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Withdrawer

SMF 2/21/2008

File Folder FRANCE-ISSUES (6)

FOIA

S2007-081

Box Number 13

NOUZILLE

177

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
51085	MEMO	SANDY VOGELGESANG TO NAU AND MARSHALL CASSE <i>R 4/20/2010 M2007-081</i>	4	3/12/1982	B1
51086	PAPER	TRADE OBJECTIVES AT VERSAILLES <i>R 4/23/2010 NLRRM2007-081</i>	4	ND	B1
51087	MEMO	ED LOLLIS TO HORMATS RE GLOBAL NEGOTIATIONS UP-DATE <i>R 4/20/2010 M2007-081</i>	1	3/13/1982	B1
51088	CABLE	121800Z MAR 82 <i>R 4/20/2010 M2007-081</i>	2	3/12/1982	B1
51089	CABLE	161853Z MAR 82 <i>R 4/20/2010 M2007-081</i>	2	3/16/1982	B1
51090	CABLE	171536Z MAR 82 <i>R 4/20/2010 M2007-081</i>	2	3/17/1982	B1
51095	LETTER	G. E. SHANNON TO HORMATS RE LETTER ON NORTH/SOUTH ISSUES PAPER <i>R 4/20/2010 M2007-081</i>	1	3/17/1982	B1
51097	LETTER	RE THOUGHTS ON PAPER ON NORTH/SOUTH ISSUES <i>R 4/20/2010 M2007-081</i>	5	ND	B1

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DEPARTMENT OF STATE

Washington, D.C. 20520

March 12, 1982

File
France
Summit
(issues)

CONFIDENTIAL

TO: NSC - Henry Nau
E - Marshall Casse

FROM: EUR/RPE - Sandy Vogelgesang ^{KV}

SUBJECT: U.S. PREPARATIONS FOR THE VERSAILLES SUMMIT

The papers done in February provide an excellent beginning - but just that. We now need to move beyond our preliminary ruminations and response to Attali with more concrete planning. This paper reflects my own personal views on next steps.

We need to cull from the papers - and further core group discussions - specific answers to the following central questions:

- What outcome do we seek from the Summit?
- How can we best achieve it?

OUTCOME

What we want and what, realistically, we can get from the Versailles Summit are two quite different propositions. In the best of all worlds, we would hope to repeat the success at Ottawa: increased respect for the President's leadership, reaffirmation of consensus on most major political and economic problems and renewed confidence in the industrial democracies. In fact, the President will face a rough atmosphere, with the Europeans blaming the U.S. for their continuing recession and with the risk that a stormy Economic Summit will roil the waters for the NATO Summit.

There are other challenges. Though we may want to emphasize longer-term issues (as the trade and energy papers suggest), we cannot, in fact, dodge the fact that most Summit representatives will be most concerned about immediate issues: macro-economic recovery and trade problems. We will also face an uphill battle in achieving meaningful coordination on East-West economic issues and a concrete program on energy security.

~~CONFIDENTIAL~~
RDS-3 3/12/02

DECLASSIFIED

NLRR/1007-081251085
BY Q1 NARA DATE 4/20/10

Thus, we should identify a manageable number of high-priority objectives that reflect both what we want and what we can get. To wit:

1. Macro-economic Policy

- Arm the President with a strong presentation of his program for economic growth.
- Prepare the way with Administration decisions that could help deflect some domestic and foreign criticism.
- Seize the high ground for a Presidential proposal for a Special Summit Study on the "New Era for Economic Growth" - culminating in the U.S.-hosted 1983 Summit.

2. Trade

- Deal with both short- and longer-term problems since we can't avoid the former and we need to shape the agenda for the latter.
- Short-term: try to defuse at least some of the major trade problems before Versailles (such as the Japanese surplus and, perhaps, U.S.-EC steel clash).
- Long-term: refine realistic goals for the November GATT Ministerial so that the agenda is ready for "political blessing" at Versailles and clarify what we really want on investment, high technology, and structural reform (the current papers lack concrete focus).

3. East-West

- We could have real potential for a breakthrough, if we play our cards right.
- Specifically, we could seek:
 - Announcement of Summit-nation commitment to a specific credit restriction vis-a-vis USSR (culmination of Buckley Mission).

- Reaffirmation of Ottawa Summit commitment on COCOM collaboration and follow-up on January 1982 High-Level Meeting.

4. Other Economic Issues (lower-priority)

- Energy: Move beyond the pipeline issue, to commitment to transatlantic/Pacific energy security program, with a mix of domestic and international measures and a specific proposal for making the work in the IEA, EC, NATO and national programs mutually-reinforcing (we lack Summit-level linkage).
- Investment: Though the time may be riper than it was in 1977 for an initiative, we should think fast about the best approach. Why, given the problems noted in the paper, tie it to GATT? Why not a bolder approach with a Presidential proposal for a new institution?
- North/South: Maintain the President's momentum from Cancun (and deflect resurgence of GNs) with fresh proposals. Most likely candidates: food and transnational development corps. The latter could be a dramatic Presidential initiative - galvanizing youth in all Summit nations to work together in developing countries. It need not cost much (we can piggyback on existing programs) and it could have significant international impact.

5. Political

Though economic issues should dominate, we should not miss the opportunity to underline major U.S. political concerns - both because of the political side of economic questions and because of the need to reinforce the political outcome of the NATO Summit. (More ideas under separate cover.)

APPROACH

To achieve success at Versailles, we need a sense of priority and direction. Hence, the need to focus on a few needed and doable issues and initiatives, as noted above. Together, they could buttress one overriding Summit theme: building confidence in our capacity for economic growth.

Another theme could be the President's emphasis on youth. The Transnational Development Corps suggested above - together

with the "Fund for the Future," an idea for a new exchange program for young people in the industrial democracies, which ICA and State are developing as a lasting commemoration of this year's 35th anniversary of the Marshall Plan - could generate significant enthusiasm. It could also present the President as a forward-thinking leader with concern for the "successor generation."

To progress on these issues and ideas - assuring that the Versailles Summit is the most constructive capstone of decisions and major meetings this spring - we must move fast. Doing so requires:

- Executive Branch determination of priority goals in domestic/international economic policy. A brief paper on that subject should be prepared for an NSC meeting to be chaired by the President.
- Follow-up on that meeting with game-plan for U.S. leadership in key meetings this spring, such as the US-EC High-level Consultations, OECD Ministerial, and IEA Ministerial.
- USG linkage in planning for Economic and NATO Summits on political issues and OECD and NATO Ministerials in May.

EUR/RPE:SVogelgesang:cs
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~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

CONFIDENTIAL

March 12, 1982

5
File
France
Summit
(issues)

MEMORANDUM FOR BOB HORMATS
BERYL SPRINKEL
DICK HEIMLICH

SUBJECT: Trade Objectives at the Versailles Summit

After my discussions with Matsunaga in Tokyo, I drafted the attached thoughts on our trade objectives at Versailles. If they have any merit, perhaps they could be incorporated as desired in a revision of USTR's trade theme paper for wider circulation and discussion.


Henry Nau

Attachment

CONFIDENTIAL

Review 3/12/88

DECLASSIFIED
White House Guidelines, August 23, 1997
2/21/08
NSA, Date 2/21/08

~~CONFIDENTIAL~~

CONFIDENTIAL

6

TRADE OBJECTIVES AT VERSAILLES

U.S. Objectives

In the communique at Versailles, we should seek to achieve a substantial statement on trade 1) establishing a broad set of principles and directions for trade efforts throughout the rest of the 1980s and 2) endorsing the GATT Ministerial as a first step in this process. If we succeed, Versailles should do for trade what Venice did for energy.

Versailles should concentrate on trade commitments and goals for the rest of the decade. These goals should assume revitalization of the national and world economies and should therefore be relatively ambitious. By contrast, the GATT Ministerial should establish priorities and phased work programs for specific trade issues. It will necessarily be somewhat more modest given prevailing economic circumstances, but in light of the Versailles Summit commitments, it will now be seen only as a first step. This combination of ambitious goals at Versailles and modest first steps at GATT enables us to finesse the resistance generated by sluggish economic conditions and avoid charges of the Summit interfering in the preparations for the GATT Ministerial, while using the Summit to generate early momentum for the Ministerial and to outline an ambitious course for trade talks beyond the Ministerial as economic conditions improve.

