WHORM Subject File Code: FO006-02
(Foreign Affairs: Twenty-Two Nation Summit, 10/21/1981-10/23/1981 Cancun, Mexico**)**
Case file Number(s): 018876 (5 of 7)
Box: 15

10/4/81

Craig: <u>Cancun Meeting Papers</u>

Henry Nau got the attached 4 short
papers on -Energy
-AID
-Food
-Private Sector
from Hormatz. Hormatz also gave copies
to Roger Porter.

According to Henry, Porter is to do two
additional papers on -Investment
-Trade
and then summarize all 6 topics in one
paper for tomorrow's 3:00 meeting.

Ken spoke with Porter who was in Boston
and Porter said he would "try his best"
to get the summary to you before your
Monday morning meetings.

karen

cc: Darman w/ attachments

Assistance: Private Sector

Private sector resources and expertise are a critical complement to foreign aid for economic growth in the Third World. AID's programs will place increased emphasis on stimulating LDC private sector development and on mobilizing U.S. private sector resources and expertise.

For this purpose AID will:

-- Significantly expand co-financing and parallel financing with private commercial banks and venture capital firms both U.S. and LDC in developmental projects in developing countries.

-- Work in close cooperation with the IFC and other appropriate institutions in providing advisory services to developing countries in the following areas: market development; investment policy; and industrial and agri-business policy. These advisory services would help to provide the incentives and financing for expanded private sector investments.

-- Increase support for managerial and technical training.

U.S. Economic Assistance Strategy

Context

The developing countries face economic problems which have been aggravated by high oil prices, high inflation and slow economic growth in the developed world. These problems can be overcome by: (1) strong economic growth in the U.S. and other developed countries; (2) freer trade; (3) sound economic policies in the Third World; (4) strengthening the role of market forces; and (5) development and adaptation of technology to raise productivity in agriculture and industry.

The primary responsibility in promoting development rests with the LDCs themselves. However, foreign aid is a significant factor. Both the U.S. foreign aid program and the multilateral development banks play important roles. We continue to support the multilateral institutions and to honor our commitments to them, but the U.S. will emphasize bilateral over multilateral assistance.

Assistance Priorities

--Encourage sound LDC policies that promote development, and strengthen the private sector.

--Build LDC institutions so that these countries can help themselves.

--Develop and transfer technology to the Third World using the unique resources of U.S. universities and corporations for training and R and D.

Countries of Concentration

--The primary focus of economic aid is on the poorer countries.

--Aid is concentrated among the poorer countries which pursue sound economic policies.

--Aid is provided within overall U.S. security and foreign policy objectives.

Fields of Concentration

U.S. bilateral assistance focuses primarily on agriculture and energy. Our agriculture programs stress increasing food production, primarily through small farms and raising incomes by strengthening productive enterprises.

In energy, our programs emphasize technical assistance for energy assessment and training, reforestation and R and D in areas where our aid complements the private sector.

Assistance: Agriculture

Contributing to the Third World's capacity to feed itself is an important U.S. commitment.

U.S. assistance to agricultural production should give priority to (1) better developing country policies, e.g., farmers won't produce much if the government holds down the prices paid to them; (2) developing human and institutional LDC capabilities, e.g., training and building experiment stations; (3) expanding the role of the private sector in agribusiness; and (4) generating and adapting technology.

The U.S. foreign aid program reflects these priorities. In 1982 over half of our development assistance will be focused on agriculture.

The Green Revolution of the past decade is the best example of the contribution of science and technology to food production. Underpinned by U.S. financial and scientific support, high-yielding varieties of wheat and rice were developed. They were critical to staving off famines in the 1970's and 1980's in several parts of the Third World. Indeed, some countries have become self-sufficient in food as a result of these crop breakthroughs. (The new variety of wheat was developed in a research center located in Mexico and the Mexicans are proud of their contribution).

Examples of scientific and technological activities supported by the U.S. include work to develop (1) a variety of plants that will tolerate a wide-range of soil and climate conditions, insects, and diseases; (2) more efficient irrigation systems (80% of the land under irrigation is in Aisa); (3) production of several crops per year on the same land in the humid tropics; and (4) methods of human and animal disease control to include such serious problems as the Tsetse Fly in Africa. The Tsetse bars agriculture production on vast areas of potentially-productive lands and other areas.

The U.S. also supports the strong efforts by the multilateral banks in agricultural assistance.

Free trade is important for agriculture as well as other sectors. This is detailed in the Trade paper.

Assistance: Energy

The U.S. recognizes the significance of energy problems--dependence on imported oil, and dwindling fuelwood supplies--confronting developing countries.

The U.S. believes domestic policies of developing country governments are critical to effective energy development. Energy pricing in particular must be realistic. Subsidies and price controls inhibit efforts to increase production. Sound government policies also are indispensible to the creation of a climate favorable to foreign and domestic private investment in energy production and improved energy efficiency.

Reflecting LDC concerns and our capabilities, the U.S. bilateral assistance program in energy--which primarily involves technical assistance--will place its major emphasis on renewable energy sources, e.g., reforestation, training, and in helping stimulate greater private sector involvement in conventional fuels development. Funding for renewable energy programs, especially fuelwood, will double in the next fiscal year to $70 million. (This is a reallocation; no additional monies are being requested.)

