that is, one that provided for the participation of all countries. The Cancun follow up group does not represent all countries and neither do the specialized agencies which the follow up group is to work with. Therefore, are we not establishing a yet more complicated structure that will still not fairly address the concerns of each country represented at the United Nations?

A. I think we have to ask ourselves seriously if such a large body as the U.N. General Assembly can even clearly identify, much less solve, the economic problems we all currently face. The Cancun participants would like to suggest to their neighbors and trading partners worldwide that we give this follow up group a chance to work quickly and closely to pin point the road blocks which are stalling development in all countries. We think that this group, drawing on the established expertise and resources of te specialized agencies, can not only outline what needs to be done in the years ahead to spur development, but also can actually encourage the specialized agencies to do it.

Q. Why can the Cancun follow up group establish a Work Program for the specialized agencies when the U.N. General Assembly is denied this right?

A. To the extent that the Cancun group has a common understanding of the problems of development, we would like to build on this understanding rather than delay resolution of the problems of development because of lack of consensus in the UNGA in New York.

We also believe that this smaller group is better prepared by virtue of its size to act with the urgency that resolution of these problems requires.



## Global Negotiations

### Issue:

Should the United States participate in Global Negotiations?

### Background:

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

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

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

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

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

### Options

#### I. Decline Further Participation in Global Negotiations

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

- This position tracks U.S. domestic as well as international economic policy as enunciated by Administration officials, including the President, during the past nine months. The U.S. would be presenting a firm, economically sound approach to development which offers a vivid contrast to our past efforts in this regard.
  - Without U.S. participation, Global Negotiations could not be launched effectively; this would remove the threat to the specialized agencies from a UNGA attempt to supervise the work of those institutions.
  - There is less unity among developed countries in their views of North-South issues than has been the case previously. This would increase the chances of an unacceptable outcome from Global Negotiations.
- CON: - The United States will be portrayed by developing countries and by many developed countries (including several that share our concerns) as being unresponsive to the plight of the developing world.
- There may be some negative impact in the short-run on our relations with individual developing countries (e.g., Mexico, India, Pakistan).
  - A "no" on Global Negotiations would require us to be more forthcoming on LDC issues within the GATT, IMF and IBRD in the coming year if we wished to salvage our credibility as the leader of the global economy. This could involve some real economic concessions that would affect trade and financial flows.

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

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

- CON: - The Group of 77 is not likely to agree to have the agenda set outside the central body. Universal participation in the establishment of an integrated agenda is fundamental to the Global Negotiations idea.
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### IV. Proceed with Preparations for Global Negotiations

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

- There would be a positive impact in the short-run on our relations with several important LDCs (e.g., Mexico).
- CON: - We would have to fight repeatedly the battle of protecting the specialized institutions, but the issue would be clouded in each instance because it would be intertwined with individual trade or financial issues. Under these circumstances, it would be very difficult to garner support from other developed countries for a tough stand on the specialized institutions' integrity.
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THE WHITE HOUSE  
WASHINGTON

CABINET ADMINISTRATION STAFFING MEMORANDUM

DATE: Oct. 5, 1981      NUMBER: 018872CA      DUE BY: --  
SUBJECT: Global Negotiations

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

Remarks:

Attached is a paper on Global Negotiations developed by the United States Trade Representative for your review.

It should be considered as background information for today's meeting.

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

## Global Negotiations

### Issue:

Should the United States participate in Global Negotiations?

### Background:

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

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

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

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

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

### Options

#### I. Decline Further Participation in Global Negotiations

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



- This position tracks U.S. domestic as well as international economic policy as enunciated by Administration officials, including the President, during the past nine months. The U.S. would be presenting a firm, economically sound approach to development which offers a vivid contrast to our past efforts in this regard.
  - Without U.S. participation, Global Negotiations could not be launched effectively; this would remove the threat to the specialized agencies from a UNGA attempt to supervise the work of those institutions.
  - There is less unity among developed countries in their views of North-South issues than has been the case previously. This would increase the chances of an unacceptable outcome from Global Negotiations.
- CON: - The United States will be portrayed by developing countries and by many developed countries (including several that share our concerns) as being unresponsive to the plight of the developing world.
- There may be some negative impact in the short-run on our relations with individual developing countries (e.g., Mexico, India, Pakistan).
  - A "no" on Global Negotiations would require us to be more forthcoming on LDC issues within the GATT, IMF and IBRD in the coming year if we wished to salvage our credibility as the leader of the global economy. This could involve some real economic concessions that would affect trade and financial flows.

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