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NLRR 107-081-51086

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BY CA NARA DATE 4/23/10

Broad Goals at Versailles

The communique should devote a substantial section to trade such that trade brings a long-term perspective to what Versailles says about the international economy just as technology, stressed by the French, lends a long-term perspective to domestic policies. The following points on trade should be developed in the communique:

1. The international trading system stands at an historic crossroads.
2. The problem we face is defined on the one hand by the unprecedented progress we have achieved in the reduction of tariff barriers and quotas in industrial trade and on the other by the apparent end of the era of domestic growth on which the expansion of trade has been based. With further tariff reductions in industrial products relatively meaningless, the trading system has lost a principal rationale for liberalization. Tariff rate reductions were widely viewed as being mutually advantageous. Nontariff barrier reductions are not, in part because they are often closely interrelated with domestic economic and social objectives. The apparent end of the era of growth has reinforced the priority of domestic objectives, creating a vicious circle which blocks further trade liberalization and even threatens to unravel past achievements. The end result is a

drop in the real volume of world trade in 1981 for the first time since World War II.

3. The way out of this dilemma is two-fold: 1) revitalize domestic growth through sound, fundamental domestic policies in both industrial and developing countries; 2) reaffirm and extend the principle of liberalization of trade over the longer term to other sectors and to additional countries (i.e. getting more LDCs into GATT). Both steps are necessary, since new investment and growth in many countries now depend on predictable access to foreign markets and trade, as the historical record shows, flourishes only on a foundation of domestic growth.
4. The Summit countries therefore declare that the general predisposition toward liberalization of trade and open access to markets remains the hallmark of their cooperation in international economic relations.
5. The Summit countries affirm that GATT is the indispensable institutional guardian of this commitment to liberalization and should be strengthened and improved to provide the essential discipline for unilateral, bilateral, regional and global actions on trade.
6. Strengthening GATT alone, however, is not enough. Its disciplines and benefits should be extended to

new sectors, such as services, investment, high technology, and agriculture, as well as to new members such as the developing nations.

7. The Summit countries will give special priority in this decade to bringing the developing countries more fully into the global trading system, recognizing that expanding the scope of the GATT system offers the same benefits of mutual advantage to all that further liberalization does.
8. The Summit countries declare that further liberalization beyond existing areas covered by GATT will benefit all countries and should be pursued over the longer run in such areas as services, investment, high technology, and agriculture. What is important here is the predisposition toward liberalization not the specific or immediate goals of total elimination of government programs in these areas.
9. In the spirit of these historical and future commitments, the Summit countries strongly endorse the GATT Ministerial in November 1982 and pledge their full support and active participation in this important meeting. They view this Ministerial as a first step in the longer-term effort to maintain and accelerate the momentum toward growth and global free trade throughout the rest of this decade.

File 10
France
Summit
(issues)

International Cooperation and Development:
Recent U.S. Actions

At the Cancun Summit in October 1981, President Reagan offered a positive program of action for development concentrated around five principles. Outlined below are some of the actions the United States has taken to implement each of these principles.

1. Stimulating international trade by opening up markets, both within individual countries and among countries.

Our current efforts to carry out the US commitment to an open international trading system are focusing on the ministerial meeting of the GATT next November. We are holding consultations with several developing countries on issues of common interest in preparation for the Ministerial. Our goal is a strengthened and revitalized GATT.

The U.S. has ended controls on footwear imports from Taiwan and South Korea established by the previous Administration.

We sought a more liberal renewal of the multi-fiber agreement than other industrial countries, allowing a renewed agreement which assured benefits to all parties.

The US Administration has announced that it will seek legislation by Congress to renew the generalized system of trade preferences (GSP) upon its expiration in 1985.

We have cooperated in the extension of the coffee and sugar agreements and will be active participants in their renegotiation.

Last May, we joined the International Natural Rubber Agreement, where we are working with other members to stabilize prices despite difficult market conditions.

The U.S. remains active in negotiations for commodity agreements designed to promote market development and research, as in the ongoing negotiations on jute. Such agreements hold promise for improving markets for many of the least developed commodity exporters.

2. Tailoring particular development strategies to the specific needs and potential of individual countries and regions.

The new US Administration has led an international rethinking of development issues, leading to a new seriousness of purpose on the part of governments and to an emerging consensus that neither increasing foreign aid nor any likely restructuring of the international economic system is a panacea for the problems of development countries.

The Administration has encouraged more pragmatic and effective approaches to development, emphasizing open markets and private initiative and taking into consideration the fact that trade and investment flows generate far more resources for development than concessional assistance.

We have tailored our own development strategies to the specific needs and potential of the individual countries and regions with which we cooperate.

We have supported international policies which recognize that the bulk of concessional assistance should go to the poorer countries and that wealthier countries should rely primarily on trade and investment.

Working with other interested countries, the U.S. has developed an integrated approach to the development of the Caribbean Basin, using a variety of trade, aid, and investment measures to establish the basis for rapid economic growth and political stability in that region.

3. Guiding our assistance toward the development of self-sustaining productive activities, particularly in food and energy.

The US Congress recently adopted the Foreign Assistance Act for Fiscal Year 1982, funding key economic and security objectives of the Administration and ending a long period of providing funds only through continuing resolutions.

Appropriations for foreign economic assistance total \$8.2 billion for Fiscal Year 1982, an increase of 10 percent above the continuing resolution for the previous year. The Administration is requesting an increase to \$8.6 billion for Fiscal Year 1983 despite politically difficult cut-backs in many areas of domestic spending.

We have completed a major assessment of the World Bank and other multilateral development banks, confirming continued US support and finding a variety of measures to improve their effectiveness.

Consistent with our effort to promote structural adjustment in countries facing balance of payments difficulties, the U.S. supported the March 1981 decision of the International Monetary Fund to continue its policy of enlarged access to the Fund's resources.

In January 1982, the U.S. and other donors agreed on a funding arrangement for the second replenishment of the International Fund for Agricultural Development (IFAD), for which the U.S. pledge is \$180 million.

- 3 -

The U.S. has been working to implement President Reagan's offer at Cancun to send US task forces to developing countries that request assistance on how to solve their food and agricultural development problems. The first task force will go soon to Peru, and 6-8 more are planned before the end of 1982.

We supported the IMF's broadening of the Compensatory Financing Facility to provide financial compensation to developing countries for temporary increases in the cost of imported food.

The U.S. negotiated and signed an extension of the 1980 Food Aid Convention which provides a framework for donor pledges for food aid totaling nearly 8 million metric tons, of which the U.S share is 4.47 million metric tons.

To help developing countries assess and take action against their energy problems, the U.S. has expanded its bilateral energy assistance program, doubling in the past year funding for new and renewable energy and starting a worldwide conventional energy technical assistance program. In Fiscal Year 1983, development assistance for energy should total \$70-75 million, 50 percent more than in Fiscal Year 1981.

We have carefully studied the World Bank's energy lending program. We believe improvements can and should be made to increase the "multiplier" effect of Bank loans. We also support the programmed commitment of substantial Bank resources to the energy sector (\$14 billion) over the coming 5 year period.

The United States played an active and constructive role in the UN Conference on New and Renewable Sources of Energy and, with minor reservations, supports the Nairobi Program of Action.

Domestic oil price decontrol has revigorated US production and substantially reduced US oil purchases from world markets, a major factor in the recent and continuing fall in world oil prices.

4. Improving the climate for private capital flows, particularly private investment.

Discussions have been initiated with a number of interested developing countries on a new prototype bilateral investment treaty, designed to help facilitate bilateral investment relations.

A Bureau of Private Enterprise has been created within the US Agency for International Development to help foster growth of indigenous private sectors in developing countries.

Legislation for the U.S. Overseas Private Investment Cooperation has been renewed, permitting OPIC to expand its support for US direct private investment in middle-income developing countries (from per capita GNP \$1000 to \$2950) and to facilitate US investor participation in new markets.

We are seeking a greater role for the World Bank group to act as a catalyst in stimulating private sector growth, e.g. by encouraging greater use of co-financing and the development of local private capital markets. The U.S. is interested in the World Bank's current re-examination of the potential for some form of multilateral political risk insurance arrangement.

Steadily increasing capital expenditures and exploratory activities by private US oil firms in developing countries has led, in the past year, to discoveries of oil and gas by American firms in Guatemala, Ivory Coast, Brazil, Argentina, Thailand and Colombia. Recently leased acreage in other areas in Africa and Asia holds much potential as well.

5. Creating a political atmosphere in which practical solutions can move forward, rather than founder on a reef of misguided policies that restrain and interfere with the international marketplace or foster inflation.

By strengthening its own national defense and cooperating with other governments, the U.S. has helped re-establish an international environment where developing countries can pursue their development objectives without fear of external aggression.