In particular, AID will expand (or initiate) the following energy assistance programs:

--Mobilizing Private Sector Support--Trade and Development Program feasibility studies for energy; the adaptation of private sector technology to developing country situations; and providing financing for developing country internships in U.S. energy companies.

--Support for the Program of Action of the United Nations Conference on New and Renewable Sources of Energy--The Conference identified specific actions to better utilize new and renewable sources of energy. In support of the Conference program the U.S. policy emphasizes the following: new fuelwood/reforestation programs; an evaluation network to help determine the most attractive applications of the new technologies; and active participation in consultative group meetings to foster increased international cooperation.

--Training--Plans for intensified energy training program for technicians from developing countries are being examined.

The U.S. also supports energy lending by multilateral institutions. Such lending can generate considerable increases in LDC energy development by catalyzing private investment in energy development, through joint project planning, co-financing, multilateral insurance and other innovative methods. We believe these institutions can reorient their lending to have a more positive impact on the private sector and we will suggest means to achieve this. The U.S. does not support the creation of a new energy affiliate because it believes that the same results can be accomplished by the existing institutional arrangements with their existing and expected funds.

Assistance: Private Sector

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Time Stamp

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Allen	
Nance	C
Colson	C
Poindexter	C
DARMAN	C
Fuller	C
NSC S/S	C

C = Copy   O = Original

CLF-
there is another paper from ~~State~~ DOD in the safe
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Carlos
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MESSAGE NO. ______ CLASSIFICATION UNCLASSIFIED No. Pages 2

FROM:	Jerry Bremer	S/S	22540	7224
	(Officer name)	*(Office symbol)*	*(Extension)*	*(Room number)*

MESSAGE DESCRIPTION Final Preparations for Cancun Summit

TO: *(Agency)*	DELIVER TO:	Extension	Room No.
White House	Mr. Dick Darman	456-2702	
	Mr. Craig Fuller	456-2823	

FOR: CLEARANCE ☐ INFORMATION ☒ XX PER REQUEST ☐ COMMENT ☐

REMARKS: ADVANCE COPY -- ORIGINAL WILL BE SENT BY COURIER

S/S Officer: Jerry Bremer/lcd

FORM 7-77 DS-1760

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DEPARTMENT OF STATE

Washington, D.C. 20520

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October 3, 1981

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MEMORANDUM FOR MR. RICHARD V. ALLEN
THE WHITE HOUSE

SUBJECT: Final Preparations for Cancun Summit

Attached is the Department's schedule for preparing and submitting to the White House briefing materials for the October 21-23 Cancun Economic Summit.

L. Paul Bremer, III
Executive Secretary

Attachment:

Schedule

'81 OCT -3 A8:52

Drafted:S/S-S:WMcCahill:km
10/2/81, 28062

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Attachment

Final Preparations for Cancun Summit

Date	Subject	Action
10/5	Draft Multilateral Economic Issues Briefing Papers (under Bremer-Allen)	sent to White House for review
	Country Desk Lists of Foreign Delegations expected at Cancun	sent to S/S-S
10/6	Foreign Delegations List, consolidated by S/S	sent to CIA for preparation of Briefing book bios
10/7	Multilateral Economic Issues Briefing Papers	returned to S/S-S after White House review
10/9	Multilateral Economic Issues Briefing Papers finalized, (under Bremer-Allen)	sent to White House
	Scope Paper, drafted as Memo from Secretary to President	sent to White House
	Presidential Bilaterals Briefing Papers, drafted by Country Desks	submitted to S/S-S
10/13	U.S. National Statement	sent to White House
	Final Presidential Briefing Papers	sent to White House for review
	CIA Biographies	delivered to S/S-S
10/15	Integrated Presidential Briefing Book	sent to White House
	Secretary's Bilaterals Briefing Materials, drafted by Country Desks	submitted to S/S-S
10/19 10/20 (tentative)	Secretary and others brief President	

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THE WHITE HOUSE

WASHINGTON

October 3, 1981

MEMORANDUM FOR CRAIG L. FULLER

FROM: ROGER B. PORTER RBP

SUBJECT: Cancun Summit Papers

Following the Thursday, October 1, Cabinet Council on Economic Affairs meeting on Cancun, Secretary Regan asked that I prepare a paper for Michael Deaver summarizing our discussion, the general conclusions we reached, and the investment, foreign assistance, and trade initiatives we reviewed. A copy of that memorandum is attached.

Also attached are short papers prepared by Treasury (investment), USTR (trade), and A.I.D. and State (foreign assistance) that you may find useful.

Attachments

THE WHITE HOUSE

WASHINGTON

October 3, 1981

MEMORANDUM FOR MICHAEL K. DEAVER

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.

JB

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 extention 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

Econ

THE WHITE HOUSE

WASHINGTON

October 3, 1981

MEMORANDUM FOR MICHAEL K. DEAVER

FROM: ROGER B. PORTER RBP

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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.

<u>General Conclusions</u>

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.

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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.