US efforts to restore non-inflationary growth to our own economy have already made progress in reducing world inflation. Growth will lead to a larger US market for exports from developing countries, and more rapid technological progress in the U.S. will help spread income-creating higher productivity throughout the world.

The U.S. is continuously carrying out President Reagan's commitment at Cancun to conduct a more formal dialogue with other nations -- bilaterally, with regional groups, in the United Nations, and in specialized international agencies.

We have pursued with a sense of urgency the Cancun decision to support in the United Nations a consensus to launch global negotiations on a basis to be mutually agreed. The US accepted the draft resolution circulated by the President of the UN General Assembly as amended to ensure that future talks offer the prospect of meaningful progress as expliciting outlined by President Reagan at Cancun.

March 4, 1982



DEPARTMENT OF STATE

Washington, D.C. 20520

~~CONFIDENTIAL~~

March 13, 1982

MEMORANDUM

TO: EB - Mr. Hormats

FROM: EB/SEN - Ed Lollis *EL*

SUBJ: Global negotiations up-date

DECLASSIFIED
 NLRR 007-081 #51087
 BY ON NARA DATE 9/20/10

The G-77 met several times this week and concluded that Ambassador Bedjaoui should do a new draft resolution based on eight principles (which would generally swing the pendulum in the direction of the hard-liners).

Bedjaoui invited Ambassador Sorzano and Warren Clark to a meeting late this afternoon with Naik, the Belgian perm rep, and two other Algerians. He presented three options:

(1) Eliminate para 4 (see top half, page 2, of the attached table). Find new language for para 2 which would assure that the preliminary conference or organizational session is not open-ended. The G-77 prefers this option.

(2) Retain para 4 of the EC text. Add two ideas. First, that agenda items would not be automatically sent to the specialized agencies, i.e. the central body would discuss them and not just act as a post office. Second, that the central body would be empowered to recommend "reforms" of the specialized agencies for their consideration.

(3) Eliminate para 4. Add new preambular paragraph saying that some delegations at Cancun said that the competence of the specialized agencies should not be affected.

Presumably options (2) and (3) would still need to find new language for para 2, but this was not stated.

Bedjaoui asked for our response by Monday. Sorzano said this was clearly impossible, and Bedjaoui said it was needed in any event in time to advise Kittani before Tuesday afternoon's resumed session of the UNGA. No promises were given.

Ambassador Kirkpatrick's reaction to the foregoing was to say that the G-77 took its time to react to our proposals of December 8, so we can take our time to respond to theirs.

Secretary Haig is scheduled see the Secretary General during his visit to New York this weekend, but I very much doubt if any of this comes up.

Attachment

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SYNOPTIC TABLE
of various texts proposed for UNGA resolution
on Global Negotiations

	Consolidated text of 30 November 1981 ("Kittani text")	USA Proposal of 8 December 1981	Non-paper of 12 December 1981 ("EC text")	Proposal considered at the New Delhi Consultations 22-24 February 1982 ("Naik text")
PRE- MBULAR PARA- GRAPHS	The General Assembly, Having considered the item entitled "Launching of the Global Negotiations on international economic co-operation for development",	The General Assembly, Having considered the item entitled "Launching of the Global Negotiations on international economic co-operation for development",	The General Assembly, Having considered the item entitled "Launching of the Global Negotiations on international economic co-operation for development",	The General Assembly, Having considered the item entitled "Launching of the Global Negotiations on international economic co-operation for development",
	<u>Reaffirming</u> resolution 34/138,	<u>Noting</u> resolution 34/138,	<u>In accordance with/ Guided by</u> resolution 34/138,	<u>Bearing in mind</u> resolution 34/138,
OPER- ATIVE PARA- GRAPHS	1. Decides to convene a United Nations Conference for Global Negotiations on international economic co-operation for development from ... 1982;	1. Decides to convene a <u>preliminary</u> United Nations Conference for Global Negotiations on international economic co-operation for development from ... 1982;	1. Decides to convene a United Nations Conference for Global Negotiations on international economic co-operation for development from ... 1982;	1. Decides to convene an <u>organizational session</u> of a United Nations Conference for Global Negotiations on international economic co-operation for development from ... 1982
	2. Decides that the Conference will <u>first</u> establish the procedures, agenda and time-frame for the global negotiations;	2. Decides that the <u>preliminary</u> Conference will establish the procedures, agenda and time-frame for the global negotiations;	2. Decides that the Conference will <u>in a preliminary phase</u> establish the procedures, agenda and time-frame for the global negotiations;	<u>in order to</u> establish the procedures, agenda and time-frame for the global negotiations;
	3. Decides that the Conference will function throughout and reach agreement on the basis of consensus;	3. Decides that the Conference will function throughout and reach agreement on the basis of consensus;	3. Decides that the Conference will function throughout and reach agreement on the basis of consensus;	2. Decides that the Conference will function throughout and reach agreement on the basis of consensus;

Consolidated text of 30 November 1981 ("Kittani text")	USA Proposal of 8 December 1981	Non-paper of 12 December 1981 ("EC text")	Proposal considered at the New Delhi Consultations 22-24 February 1982 ("Naik text")
<p>4. Decides that the Conference, <u>in accordance with the Charter of the United Nations</u>, will exercise the central role in the global negotiations and in that context will entrust specific agenda items or parts thereof, together with <u>appropriate objectives and guidance</u>, to specialized fora within the United Nations system <u>in accordance with their competence, functions and powers</u>, or to <u>such ad hoc groups it may create if necessary</u>;</p>	<p>4. Decides that the Conference will exercise the central role in the global negotiations <u>while respecting the jurisdiction, competence, functions and powers of the specialized fora</u> within the United Nations system, and in that context will entrust to them specific agenda items or parts thereof together with <u>appropriate guidance</u>, or, <u>where no such fora exist</u>, to ad hoc groups it may create;</p>	<p>4. Decides that the Conference will exercise the central role in the global negotiations <u>while respecting the jurisdiction, competence, functions and powers of the specialized fora</u> within the United Nations system, and in that context will entrust to them specific agenda items or parts thereof together with <u>relevant and appropriate objectives and guidance</u>, or, <u>where no such fora exist</u>, to ad hoc groups it may create;</p>	<p>3. Decides that the Conference will exercise the central role in the global negotiations <u>while respecting the jurisdiction, competence, functions and powers of the specialized fora</u> within the United Nations system, and in that context will entrust to them specific agenda items or parts thereof together with <u>relevant and appropriate objectives and guidance</u>, or, <u>where no such fora exist</u>, to ad hoc groups it may create;</p>
<p>5. Decides to accord high priority to the Conference in relation to other United Nations activities except those of the principal organs established by the Charter of the United Nations in respect of facilities and services, and requests the Secretary-General to provide the necessary documentation to the Conference;</p>	<p>5. Decides to accord high priority to the Conference in relation to other United Nations activities except those of the principal organs established by the Charter of the United Nations in respect of facilities and services, and requests the Secretary-General to provide the necessary documentation to the Conference;</p>	<p>5. Decides to accord high priority to the Conference in relation to other United Nations activities except those of the principal organs established by the Charter of the United Nations in respect of facilities and services, and requests the Secretary-General to provide the necessary documentation to the Conference;</p>	<p>4. Decides to accord high priority to the Conference in relation to other United Nations activities except those of the principal organs established by the Charter of the United Nations in respect of facilities and services, and requests the Secretary-General to provide the necessary documentation to the Conference;</p>
<p>6. Decides that the Conference will report to the General Assembly at its thirty-seventh session.</p>	<p>6. Decides that the Conference will report to the General Assembly at its thirty-seventh session.</p>	<p>6. Decides that the Conference will report to the General Assembly at its thirty-seventh session.</p>	<p>5. Decides that the Conference will report to the General Assembly at its thirty-seventh session.</p>

Adapted 2/25/82 by EB/SEN:EWLollis from a table prepared by Ambassador Naik and given to the USG on 2/4/82

CONFIDENTIAL
Department of State

INCOMING
TELEGRAM

17

PAGE 01 USUN N 00599 01 OF 02 121805Z
ACTION 10-15

1306

USUN N 00599 01 OF 02 121805Z

INFO	OCT-00	ADS-00	AID-07	INR-10	EUR-12	SS-10	OTC-02
	AF-10	CIAC-00	FR-06	EA-10	DODE-00	H-01	NEA-06
	HSCE-00	ARA-16	NSAF-00	COMF-00	SSO-00	L-03	LAB-04
	TRSE-00	OPIG-07	CEA-01	ED-04	OMB-01	STR-13	SIL-01
	INRE-00	AGRE-00	FRB-03	XMB-02	ICAE-00	SP-02	/148 W