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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.

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THE WHITE HOUSE

WASHINGTON

October 3, 1981

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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.

RVA

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 threefold 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:~~

TRADE

a. Support the extention 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.

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Cancun Policy Options: Assistance

I. Energy

Introduction

Energy has become a top economic policy priority of many countries, at all levels of development. The devastating increases in oil import bills following the price runup in 1979-80, the dwindling supplies of traditional fuels such as firewood, and burgeoning domestic energy demand have worked many developing country governments into what they perceive to be an economic policy "corner".

The Program of Action of the recently concluded UN Conference of New and Renewable Energy (UNCNRSE) in Nairobi can provide a good point of departure for initiating an international effort to expand and coordinate assistance in energy. The Program already has North-South consensus and firm technical underpinnings.

Due to OPEC opposition, however, the UNCNRSE did not address the conventional fuel and energy efficiency needs of developing countries; these needs should be factored into any energy program or proposal put forth or supported by the United States.

The USG has recently informed the World Bank and other major donor countries that not enough is being done to encourage developing countries to make use of private sector capabilities and resources in addressing energy problems. Rather than large capital transfers, we have called for far-reaching changes in government policies in the LDC's, and more selective assistance specifically targetted at overcoming obstacles to private sector involvement.

AID's energy program in FY 81 should total about $78 million under development assistance funding and an additional $98 under ESF for one large Egypt power generation project. IN FY 82, AID requested over $90 million under development assistance funding and about $50 million under ESF for one or two discrete capitol projects.

Presidential Initiatives

Credible and forthcoming USG initiatives in energy are difficult to present in times of budgetary stringency. The options presented in this paper are designed in all cases to make maximum use of private sector expertise and resources, and to be accommodated within anticipated funding levels. They focus public funds where there is no reasonable prospect of private sector interest (e.g. fuelwood) or where USG money can be flexibly used to support and encourage appropriate LDC government energy policies (e.g. ESF).

Options are presented in three programs, "A" (very forthcoming), "B" (middle option), and "C" (less forthcoming). Within the programs, the options are grouped by three categories: 1) Mobilizing Private Sector support for Energy Development, 2) Support for Nairobi Program of Action and 3) Training and ESF.

A summary table (see Appendix I) provides a quick overview of the options, indicating the reduced levels of funding and activities that are dropped in moving from the Program "A" to Program "C". Program "C" could probably be accomodated within FY82 and FY 83 programs, but it will be difficult to finance Programs "A" and "B" before FY 84.

Appendix II outlines the specifics of each option, rough estimates of the annual budgetary implications to the USG, and pros and cons for each option. Although the options are presented in categories and programs, in most cases they are independent of each other, and could be combined irrespective of program groupings.

Each option is understood to require coordinated planning and, where appropriate, shared financial burdens with similar minded countries.

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CANCUN POLICY PROPOSALS

Summary of Program Estimates

Activities	Programs ($ Million) A (very forth-coming)	B (middle)	C (less forth-coming)
1. Mobilizing Private Sector Support	25+-39+	13-19.7	1.7-2.7
Expand TDP Feasibility Studies on energy	5-10	1-5	0.5-1
Adaption of Private Sector Technology	3-6	2-4	0.5-1
Energy Investment Fund of Private Investment Corp (Proposed)	15-20	10	---
Commerce Dept. Special Energy Equipment Task Force	2-3	---	---
Internships for LDC Nationals in U.S. energy companies	0.5	0.5	0.5
Private Sector Energy Conference	0.2	0.2	0.2
2. Support for Nairobi Program of Action	28-55	14.5-27.5	2.3-5.6
Fuelwood/Reforestation support	20-40	10-20	2-5
Energy Assessment Program	5-10	3-5	---
R&D evaluation network	2-4	1-2	0.2-0.5
Consultative Group Meetings	1	0.5	0.1
3. Training and ESF	25-50	13-25	6-7
Intensified energy training program	5-10	3-5	1-2
Allocation of ESF Funds	20-40	10-20	5
Totals	78-144	41.1-72.2	10-15.3

Cancun Policy Proposals

PROGRAM OPTIONS

Program "A" (very forthcoming)

1. Mobilizing Private Sector Support

a. Expand Trade and Development Program (TDP) feasibility studies on energy - ($5-$10 million). The USG would expand TDP financing of feasibility studies in energy, enabling host governments to better utilize U.S. private sector to implement energy production project.

Pros

-- Could catalyze U.S. investment and expand U.S. exports.

-- Highly leveraged activities could result in large returns for relatively small investment.

Cons

-- Funds are not available.

-- May substitute for private activities which would occur in any case.

-- Implies follow-on capital financing which might not be available.

b. Adaptation of Private Sector Energy Technology ($3-6 million). The USG would make available to the private sector financing to make adaptations in promising technologies for developing country applications. The Government of Canada suggested a similar program at the Nairobi Conference.

Pros

-- Capitalizes on technology already available in U.S. private sector.

-- Offers U.S. technology directly to developing countries.

Cons

-- Budgetary implications.