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AMEMBASSY PARIS
AMEMBASSY TOKYO
AMEMBASSY VIENNA

CONFIDENTIAL SECTION 01 OF 02 USUN NEW YORK 00599

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DEPT PASS ED/SEN:LOLLIS

E.O. 12065: GDS 03/12/88 (SORZANO, JOSE S) OR-M
TAGS: EHS, UN
SUBJECT: GLOBAL NEGOTIATIONS

1. (C - ENTIRE TEXT).
2. G-77 HELD SERIES OF MEETINGS MARCH 9-11 TO DISCUSS
NAIK RESOLUTION TEXT ON GN (USUN 419) POST-NEW DELHI.
ALGERIA AND IRAQ REPEATED THEIR STRONG OPPOSITION TO NAIK
TEXT. G-77 IS NOW ACTIVELY CONSIDERING NEXT STEPS.
AMBASSADOR PEREZ GUERRERO OF VENEZUELA HAS COME UP WITH
NEW DRAFT PARAGRAPH 4 (NAIK'S PARAGRAPH 3) ON RELATIONSHIP
BETWEEN THE CENTRAL FORUM AND THE SPECIALIZED AGENCIES
(TEXT BELOW).

3. AMBASSADOR BEDJAQUI OF ALGERIA, G-77 SPOKESMAN, HAS
BEEN GIVEN BROAD, VAGUE MANDATE TO DEVELOP A NEW GN RESO-
LUTION TEXT WHICH WOULD TAKE INTO CONSIDERATION THE FOL-
LOWING EIGHT OBJECTIVES:

- (1) DUE REGARD FOR RESOLUTION 34/138;
- (2) IMMEDIATE LAUNCHING OF A SHORT ORGANIZATIONAL
SESSION FOR A CONFERENCE ON GLOBAL ECONOMIC
DEVELOPMENT;
- (3) THE SETTING OF AN EARLY DATE FOR THE LAUNCH-
ING OF ACTUAL GLOBAL NEGOTIATIONS CONFERENCE;
- (4) THE USE OF THE CONSENSUS RULE THROUGHOUT;
- (5) AN APPROPRIATE BALANCE BETWEEN THE CENTRAL
ROLE OF THE CONFERENCE AND THE SPECIALIZED
FORA;
- (6) THE ABILITY FOR THE CONFERENCE TO GIVE A
CLEAR MANDATE TO THE SPECIALIZED AGENCIES -
THAT IS, POLITICAL DIRECTIVES, GUIDELINES

- AND OBJECTIVES AND NOT SIMPLY THE AUTOMATIC
ALLOCATING OF AGENDA ITEMS;
- (7) THE ABILITY FOR THE CONFERENCE TO HAVE AN
ADEQUATE DISCRETION IN ALLOCATING ITEMS,
THAT IS, FLEXIBILITY IN DECIDING WHICH ITEMS
OR WHICH PARTS OF ITEMS TO DISCUSS AND ALLO-
CATE TO VARIOUS SPECIALIZED AGENCY; AND
- (8) IN DRAFTING THE RESOLUTION, THE G-77 WOULD BE
WILLING TO ACCEPT TRADE-OFFS ON AMBIGUITY -
THAT IS, IT IS WILLING TO LOSE CLARITY ON
SOME PARTS OF THE RESOLUTION OF INTEREST TO
THE G-77 IN EXCHANGE FOR LACK OF CLARITY ON
OTHER PARTS OF THE RESOLUTION OF INTEREST TO
OTHERS. THERE WAS MENTION THAT THIS AMBI-
GUITY WOULD APPLY IN PARTICULAR TO THE SO-
CALLED THIRD STAGE.

4. WE UNDERSTAND THAT ONE G-77 PERHREP, WHO HAS A
REPUTATION OF BEING A REASONABLE AND BALANCED OBSERVER OF
G-77, BELIEVES IT IS UNLIKELY G-77 MEMBERS CAN
AGREE NOW AMONG THEMSELVES ON A GLOBAL RESOLUTION TEXT.
BEDJAQUI IS EXPECTED TO CARRY OUT CONSULTATIONS AND COME
UP WITH A NEW RESOLUTION TEXT BY EARLY NEXT WEEK. HOWEVER,
HE IS NOT EXPECTED TO HAVE A TEXT IN TIME FOR CONSIDERATION
BY THE RESUMED GENERAL ASSEMBLY SESSION, SCHEDULED FOR
TUESDAY, MARCH 16. PIRSON, BELGIAN ECONOMIC MINISTER,
BELIEVES IT IS NOW VERY UNLIKELY THAT THERE CAN BE ANY
DISCUSSION OF GLOBAL NEGOTIATIONS AT THE RESUMED GA SES-
SION MARCH 16.

5. IRAQ REPORTEDLY IS STILL IN FAVOR OF DEFERRING MORE
DETAILED CONSIDERATION OF THE GLOBAL NEGOTIATIONS ISSUE
UNTIL AFTER THE NAM SUMMIT MEETING IN BAGHDAD THIS FALL.
ITS VIEW HAS BEEN THAT GN NEGOTIATIONS HAVE DRIFTED AWAY
FROM ORIGINAL OBJECTIVES SET AT 1979 NAM MEETING IN HAVANA,

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BY OL NARA DATE 7/20/10

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PAGE 01
ACTION IO-15

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C O N F I D E N T I A L SECTION 02 OF 02 USUN NEW YORK 00599

AND EFFORTS TO LAUNCH GN SHOULD GO BACK TO THOSE BASIC PRINCIPLES. NAM MEETING BAGHDAD WOULD BE EXPECTED TO CALL FOR NEW SPECIAL SESSION OF GA (JUST AS IN 1980) TO DISCUSS AGENDA AND PROCEDURES. INDIA ALSO REPORTEDLY IS LEANING TOWARDS INDEFINITE POSTPONEMENT OF THE GN ITEM AT THIS TIME, PRESUMABLY IN ORDER TO ALLOW MORE CONSIDERATION OF ITEMS CONSIDERED AT THE RECENT NEW DELHI MEETING. ALGERIAN POSITION IS NOW THAT MORE CAN BE GAINED BY TAKING A HARD LINE NEGOTIATING STANCE WITH DEVELOPED COUNTRIES THAN BY SEEKING COMPROMISES. AMBASSADOR NAIK OF PAKISTAN IS REPORTEDLY VERY DISAPPOINTED THAT HE WAS NOT ABLE TO GET G-77 SUPPORT FOR HIS TEXT AND BELIEVES OPPORTUNITY MAY NOW HAVE BEEN LOST TO MOVE FORWARD ON GN.

6. PEREZ GUERRERO'S NEW DRAFT PARAGRAPH 3 OF THE NAIK TEXT IS AS FOLLOWS:

- "DECIDES THAT DUE EMPHASIS SHALL BE GIVEN AT
 - THE ORGANIZATIONAL SESSION TO THE INTER-RELATION-
 - SHIP BETWEEN THE CENTRAL ROLE OF THE CONFERENCE
 - AND THE JURISDICTION, COMPETENCE, FUNCTIONS AND
 - POWERS OF THE SPECIALIZED FORA WITHIN THE UN
 - SYSTEM, WHICH TOGETHER WITH OTHER GROUPS IT MAY
 - CREATE, WILL BE ENTRUSTED WITH SPECIFIC AGENDA
 - ITEMS OR PARTS THEREOF. BOTH THE SPECIALIZED
 - FORA AND THESE OTHER GROUPS WILL PROCEED WITH
 - THEIR WORK, TAKING INTO ACCOUNT RELEVANT AND
 - APPROPRIATE OBJECTIVES AND GUIDANCE ESTABLISHED
 - BY THE CONFERENCE".

KIRKPATRICK

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RECEIVED 15 MAR 82 12

TO CLARK

FROM FULLER, C

DOCDATE 15 MAR 82

Nav

KEYWORDS: CCCT

INTL TRADE

*File
Franca
Summit
(Issues)*

SUBJECT: AGENDA & BACKGROUND PAPERS FOR CABINET COUNCIL ON COMMERCE & TRADE

17 MAR MTG

ACTION: PREPARE MEMO FOR CLARK

DUE: 16 MAR 82 STATUS S FILES

FOR ACTION

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FOR INFO

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COMMENTS

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THE WHITE HOUSE
WASHINGTON

1667²⁰

CABINET AFFAIRS STAFFING MEMORANDUM

DATE: March 15, 1982 NUMBER: 050180CA DUE BY: ----

SUBJECT: CABINET COUNCIL ON COMMERCE AND TRADE -- MEETING -- March 17, 1982

	ACTION	FYI		ACTION	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input type="checkbox"/>	Baker	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Anderson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Clark	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Defense	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Jenkins	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Interior	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Gray	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Beal	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>Mike Wheeler</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Annelise Anderson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
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USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCNRE/Boggs	<input type="checkbox"/>	<input type="checkbox"/>
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REMARKS: The attached paper on High Technology Industries. (Agenda Item #1) should be included with the background material you received earlier today for the Wednesday, March 17, meeting of the Cabinet Council on Commerce and Trade. Papers on Agenda Items #2 and #4 are forthcoming.