-- U.S. firms may want substantial sweeteners to participate.

c. Energy Investment Fund of Private Investment Corporation ($15-20 million) - The proposed new corporation would concentrate a share of the initial activities on encouraging and matching private sector investment in energy. The program would be especially supportive in developing countries where private investment alone appears insufficient to maximize host country production.

Pros

-- Adds to world energy supplies, particularly gas and oil, thereby reducing dependence on OPEC.

-- Serves as an incentive for U.S. private companies to invest in LDC's.

-- Directly supports host country BOP and energy growth prospects.

Cons

-- Budgetary implications.

-- Intervenes in commercial areas.

d. Establish Commerce Department Special Energy Export Task Force ($2-$3 million). The Commerce Department would sponsor a special program of export promotion activities for U.S. energy equipment firms.

Pros

-- Enables U.S. firms, especially in renewables, to maintain competitive position with other OECD countries benefitting from support of their governments.

-- Responds to repeated requests from U.S. renewable energy firms, especially smaller ones, for U.S. Government help.

Cons

-- U.S. Governmental intervening in private commercial activities.

-- Budgetary implications.

-- Would have limited appeal to LDC's.

e. U.S. Internship Program for LDC Nationals in U.S. Energy Companies ($0.5 million). The USG would sponsor 50 training internships for LDC nationals with American companies in the energy sector. Interns would be selected and placed on a competitive basis, with company involvement in the selection process.

Pros

-- Over time, would train a cadre of energy professionals for LDC's which would have practical understanding of private company operations and requirements.

-- Would ease future negotiations between private companies and host country governments.

-- Prestige program would attract best candidates.

Cons

-- Companies might not want to participate, fearing compromise of proprietary information, or finding ancillary costs of internship excessive.

-- Companies may hire most talented interns, leaving only less promising candidates to return to host countries, perhaps with a grudge towards companies.

-- LDC governments may oppose program as "indoctrination" or "brain drain".

f. A Conference on Private Foreign Investment ($0.2 million). A major conference on the opportunities for and obstacles to private foreign investment in energy would be sponsored by the USG. Policy level U.S. and foreign government officials would attend, along with top corporate and bank officers.

Pros

-- May increase LDC awareness of active private company interest in energy investments.

-- Would identify the most serious obstacles to greater private sector involvement.

-- Could break down mutual suspicion and misunderstanding.

Cons

-- Important LDC leaders may not attend.

-- Conference topic too broad, sessions would inevitably concentrate on oil and gas.

-- U.S. criticized for more talk as a substitute for action.

2. Support for Nairobi Program of Action

a. Support for Fuelwood/Reforestation ($20-$40 million). The USG would expand bilateral financing for fuelwood planting programs in acute shortage countries as part of a multi-donor coordinated effort. The USG would also intensify research and development programs having global impact. This expansion would up to double presently planned AID programs in this field. Specific country programs have already been identified in Africa (Sahel, East Africa) Central America and Asia.

Pros

-- Addresses priority developmental problem identified at Nairobi Conference directly affecting poor, and having major implications for preservation of natural resource base.

-- Reduces pressure on fuel switching to kerosene.

Cons

-- Budgetary implications.

-- Requires host country national commitment and political will that might not be forthcoming to support local efforts.

-- Only an indirect impact on oil import crisis.

b. Energy Assessment Program ($5-$10 million). The U.S. would increase its implementation of bilateral energy assessments consistent with an international goal for all countries wishing to do so to formulate and implement national energy strategies within the next decade.

Pros

-- Assists developing countries to obtain necessary information to make informed energy decisions

-- Maintains bilateral control over program and identifies U.S. with assistance in resolving critical energy constraints for LDCs

Cons

-- Budgetary implications

-- Can be long term and people-intensive process

-- Creates expectations of follow-on financing

c. Establish Research and Development Evaluation Network for New and Renewable Sources of Energy ($2-4 million). A system is required for evaluating existing and planned field demonstrations of new and renewable technologies that have the likelihood of widespread application. This would require technical experts to establish commonly accepted standardized evaluation criteria and focal points (preferably regional) to collate and evaluate field demonstration results.

Pros

-- Pulls together disparate and uncoordinated work in this area.

-- Demonstrates U.S. commitment to follow-up on Nairobi Conference.

-- Expedites learning curve for determining commercial applications of renewables.

Cons

-- Requires international planning and coordination to implement.

-- Transfer of technology issues (especially proprietary information) though not directly involved, might enter debate.

d. A Program of Consultative Group Meetings ($1 million). The UNCNRSE recommended that consultative meetings between donors, IFI's and recipient LDC's be convened to review and facilitate concerted action and reduce duplication of effort between assistance agencies. The UNCNRSE left open the question of meeting modalities. The President would announce that the U.S. was inviting other key countries and institutions to a series of consultative meetings on energy in Washington, with first priority for meetings on energy assessments and fuelwood. Interested private enterprises could be invited as well.

Pros

-- The costs of holding such meetings in Washington would be low.

-- Would raise political visibility of energy assistance and planning effort.

-- Could make more resources available through the elimination of duplication, the coordination of planning, and the facilitation of co-financing.

-- Would involve private sector in development planning earlier and in a more meaningful way.