RETURN TO: Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823



MEMORANDUM FOR: MEMBERS OF THE CABINET COUNCIL ON
COMMERCE AND TRADE (CCCT)

FROM: Malcolm Baldrige , Chairman Pro Tempore MB
Cabinet Council on Commerce and Trade

SUBJECT: Status Report on CCCT Study on High Technology
Industries

1. The four components of the CCCT study are:

- A. overview of U.S. high technology trade competitiveness,
- B. examination of specific industries (for example, software, robotics, etc.)
- C. examination of ^{trade,} economic, national security implications,
- D. examination of relevant factors affecting competitiveness
 - financial
 - human resources
 - industrial policies
 - industrial organization

*U.S. has more stake
supplying more
comp. info
to other countries*

*focus on
domestic in
context of primary*

2. To broaden the information base we have:

- A. Consulted with relevant Industry Sector Advisory Committees (ISACs);
- B. Developed informal contacts with Labor, Defense, USTR, ITC, and State;
- C. Developed informal contacts with the following Congressional offices: Office of Technology Assessment, Congressional Budget Office, Joint Economic Committee, and the House Ways and Means Committee;

- D. Meet with executives of U.S. high technology companies;
- E. Contacted others conducting research on high technology industries, such as the National Academy of Science;
- F. Involved the Commerce's Bureau of Industrial Economics (BIE) in industry sector analyses.

3. For the purposes of the CCCT Study, high technology industries are those which are research intensive. Industries so identified are components of the following basic sectors:

- aerospace
- chemicals
- machinery (electrical and non-electrical)
- scientific equipment

Research and development efforts relative to gross sales for these industries is markedly greater than for all other manufacturing sectors.

4. Some service-related activities such as software development or computer assisted design are integrally related to high technology manufacturing sectors (e.g. computer equipment and semiconductor production.) This blurs the clean distinction often made in international negotiations between services and goods. Although the study will assess the linkages between these sectors, service activities, per se, are not in themselves identified as high technology.

? | Regardless of the way high technology industries are identified, various measures of competitiveness, such as share of world exports, show a consistent decline.

5. There are several policy initiatives relating to issues of high technology trade, either already underway or likely to begin in the near future. For example:

- USTR is pressing to have high technology discussed in the GATT Ministerial and a working group formed afterwards,
- the Secretary General of the OECD has identified high technology issues as potentially needing attention,
- the Japanese have suggested that a bilateral "forum" be established to discuss high technology industry issues.

- 3 -

The CCCT study will form the backdrop for possible USG initiatives on high technology issues in these forums.

6. Despite difficulties in precisely defining the term "high technology" industry and the fact that industries covered by the definition represent a wide variety of industrial activities, there seem to be compelling reasons for the USG to seek to have certain issues addressed under the high technology label. The following preliminary observations illustrate why we have a greater stake than our major trading partners high technology industries.
- U.S. exports are more heavily tilted towards high technology goods than those of any other country,
 - U.S. high technology goods have lost competitiveness in world markets; this is especially evident in third world countries;
 - the maturation of world economies, especially those of Japan, France, and Germany, has eroded the relative advantage the U.S. used to enjoy in research; the industrial infra-structures of these countries are approaching the U.S. in sophistication; for example, while the U.S. maintains an absolute lead in the numbers of scientific and technical personnel, the relative advantage has declined,
 - other governments are actively channeling resources into high technology sectors -- these activities may intensify the process of general erosion of U.S. technical lead,
 - Japan has closed rapidly on the U.S. lead in a number of high technology sectors; the likely result is that in the future both countries will be specializing in exporting similar products; this underscores the need to gain access to the Japanese markets for U.S. high technology products.
7. An initial draft of the four components identified in paragraph I will be circulated for review by April 10.

Advance draft early April

Book - conversations with CEO - not involved
- had 10-15 cases for round table
after draft.

Comments have industry advisory groups

Some work it diff spending re not making this
or weaker high tech.

Book - why DOJ is so far behind in high
tech.

Some - difference in tax treatment and
anti-trust aspects and foreign countries

Said in study

What - need legislation to correct some crazy
decisions relative to anti-trust

See Tom Don't start talking in use of high tech
look at procurement reg to see if why
we hampering just got rid of 1401
importer

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File 25
France
Summary
(135 words)

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POLICIES WHICH WOULD PROMOTE CONVERGENCE OF MEMBER-STATE ECONOMIES. THE GERMAN DELEGATION MADE CLEAR THAT ITS PROBLEMS WITH THE EMS MODIFICATIONS WERE FUNDAMENTAL AND GAVE NO ASSURANCE THAT PROGRESS ON THE ISSUE COULD BE MADE AT THE MAY COUNCIL MEETING. END SUMMARY.

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~~C O N F I D E N T I A L~~ SECTION 01 OF 02 BRUSSELS 03827

USEEC
TREASURY FOR KORP
E.O. 12065: GDS 03/16/88 (CASEY, EDWARD A., JR) OR-E
TAGS: EFIN, EEC, US
SUBJECT: EUROPEAN MONETARY SYSTEM: A STEP BACKWARD AT THE MARCH 15 ECONOMIC AND FINANCIAL COUNCIL
REF: A) BRUSSELS 2244 B) BRUSSELS 2645 C) BRUSSELS 3034

1. BEGIN SUMMARY. THE EC ECONOMIC AND FINANCIAL COUNCIL (ECOFIN) MET MARCH 15 TO DISCUSS AN AGENDA WHICH INCLUDED THE EUROPEAN MONETARY SYSTEM (EMS), JOINT ACTION WITH REGARD TO THE U.S., THE ROLE OF THE YEN IN COMMUNITY RELATIONS WITH JAPAN, THE NEW TRANCHE OF EURATOM BORROWING, AND THE INCREASE IN THE NEW COMMUNITY INSTRUMENT (NCI) FUNDING. THERE WAS NOT SUFFICIENT TIME TO SPECIFICALLY DISCUSS JOINT ACTION WITH REGARD TO THE U.S. THIS CABLE DISCUSSES COUNCIL ACTION ON THE EUROPEAN MONETARY SYSTEM. THE OTHER AGENDA ITEMS WILL BE REVIEWED IN A SEPARATE TELEGRAM.

2. THE EC HAS BEEN PREPARING NON-INSTITUTIONAL REFORMS TO THE EMS FOR ALMOST A YEAR. THE EMS MODIFICATIONS WERE TO HAVE BEEN ANNOUNCED AT THE EUROPEAN COUNCIL AT THE END OF MARCH. IN A SURPRISING MOVE, THE COUNCIL POSTPONED CONSIDERATION OF EMS ISSUES UNTIL MAY, AND IT IS QUESTIONABLE WHETHER OR NOT MEANINGFUL PROGRESS CAN BE MADE EVEN THEN. OBSERVERS IDENTIFIED THE GERMAN DELEGATION, AND SPECIFICALLY THE BUNDESBANK, AS THE DRIVING FORCE BEHIND THE POSTPONEMENT. IN PART, THE BUNDESBANK WAS REPORTEDLY RELUCTANT TO SEE ADDITIONAL AUTHORITY IN MONETARY MATTERS PASS TO THE EC (AND, TO SOME EXTENT, COME UNDER THE CONTROL OF ECOFIN, WHICH IS DOMINATED BY THE FINANCE MINISTERS). IN ADDITION, THE BUNDESBANK WAS UNWILLING TO ACCEPT CHANGES IN THE SYSTEM OF INTRA-MARGINAL INTERVENTION AND FINANCING OF THE EMS, WHICH MIGHT HAVE STIMULATED GREATER USE OF THE MARK AS A RESERVE CURRENCY. FINALLY, THE GERMANS AND SOME OTHER DELEGATIONS, EXPRESSED CONCERN THAT THE EMS MEASURES WERE UNIMPORTANT AND DETRACTED FROM THE NEED TO MOVE TOWARD

3. THE COMMUNIQUE ON EMS MEASURES ISSUED BY THE MARCH 15 ECOFIN BOTH SURPRISED AND PUZZLED MOST OBSERVERS, WHO HAD EXPECTED THE COUNCIL TO PRODUCE A DRAFT RESOLUTION OF NON-INSTITUTIONAL MEASURES DESIGNED TO FURTHER STRENGTHEN THE EMS. THE EMS MEASURES HAVE BEEN UNDER DISCUSSION FOR ALMOST A YEAR NOW (REFTELS) AND WERE TO BE ADOPTED BY THE UPCOMING EUROPEAN COUNCIL. THE COMMUNIQUE UNDERLINED THE NEED AND POSSIBILITY OF FURTHER DEVELOPING THE EMS, BUT ADOPTED NO RESOLUTION AND GAVE THE MONETARY COMMITTEE AND THE GOVERNOR'S COMMITTEE THE TASK OF ADVISING THE COUNCIL ON THE ADOPTION OF A RESOLUTION DURING THE COUNCIL'S MAY MEETING.