Cons

-- Would raise expectations that USG would be contributing more to energy aid; may lead others to cut back.

-- World Bank or some other multilateral institution is more appropriate sponsor for such meetings.

-- Would provide forum for developing countries to present demands for increased aid.

-- OPEC would not participate.

-- Assistance agencies and institutions would announce plans but would not agree on elimination of duplicative projects or division of labor.

-- U.S. subject to criticism: all talk and no action.

3. Training and ESF

a. Intensified energy training program ($5-10 million). The U.S. would increase the use of U.S. universities to expand the base of technically trained developing country experts in both conventional fuels and renewable energy. Current annual expenditures in this area are approximately $3.5 million.

Pros

-- Addresses important developing country constraint in priority area identified at Nairobi Conference

-- Identifies students with U.S. after receiving training here.

Cons

-- Training at U.S. institutions might not be totally relevant to developing country energy situation.

-- Budgetary implications.

b. Allocation of ESF Funds - ($20-40 Million). The President would announce that a portion of ESF funds would be earmarked for priority energy needs -- both capital and technical assistance -- for all developing countries. Allocation would be made on the basis of direct foreign policy objectives, and country willingness to adopt appropriate policies to encourage private sector investment and reduce subsidies to energy consumption.

Pros

-- Would provide USG funds to assist middle income countries.

-- Would demonstrate bilateral commitment to LDC energy problems.

-- Would provide a flexible mechanism to respond to widely varied country problems, and encourage appropriate domestic policies.

Cons

-- Would require reallocation of funds from existing ESF programs unless amount was additional.

-- Would need substantial funding to make a major impact.

Program "B" (middle option)

1. Mobilizing Private Sector Support

a. Expand TDP Feasibility Studies on Energy ($1-5 million). Same as Program A (1)(a) but funding at reduced level.

b. Adaptation of Private Sector Energy Technology ($2-4 million). Same as Program A (1)(b) but funding reduced and concentration only on small business.

c. Energy Investment Fund of Private Investment Corporation ($10 million) - same as Program A (1)(c), but at reduced funding level.

d. U.S. Internship Program for LDC Nationals in U.S. Companies ($0.5 million). Same as Program A (1)(e).

e. Private Sector Energy Conference ($0.2 million). Same as Program A (1)(f).

2. Support for Nairobi Program of Action

a. Support for Fuelwood/Reforestation ($10-20 million). Same as Program A (2)(a) but with reduced funding and emphasis on R&D.

b. Energy Assessment Program ($3-5 million). Same as Program A (2)(b) but with reduced funding level.

c. Establish Research and Development Evaluation Network for New and Renewable Sources of Energy ($1-2 million). Same as Program A (2)(c) but at reduced funding level.

d. A Program of Consultative Group Meetings ($0.5 million). Same as Program A (2)(d).

3. Training and ESF

a. Intensified energy training program ($3-5 million). Same as Program A (3)(b) but at a reduced level.

b. Allocation of ESF Funds - ($10-20 million). Same as Program A (3)(a) but at a reduced level and concentration on key LDC's facing serious oil import problems.

Program "C" (Less forthcoming)

1. Mobilizing Private Sector Support

a. Expand TDP Feasibility Studies on Energy ($0.5-1 million). Same as Program A (1)(a) but funding at minimal level.

b. Adaptation of Private Sector Energy Technology ($0.5-1 million). Same as Program A (1)(b) but funding only marginal.

c. U.S. Internship Program for LDC Nationals in U.S. Energy Companies ($0.5 million). Same as Program A (1)(e).

d. A Conference on Private Foreign Investment ($0.2 million). Same as Program A (1)(f).

2. Support for Nairobi Program of Action

a. Fuelwood/Reforestation R&D ($2-5 million). Same as Program B (2)(a) except reduced funding.

b. Establish R&D evaluation network for new and renewable resources of energy ($0.2-0.5 million). Same as Program B (2)(c) but with further reduction in funding.

c. A Program of Consultative Group Meetings ($0.2 million). Same as Program A (2)(d).

3. Training and ESF

a. Intensified energy training program ($1-2 million). Same as Program A (3)(b) but at a reduced level.

b. Allocation of ESF Funds - ($5 million). Same as Program B 3(b) but at minimal level.

Draft for Presidential Remarks: Energy

We share the challenge facing all countries to adjust to the new reality of the world energy problems. At Nairobi, Governments accepted a program of action to increase the use of new and renewable energy for future generations. Our Government will do its part to help implement that program -- by supporting fuelwood/reforestation programs, energy assessments, and an evaluation network designed to help everyone understand the pros and cons of these new technologies in developing country applications.

To move these and other programs forward, we are inviting other countries and development institutions to consultative meetings in Washington on specific items identified in Nairobi.

Notwithstanding the supportive role of public investment, it is my firm belief that taping the resourcefulness and ingenuity of the private sector is the key to solving future energy programs. I am directing our Government to explore a range of activities to mobilize this private sector support -- expanding our Trade and Development Program's feasibility studies for energy; U.S. Government financing for adaptation of technologies now being developed in the U.S. for developing country application; an energy investment fund in our newly proposed developing country Private Investment Corporation; financing developing country fellowships in U.S. energy companies; and sponsoring a major conference on opportunities and obstacles to private foreign investment among top level U.S. and foreign government and business leaders.

The United States Government will also consider other programs which can make a difference. More training in energy is essential; although we have underway several programs, I think we can do more. We will also support assistance to help governments make the politically difficult but critical energy policy changes.

Cancun Policy Options: Assistance

II. Agriculture

Intoduction

Promotion of the Third World's capacity to feed itself and to enhance rural development should be the cutting edge of the Reagan Administration's approach to international development, and should be the basis of the United States commitment to continuing world leadership in economic growth with equity. Food scarcities and the stagnation of rural economies lead to intolerable unemployment and concomitant social instability. The comparative advantage of the U.S. in agricultural research and development should be fully utilized for the long term benefit of both the developing countries and the U.S.

Priorities

President Reagan's program of agricultural assistance should stress the following:

--Improve country policies to remove constraints to food production and consumption;

--Develop human resources and institutional capabilities, through which science and technology can be applied to increasing food production and improving nutrition;

--Expand the role of developing country private sectors in agricultural and rural development and the complementary role of the U.S. private sector in assisting this expansion.

Vital to self-reliant, sustainable, food and agricultural systems is improved food and agricultural science and technology. Consequently, the U.S. has under examination a number of additional ways in which our contribution to the science and technology of agriculture worldwide can be improved, among them are:

1. Science and Technology

Programming should be encouraged to emphasize cooperation among national and international agricultural research teams in conjunction with efforts to build greater science and technology institutional capacities in developing countries. This would provide effective means for producing the greatest return from the limited resources available for development today.

Such cooperation has achieved scientific breakthroughs, such as the development of high yielding varieties of wheat and rice, and has enhanced the self-reliance of low income countries.

This proposal will provide additional funds in the amount of $100 million. Some new money will be needed but significant reallocations to this type of effort can also be made. The program would include research and development in the field, focussing on the priority areas of food, animal and human health, and energy. There will be an effort to increase the capacity to undertake technology efforts in developing countries. The end goal is to produce, adapt and apply technology, and to help Third World countries get in a position to solve these kinds of problems for themselves in an on-going way. Five examples are:

(a) New and sophisticated methods of plant improvement can increase food production significantly. Such techniques include "protoplast fusion" by which unrelated plants are crossed and "cell culture" by which constraint-resistant single cells can be induced to produce whole plants. These innovative techniques can produce plants which tolerate adverse soil and climatic consitions, insects, and diseases.

(b) Applied research in irrigation water management will increase land served by irrigation and will improve yields as well.

(c) There is a great potential in identifying systems for the production of several crops per year in the humid tropics. Up to four crops annually are feasible under carefully managed ocnditions.

(d) Mount a collaborative research and development program on pests and pathogens of animals and humans which have devasting effects on food production and utilization. Examples are the dreaded tsetse fly in Africa and shistosomiasis throughout the wetland tropics.

(e) Interrelate agricultural nutrition and health programs to assist undernourished, parasite-ridden farm families who are handicapped in their attempts to use even the simplest of modern food production technologies.

Pro

--Is essential to achieve food production goals and is, according to best scientific advice, a powerful element of agricultural development assistance strategy.

Con

--Doesn't call for major increased financial commitment

2. Policy Development

The U.S. has a strong reservoir of experienced people which can be, and are being, applied to development policy and planning questions. This reservior of people can be further strengthened by calling upon the wide ranging and vastly experienced capabilities of our scientific community, together with the strengths of our National Academy of Sciences to come together with leaders of developing countries and international donor organizations to help countries achieve their policy objectives.

Pro

--This would both symbolize the U.S. commitment to sound development policy and U.S. support strategy while providing a continuing forum for dialogue which would be welcomed by Third World planning analysts.

Con

--It would be relatively inexpensive to fund.

DRAFT FOR PRESIDENTIAL REMARKS: AGRICULTURE

SIMPLY STATED, FOOD IS THE SINGLE MOST BASIC NECESSITY OF LIFE. IT IS A SOURCE OF LIFE LINKED IN THE CENTER OF A CHAIN THAT SUPPORTS ALL MANKIND. MANY ECONOMIC SYSTEMS OF THE WORLD REST ON THE SHOULDERS OF THE MEN AND WOMEN FARMERS WHO WORK ON FARMS THAT ARE AS SMALL AS 2-1/2 ACRES. THESE MEN AND WOMEN IN THE DEVELOPING WORLD ARE THE SINGLE LARGEST UNTAPPED RESOURCES FOR DEVELOPMENT IN THE WORLD TODAY. I HAVE TREMENDOUS FAITH IN THESE PEOPLE. WITH ADEQUATE SUPPORT AND ADEQUATE INCENTIVES, BETTER NATIONS AND A BETTER WORLD CAN BE BUILT FROM THEIR ENERGY AND INGENUITY.