4. THE FRG DELEGATION STRONGLY SUPPORTED THE REPORT OF THE GOVERNORS COMMITTEE AND THE MONETARY COMMITTEE, BOTH OF WHICH HAD EXPRESSED STRONG RESERVATIONS CONCERNING THE DRAFT RESOLUTION PROPOSED BY THE COMMISSION. THERE HAS BEEN CONSIDERABLE SPECULATION ON THE REASONS FOR THE VERY TOUGH GERMAN POSITION, PARTICULARLY SINCE IN THE FEBRUARY ECOFIN MEETING (BRUSSELS 3034), GERMAN FINANCE MINISTER MATTHOFER HAD STRONGLY SUPPORTED THE DEVELOPMENT OF THE EMS. THE SEA CHANGE APPEARS TO HAVE COME FROM THE BUNDESBANK WHICH, NEVER ENTHUSIASTIC ABOUT THE EMS MODIFICATIONS UNDER DISCUSSION, TOOK A HARD-LINE POSITION AGAINST SYSTEMIC MODIFICATIONS. THE GERMANS WERE PARTICULARLY CONCERNED ABOUT THE ABSENCE OF CONCRETE STEPS TO PROMOTE ECONOMIC CONVERGENCE. MOST CLOSE OBSERVERS ATTRIBUTE THE GERMAN POSITION TO THREE IMPORTANT CONSIDERATIONS: FIRST, BUNDESBANK HEAD POHL IS RELUCTANT TO APPROVE STEPS WHICH WOULD IN EFFECT TRANSFER AT LEAST SOME AUTHORITY IN MONETARY AND FINANCIAL AFFAIRS FROM THE DOMAIN OF THE CENTRAL BANKS TO THE EUROPEAN COMMUNITY, WHERE IT WOULD FALL UNDER THE CONTROL OF THE ECONOMIC AND FINANCIAL COUNCIL. POHL HAS BEEN STRONGLY SUPPORTED IN THIS MATTER BY GOVERNORS OF A NUMBER OF OTHER EUROPEAN CENTRAL BANKS. SECONDLY, THE BUNDESBANK IS CONCERNED THAT THE MARK IS RAPIDLY BECOMING

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ECU FULFILLING THE ROLE AS A CURRENCY RESERVE AND PAYMENT.

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6. COMMENT: WITH THE EXCEPTION OF THE GERMANS AND TO A LESSER EXTENT THE DUTCH (AND THE BRITISH, WHO ARE NOT FULL MEMBERS OF THE EMS), MEMBER STATE DELEGATIONS SUPPORT MODEST PROGRESS ON THE EMS. GIVEN THE NEW-FOUND INTRANSIGENCE OF THE BUNDESBANK, IT APPEARS UNLIKELY THAT THE EMS WILL MOVE FORWARD OVER THE NEXT SEVERAL MONTHS. END COMMENT. VEST
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~~C O N F I D E N T I A L~~ SECTION 02 OF 02 BRUSSELS 03827

USEEC
TREASURY FOR KORP
A DE FACTO RESERVE CURRENCY, WHICH WILL MAKE IT CONSIDERABLY MORE DIFFICULT FOR THE BUNDESBANK AND THE FRG TO FOLLOW AN INDEPENDENT, DOMESTICALLY-ORIENTED MONETARY AND FISCAL POLICY. (EMBASSY BONN MAY WISH TO COMMENT ON BUNDESBANK AND FRG ATTITUDES.). ONE OF THE EMS MEASURES PROPOSED BY THE EC COMMISSION PROVIDES FOR INTRA-MARGINAL INTERVENTION BY CENTRAL BANKS, WITH FINANCING PROVIDED BY THE VERY SHORT-TERM CREDIT FACILITY, A STEP WHICH WOULD PROBABLY INCREASE INTERVENTIONS AND USE OF THE CREDIT FACILITY. REPAYMENT OF LOANS UNDER THIS FACILITY (WHICH CAN NOW BE MADE IN ECU FOR A MAXIMUM OF 50 PERCENT OF THE LOAN) COULD UNDER COMMISSION PROPOSALS BE REPAID COMPLETELY IN ECU. THE GERMAN CENTRAL BANK HAS EXPRESSED CONCERN THAT THE COMMISSION PROPOSALS DO NOT PROVIDE POTENTIAL CREDITOR NATIONS WITH THE MEANS OF MOBILIZING EXCESS ECU POSITIONS, AND HAS SAID PRIVATELY THAT A PRE-CONDITION FOR THIS STEP IS FOR THE ECU TO ENJOY FULL INSTITUTIONAL CONVERTIBILITY. THE ATTEMPTS OF MONETARY COMMITTEE PRESIDENT SCHULMAN TO WORK OUT A COMPROMISE POSITION WITH THE GERMANS ON THIS ISSUE WERE NOT SUCCESSFUL. THIRDLY, THE GERMANS (AND SOME OTHER DELEGATIONS AS WELL) ARGUE THAT, IN SPITE OF ANY NON-INSTITUTIONAL MEASURES WHICH MIGHT BE TAKEN, THE EMS WILL NOT SURVIVE UNLESS MEMBER STATES' ECONOMIES MOVE TOWARD CONVERGENCE. WITHOUT CONVERGENCE, MODIFICATIONS TO THE EMS WILL BE OF NO BENEFIT AND COULD PROVE TROUBLESOME FOR THE REASONS CITED ABOVE. THE GERMAN DELEGATION MADE IT CLEAR THAT ITS CONCERNS WERE FUNDAMENTAL AND THAT IT MIGHT NOT BE POSSIBLE TO RESOLVE THESE DIFFICULTIES BEFORE THE COUNCIL MEETING IN MAY.

5. ONE MEMBER-STATE SOURCE INDICATED THAT THE FRENCH ARE STILL DETERMINED TO WORK FOR EMS MODIFICATIONS BEFORE THE VERSAILLES ECONOMIC SUMMIT IN JUNE. THE FRENCH ARE REPORTED TO BELIEVE THAT PROGRESS ON THE EMS WILL INDICATE TO THE UNITED STATES THAT THE EUROPEAN MONETARY SYSTEM HAS THE POTENTIAL TO BECOME A VIABLE CURRENCY SYSTEM, WITH THE

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PAGE 01 PARIS 09504 01 OF 02 171545Z
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E.O. 12065: N/A

SUBJECT: DAC DISCUSSION ON RESPONSE TO SECRETARY GENERAL'S TRADE PAPER, MARCH 15, 1982

REFS: A. STATE 66911, B. PARIS 7277

1. SUMMARY. DAC DISCUSSION WAS GENERALLY CRITICAL OF CHAIRMAN'S PROPOSED RESPONSE TO SECGEN'S TRADE PAPER. WHILE ALL AGREED ON DESIRABILITY OF WORKING TOWARDS INTEGRATION OF LDC'S INTO INTERNATIONAL TRADING SYSTEM, THERE WAS LITTLE SUPPORT FOR AN APPROACH WHICH RAN COUNTER TO THE MFN PRINCIPLE AND CALLED FOR AGREEMENT ON TRADE MATTERS THAT WOULD BE DIFFICULT TO ACHIEVE IN THE NEAR FUTURE. MANY DELS WERE CONCERNED THAT ISSUES INVOLVED IN CHAIRMAN'S PROPOSALS WERE OUTSIDE OF DAC JURISDICTION. MANY ALSO FELT PAPER GAVE TOO LITTLE ATTENTION TO ROLE OF ODA AND PROBLEMS OF POORER DEVELOPING COUNTRIES. AS A RESULT OF CRITICISM, CHAIRMAN WITHDREW PAPER. INSTEAD HE WILL CIRCULATE FOR COMMENT A SUMMARY OF THE DAC DISCUSSION WHICH WILL SUBSEQUENTLY BE SUBMITTED ON HIS OWN AUTHORITY AS THE DAC RESPONSE TO THE TRADE PAPER. END SUMMARY.