BUT THEY NEED BETTER SEEDS, BETTER FERTILIZERS, MORE WATER AS WELL AS BETTER FARM SYSTEMS AND MARKETING SUPPORT. IN A WORD, THEY NEED THE BEST OF SCIENCE AND TECHNOLOGY WORKING WITH THEM, THROUGH THEM AND FOR THEM. THERE'S NO BETTER EXAMPLE OF THIS THAN WHAT TOOK PLACE HERE IN THIS COUNTRY - MEXICO - WHEN AN INTERNATIONAL TEAM OF SCIENTISTS INCLUDING A NOBEL PRIZE WINNING AMERICAN - NORMAN BORLAUG - SUPPORTED INITIALLY BY PRIVATE FUNDING FROM THE ROCKEFELLER AND FORD FOUNDATIONS - DEVELOPED THE VARIETIES OF WHEAT UNDERPINNING THE GREEN REVOLUTION, WHICH HAS HELPED DEVELOPING COUNTRIES PRODUCE MORE FOOD FASTER THAN ANYONE COULD HAVE DREAMED.

BECAUSE I CARE ABOUT SMALL FARMERS (AFTER ALL AMERICA WAS BUILT BY THEM) I HAVE DIRECTED THAT 100 MILLION DOLLARS BE SET ASIDE TO ENCOURAGE THE BEST OF AMERICAN SCIENTISTS TO WORK WITH RESEARCHERS THROUGHOUT THE WORLD TO LEAD US TO THE NEXT, EVEN GREENER, REVOLUTION.

Cancun Policy Options: Assistance

III. Private Sector

Introduction

To highlight the Administration's policy of relying more on private sector resources and expertise to carry out its foreign policy vis-a-vis the developing countries.

Context

The Secretary of State, in his recent speech before the UN General Assembly, set the Administration's tone in alerting developing countries that in the future they should turn more toward the private sector for their resources for development than to donor agencies for concessionary financing. The Administrator of A.I.D. established a new Bureau for Private Enterprise, to take the lead in using A.I.D.'s limited resources to leverage additional private capital money, both U.S. and LDC, into the priority development sectors in the developing countries. The World Bank is planning to put renewed emphasis and perhaps additional resources into the International Finance Corporation (IFC) and to greatly expand its co-financing programs with private commercial banks. President Reagan, in his speech at Cancun, has a unique opportunity to announce specific programs on how the U.S. will facilitate private sector investments in developing countries.

Priorities

In terms of private sector initiatives, the program President Reagan announces at Cancun should have four focuses:

--Seed capital to leverage additional LDC and U.S. direct investments in private sector projects in LDCs. Equity or equity-like financing is what is needed.

--Expanded A.I.D. financing to leverage substantial increases in private bank debt financing of private sector projects in LDCs.

--Support for managerial and selected technical training.

--Expanded institutional linkages between the U.S. and LDC private sectors.

The major elements of the new private sector policy are:

1. AID will establish a corporation associated with AID's Bureau for Private Enterprise, the Private Enterprise Corporation, with authority to provide seed capital directly and indirectly for equity investments in developmentally-oriented private sector

enterprises in selected developing countries. The initial capital will be $25 million and the Corporation will have the authority to provide minority equity, equity-like and debt positions in high priority private enterprise projects in selected LDCs.

Pros

--Clearly identifies a U.S. commitment to promoting the private sector and its role in growth and production in developing countries.

--Enables U.S. to do what other developed countries are doing for their private sector.

--Permits the U.S. to truly leverage its assistance to developing countries.

--Addresses a high priority need in the developing countries.

--Promotes LDC private sector investments in their own countries and concurrently assists managerial and technology transfer from the U.S. private sector to the LDCs.

--It would put the President on record that the U.S. stands ready to work with those governments which support expanded private sector investment.

Cons

--Revisions to the Foreign Assistance Act would be required for AID to set up a separate corporation and to take equity positions directly.

--An initial additional budgetary commitment may be required to initiate the option.

--For maximum leverage this corporation should be self-contained and ultimately self-financed. This would require authority to program debt repayment sales of the corporation's project portfolio to the private sector.

--It would take time to establish the corporation.

2. AID will establish a fund in the Bureau for Private Enterprise with authority to provide seed capital directly or indirectly for equity investments in developmentally-oriented private sector projects in selected developing countries. The initial fund will be $25 million and the Fund will have the authority to provide minority equity, equity-like and debt positions in high priority private sector projects in selected LDCs.

Pros (same as #1, plus:)

--Could be done more quickly than option 1.

--A Bureau is already established within AID to take on this responsibility.

Cons

--Revisions to the Foreign Assistance Act would be required for AID to set up a separate corporation and to take equity or equity-like positions directly.

--Establishment of the fund would require a line item appropriation for PRE with more discretion on the use of funds than now provided under development assistance appropriations.

3. That 25% of all AID money allocated to targeted countries would be reserved for development of the indigenous private sectors. The precise percentage could be larger or smaller depending on how broadly or narrowly private sector is defined e.g., whether to include agriculture programs, government and private sector-managed, that raise incomes of farmers or whether to limit the concept to projects in the commercial sectors such as industry, training, leasing, processing, and agriculture.

Pros

--It would clearly signal to the developing world and to AID Missions that the President was serious about a new approach to development.

--It would signal to the private sector expanded opportunities for doing business in the developing countries and with AID thus encouraging their involvement and commitment to the President's foreign policy.

--It would put the President on record that the U.S. stands ready to work with those governments which support expanded private sector investments.

Cons

--Such an initiative could be interpreted as dictating country programs to the developing countries.

--It would take time to implement.

4. That AID through the Bureau for Private Enterprise could significantly expand co-financing and parallel financing with private commercial banks and venture capital firms both US and LDC in developmental projects in developing countries. This could have two variations: a separate fund of $25 million for the Bureau for Private Enterprise for co-and parallel financing of private sector projects in selected developing countries or

a target of no less than 25% of AID Mission funds allocated to a selected country to be used on projects that involve private sector co-or parallel financing.

Pros

--This would signal the priority the President places on using AID money to leverage private sector capital.

--Could be done quickly.

Cons

--It would require aggressive development of private sector projects by AID for commercial financing.

5. That AID work in close cooperation with the IFC and other appropriate institutions in providing advisory services to developing countries on capital market development, investment policy, and industrial and agribusiness policy and strategy and other means that would provide the incentives, finance, and institutional environment within the developing countries for expanded private sector investments.

Pros

--Inexpensive.

--Working in close cooperation with institutions which know the business and have a good track record.

--Consistent with programs that AID has already started in some countries.

--US expertise is exceptional in this area.

Cons

--Would be disappointing to developing countries and our allies following Secretary of State Haig's speech to the UN General Assembly and would signal a less than a full commitment to encouraging the development of the private sector in LDCs.

6. That AID will establish a separate fund of $5 million to finance initial capital needs and experts to organize institutions of excellence in the training of managers and technologists for the private sector in the developing countries. These would be private institutions. The US would expect that within two to three years these institutions would be on a pay-as-you-go basis suppported by fees, contributions, and contract payments from the private sector in these developing countries.

Pros

--Inexpensive.

--Meets a critical need in the developing countries and engages the US business and management training institutions in working with developing countries.

Cons

--Would be interpreted as an earmarking of funds before project proposals and feasibility studies are completed.

7. In consultation with Commerce, the Embassies, State Department, and AID, the President would announce an active program of facilitating the establishment of bilateral private sector relationships between the US and developing countries. This could take the form of Chambers of Commerce or specific institutional linkages between groups, industries, trade associations, cooperatives, or companies with common objectives. A fund of $2 million would be set aside for this purpose.

Pros

--Consistent with Secretary of State Haig's speech at the UN General Assembly.

--Meets the competition of the European countries who are already establishing similar relationships.

--Low cost.

--Develop person-to-person relationships between private sector organizations in the developing countries and the U.S.

Cons

--Development impact could be difficult to measure.

DRAFT FOR PRESIDENTIAL REMARKS: PRIVATE SECTOR

I AM CONVINCED THAT THE PRIVATE SECTOR CAN AND MUST DO MORE TO CREATE THE JOBS AND PRODUCTIVE CAPACITY SO ESSENTIAL FOR SUSTAINED ECONOMIC AND SOCIAL DEVELOPMENT IN THE DEVELOPING COUNTRIES. THE U.S. STANDS READY TO WORK WITH THOSE COUNTRIES WHICH SHOW THEIR WILLINGNESS TO SUPPORT DEVELOPMENT OF AND INVESTMENT BY THEIR PRIVATE SECTORS. KOREA, TAIWAN, SINGAPORE, BRAZIL, AND MEXICO, TO NAME A FEW, OFFER RECENT EXAMPLES OF WHAT THE PRIVATE SECTOR CAN DO WITH SUPPORTIVE GOVERNMENT POLICIES AND ENCOURAGEMENT. THE U.S. WOULD LIKE TO OPEN A NEW DIALOGUE WITH INTERESTED COUNTRIES ON WHAT CAN BE DONE TOGETHER.

AS INITIAL STEPS TO SIGNAL OUT INTENTIONS, NEW U.S. INITIATIVES WILL INCLUDE: 1) SETTING UP A NEW $25 MILLION FUND IN AID FOR EQUITY, EQUITY-LIKE, AND DEBT FINANCING OF PRIVATE SECTOR PROJECTS IN SELECTED DEVELOPING COUNTRIES; 2) TARGETING 25% OF AID'S FY 83 BUDGET IN SELECTED DEVELOPING COUNTRIES FOR CO-FINANCING AND PARALLEL FINANCING DEVELOPMENTAL PROJECTS WITH THE PRIVATE SECTOR; 3) A $5 MILLION FUND TO WORK WITH THE PRIVATE SECTORS,AGAIN,IN SELECTED DEVELOPING COUNTRIES TO ESTABLISH INSTITUTIONS OF EXCELLENCE IN MANAGEMENT AND TECHNOLOGICAL TRAINING; AND 4) A $2 MILLION FUND TO ESTABLISH LINKAGES BETWEEN U.S. PRIVATE SECTOR GROUPS AND THEIR DIRECT COUNTERPARTS IN DEVELOPING COUNTRIES FOR THE EXCHANGE OF IDEAS, KNOW-HOW, AND TECHNOLOGY.