2. FIRST ITEM ON AGENDA OF MARCH 15 DAC MEETING WAS DISCUSSION OF CHAIRMAN POATS' PROPOSED RESPONSE (REF B) TO SECGEN'S TRADE PAPER (SG (82) 1). CHAIRMAN'S PAPER ADDRESSED ISSUES FROM TRADE AND DEVELOPMENTAL PERSPECTIVE AND OFFERED SPECIFIC AGENDA FOR ACTION. TRADE PERSPECTIVE UNDERSCORES PROGRESS MADE IN ESTABLISHING FREER INTERNATIONAL TRADING SYSTEM, BUT POINTS OUT NEED TO INTEGRATE ALL LDC'S INTO SYSTEM. IN THIS CONTEXT IT WILL BE NECESSARY TO ADDRESS UNFINISHED BUSINESS LEFT IN WAKE OF MFN WHICH IMPORTANT FOR LDC'S. PAPER ALSO NOTES VALUE OF SPECIAL CONCESSIONS GIVEN LDC'S AND BENEFITS TO ALL THAT WOULD ACCRUE FROM OPENING UP OF OVERLY PROTECTED MARKETS IN CASE OF MORE ADVANCED LDC'S. FROM DEVELOPMENTAL PERSPECTIVE, PAPER HIGHLIGHTS SUCCESSFUL "SYNERGISTIC" INTERPLAY OF TRADE AND ECONOMIC GROWTH IN CASE OF MORE ADVANCED LDC'S WHICH HAS AFFIRMED CASE FOR "OUTWARD LOOKING" ECONOMIC STRATEGIES. HOWEVER, POATS INDICATES CONCEPT HAS ONLY LIMITED APPLICABILITY IN TRADITIONAL SOCIETIES. THE ACTION AGENDA PROPOSED INCLUDES BRINGING ALL LDC'S WISHING TO ENJOY FULL BENEFITS OF OPEN MARKETS INTO GATT, WITH PROVISION FOR GRADUAL ADHERENCE TO TARIFF AND NON-TARIFF ARRANGEMENTS. FURTHER TRADE CONCESSIONS WOULD THEN BE DENIED TO THOSE WHO CHOSE NOT TO JOIN. GATT MEMBERS WOULD, INTER ALIA, NEGOTIATE A TIGHTENED SAFEGUARDS CLAUSE PROVIDING MORE SECURE ACCESS FOR LDC PRODUCTS AND AGREE TO PHASE OUT THE REMAINING BIAS IN TARIFFS AGAINST LABOR INTENSIVE GOODS AND RAW MATERIALS PROCESSING. AID PROGRAMS WOULD GIVE HIGHER PRIORITY TO EXPORT PROMOTION AND STRUCTURAL ADJUSTMENT IN COUNTRIES INITIATING OUTWARD-LOOKING STRATEGIES AND AID FUNDS WOULD BE UNIFIED FOR PROCUREMENT

IN ALL LDC MEMBERS OF THE GATT.

3. DAC MEMBERS RESPONSE TO CHAIRMAN'S PAPER WAS GENERALLY CRITICAL. ALTHOUGH PAPER WAS SAID TO BE BOLD AND INTERESTING, ONLY THE AUSTRALIANS WERE PREPARED TO SAY THEY COULD SUPPORT THE OVER-ALL APPROACH. MAIN CRITICAL ATTACK WAS LAUNCHED BY BELGIUM SPEAKING FOR THE EC, AND BY THE REPRESENTATIVE OF THE COMMISSION. (COMMENT: IT IS MOST UNUSUAL FOR THE EC TO SPEAK AS A GROUP IN THE DAC. FACT THAT PAPER DEALS WITH BROAD TRADE ISSUES NO DOUBT MADE THIS INEVITABLE). BELGIAN CRITICISMS WERE THAT ISSUES COVERED WERE NOT IN DAC JURISDICTION AND TOO LITTLE ATTENTION WAS GIVEN TO PROBLEMS OF POORER LDC'S AND ROLE OF ODA. EC REP SAID THEY AGREED WITH OVER-ALL OBJECTIVE OF OPENING MARKETS AND INTEGRATING LDC'S INTO SYSTEM, BUT COULD NOT AGREE WITH THE PROPOSED MEANS. MAIN PROBLEM WAS HARD FORMULA ON RECIPROCITY. EC COULD NOT AGREE TO LIMITING CONCESSIONS TO LDC'S THAT ACCEPT GATT RULES, AT LEAST NOT IN ANY ABSOLUTE SENSE. SUCH AN APPROACH MIGHT LEAD TO TAKING AWAY CONCESSIONS AND BE A BACKWARD STEP IN TERMS OF OVER-ALL LIBERALIZATION. ON THE DEVELOPMENT SIDE, IDEA OF SUPPORTING COUNTRIES ADOPTING "OUTWARD LOOKING" STRATEGIES HAD TO BE NUANCED. LDC'S SHOULD BE ENCOURAGED TO OPEN MARKETS, BUT EXPORT LED DEVELOPMENT WAS NOT THE ONLY STRATEGY AND NOT THE ONE SUITABLE FOR ALL LDC'S. FURTHER, THE PAPER DID NOT GIVE ADEQUATE ATTENTION TO ENCOURAGEMENT OF SOUTH-SOUTH TRADE AND ECONOMIC COOPERATION OR TO LDC'S NEEDS TO DEVELOP FOOD AND AGRICULTURE AND ENERGY, OR TO THE FACT THAT MOST LDC'S WILL BE IN B/P DEFICIT FOR A LONG TIME WITH CONSEQUENT NEED TO DEAL WITH FINANCING PROBLEM WITH ODA AND OTHER RESOURCES.

4. OTHER EC MEMBER DELS ECHOED AND DEVELOPED ONE OR ANOTHER OF THESE CRITICAL POINTS, WITH SEVERAL STRESSING PROBLEMS OF LLDC'S. U.K. OPINED THAT POATS' AGENDA PACKAGE WAS LIKELY PREMATURE, PERHAPS NOT NEGOTIABLE, AND IN ANY EVENT OUTSIDE OF DAC'S COMPETENCE. QUESTIONS FOR DAC WERE (A) ROLE OF AID AND OTHER FLOWS IN MAINTAINING AND ENHANCING

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ING OPEN TRADING SYSTEM, (B) PRIORITY TO BE GIVEN TO TRADE PROMOTION IN AID PROGRAMS, TAKING ACCOUNT OF NEED FOR GRADUATION. DENMARK WAS CONCERNED ABOUT IMPLICATIONS FOR POORER COUNTRIES AND GROUPS WITHIN THEM.

5. NORWAY WAS PARTICULARLY CRITICAL OF POATS' PROPOSALS AND SUGGESTED HIS APPROACH MIGHT LEAD TO A "POLEMICAL WAR." PROPOSALS WERE PREMATURE AND IN ANY EVENT OUTSIDE OF DAC JURISDICTION. DAC SHOULD CONCENTRATE ON ODA. NORWAY WOULD NOT SUPPORT PAPER AS EXPRESSION OF DAC VIEWS. SWEDEN ALSO STRESSED NEED FOR INCREASES IN ODA AND FEARED POATS' PROPOSALS CONFLICTED WITH MFN PRINCIPLE.

6. AUSTRALIA WAS STRONGEST SUPPORTER OF POATS APPROACH AND STRESSED NEED FOR DEVELOPING CONCEPT OF "GRADUATION" NOT ONLY IN TRADE AREA, BUT ALSO ACROSS THE BOARD. REP SUGGESTED THAT ALL AGRICULTURAL PRODUCTS NEEDED TO BE COVERED AND THERE WAS NEED FOR BROADER DEFINITION OF SUBSIDIES IN THIS AREA. EMPHASIS SHOULD A BE PLACED ON IMPROVED TRADE DISPUTE SETTLEMENT MACHINERY, HE SAID. HOWEVER, EVEN AUSTRALIA WAS NOT PREPARED TO ACCEPT THE POATS AGENDA AS A "PACKAGE." SWITZERLAND AGREED THAT "GRADUATION" WAS IMPORTANT; IT WOULD BE NECESSARY TO NEGOTIATE A CLAUSE IN GATT FOR ORDERLY WITHDRAWAL OF PREFERENCES. SWITZERLAND, HOWEVER, COULD NOT ACCEPT HAVING PAPER GO FORWARD AS EXPRESSION OF DAC VIEWS, ALTHOUGH IT DID NOT OBJECT TO CHAIRMAN SUBMITTING IT AS PERSONAL VIEWS. JAPAN, WHILE NOT ATTACKING PAPER IN ANY WAY, MADE BLAND STATEMENT ON IMPORTANCE OF LDC TRADE AND GAVE EXPLICIT SUPPORT ONLY TO FURTHER DAC WORK ON AID FINANCING OF EXPORT DEVELOPMENT, STRUCTURAL ADJUSTMENT AND CONSISTENCY OF MEMBERS' TRADE AND AID POLICIES (TYING).

7. U.S. REE WELCOMED DAAER'S EMPHASIS ON ROLE OF OPEN INTERNATIONAL TRADING SYSTEM IN FOSTERING DEVELOPMENT. HE DISAGREED WITH MANY SPEAKERS WHO SEEMED TO FEEL THAT TRADE WAS NOT IMPORTANT FOR POORER LDC'S. GIVEN THE NEED FOR FOREIGN EXCHANGE TO FINANCE BOTH CONSUMPTION AND INVESTMENT OUTLAYS AND THE SERIOUS B/P PROBLEMS FACED BY MANY LDC'S, EMPHASIS ON INCREASING EXPORT EARNINGS WAS BOUND TO BE A PART OF MOST LDC'S DEVELOPMENT POLICIES. IT WAS CLEAR, HOWEVER, THAT MANY OF THE SPECIFIC POINTS RAISED IN THE PAPER WERE CONTROVERSIAL, AND THE U.S. WAS NOT IN A POSITION TO SUPPORT ITS SUBMISSION AS THE DAC RESPONSE TO THE SECGEN'S TRADE PAPER.

8. IN RESPONSE TO BARRAGE OF CRITICISMS, CHAIRMAN INTERVENED PERIODICALLY TO DEFEND HIS APPROACH ON SPECIFIC POINTS. AT THE END OF THE DISCUSSION, HOWEVER, HE SAID THAT HE WAS WITHDRAWING THE PAPER, WHICH HAD IN ANY EVENT ALREADY SERVED ITS MAIN PURPOSE OF BRINGING TOGETHER TRADE AND AID OFFICIALS IN CAPITALS TO CONSIDER IMPORTANT PROBLEMS THAT NEED TO BE SOLVED "RATHER THAN DANCED AROUND." IN LIEU OF HIS PAPER, POATS PLANS TO CIRCULATE FOR COMMENT A SUMMARY OF THE DAC DISCUSSION, WHICH THEN WILL BE SUBMITTED UNDER HIS OWN AUTHORITY AS THE DAC RESPONSE TO THE

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Attached is our revised draft on the idea of a Global Conference on Economic Growth & Development, reflecting all comments received through close of business yesterday. We have also done a one-page summary.

Any further comments or suggestions would be welcome at any time.

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Jon K. Hartzell *JH*
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Global Conference on Economic Growth and
Development: Discussion Paper Summary

The idea for a Global Conference on Economic Growth and Development (G Con) has surfaced in internal U.S.G. discussions on preparations for the Versailles Summit. The primary U.S. objective of a G Con would be tactical: to avoid being isolated and pressured into acquiescing to an unacceptable form of Global Negotiations (GN) under the auspices of the United Nations in New York. Secretary Haig had mentioned the possibility of a UN Conference on Global Growth and Development in a memorandum to the President last December 27th; Ambassador Kirkpatrick sent a contrasting memorandum giving her view that we "should not propose or encourage such a conference -- at least at this time [December]."

A G Con could be viewed as a logical evolution of the President's concern for developing country economic development, as it was presented at the Ottawa and Cancun Summits. Using the concept of growth as a unifying theme, a G Con could also meet, to a degree, an apparent quest for some concerted global economic dialogue. Properly structured and managed, a G Con could be used to highlight continuing U.S. interest in development problems, to encourage moderate developing countries to engage in practical discussions in other fora, mitigate political pressure on existing specialized institutions, and emphasize that domestic policies and effective use of aid are key elements for successful economic growth.

A G Con would, however, raise many difficult questions regarding the relationship of such an initiative to existing international organizations where the United States has for some time been actively pursuing practical initiatives consonant with the President's philosophy. High-level meetings are scheduled for this year in the IMF, IBRD, OECD, as well as the Summit itself. In addition, there are some extraordinary conferences scheduled for this year, including the GATT Trade Ministerial. A G Con could disrupt this on-going activity and provide another forum for developing countries to pursue unacceptable demands. Moreover, this Administration has sought to differentiate among developing countries and encourage practical approaches to problems. A G Con could renew acrimonious "North-South" bloc politics and rhetorical confrontation as developing countries vent their frustrations at perceived inaction on issues of interest to them.

An ideal G Con would be a consultative rather than a negotiating forum and issue a general communique, not a program of action. The agenda would contain specific economic issues -- not traditional "North South" topics. Finance Ministries and economic advisors from capitals would be the principal representatives, and documentation and organization handled by the IMF/IBRD. However, we would have little assurance that this "ideal" approach could in fact be agreed internationally; we would be pressured to compromise on all aspects.

Other particular pitfalls of a G Con proposal at this time include outright rejection by developing countries who would perceive the G Con as a false alternative for GN, losing control of the G Con with developing countries converting it into a first stage of GN, having our domestic policies needlessly subject to public criticism, and being pressured to give more concessional aid.

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Auth: Mr. Straw to Leonard, 8/23/66
BY AMJ, NARA, Date 2/21/08

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Global Conference on Economic Growth and Development:
A Discussion Paper

Introduction/Overview

The idea of a Global Conference on Economic Growth and Development (G Con) has emerged in the context of USG internal preparations on developing country issues to be addressed at the Versailles Summit. The G Con idea has appeared before in USG internal discussions regarding possible initiatives targeted toward developing countries. A draft version of Secretary Haig's statement to the United Nations General Assembly (September 1981) contained a proposal for an Global Conference on Growth, but it was deleted in the final version. The Haig speech, however, did refer to building "a new strategy for growth." President Reagan's address to the World Affairs Council of Philadelphia referred to U.S. economic principles "to help spark a cooperative strategy for global growth to benefit both developed and developing nations."

In December 1981, Secretary Haig sent a memorandum to the President which mentioned the idea of a "UN Conference on Global Growth and Development in 1983." The Secretary said that proposing such an initiative might be used to attempt to preempt an undesirable form of Global Negotiations (GN), preserve the "Spirit of Cancun", and fulfill the President's four essential understandings on "circumstances that would offer the prospect of meaningful progress" in international discussions. According to Secretary Haig's idea, the U.N. Conference would be preceded by four planning conferences in 1982 covering the subjects areas of Cancun: food and agriculture; energy; trade and commodities; and money and finance. Ambassador Kirkpatrick, in a separate memorandum to the President, stated her view that "we should not propose or encourage such a conference -- at least at this stage" (memo dated December 30).

The purpose of this paper is to lay out for discussion (a) the possible rationale for a G Con based upon U.S. objectives (tactical and/or substantive) which could be served by a properly structured and managed conference; (b) the potential questions that a G Con would raise, particularly in connection with existing international activity and organizations; (c) tactical considerations regarding locus for presenting/generating a proposal for a G Con and probable receptivity of other countries; (d) a proposed statement of the purposes of the conference, an ideal agenda, organization, and operation; and (e) potential pitfalls of a G Con and the methods and prospects for attempting to avoid them.

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-2-

A. Rationale for G Con; U.S. Objectives (Tactical and/or Substantive)

A G Con at this time could "make sense" for several reasons. First, the conference would be a logical extension of the goal of a "cooperative strategy for global growth" cited by the President. The conference would be a natural follow-up to the Cancun Summit and serve to fulfill an apparent quest for concerted global economic activity around the potentially unifying theme of "growth." The conference also would serve to keep up the appearance of continuing last year's high-level effort to show concern for economic growth and development (starting with the OECD Ministerial, running through the Ottawa Summit, UNGA opening session, and IMF/IBRD Annual Meetings, and culminating with the Cancun Summit). Finally, the conference could present a forum to highlight various initiatives that are being explored by countries, either nationally or internationally (e.g., trade, investment, co-financing, food, etc.), and show how these activities, taken together, will help promote economic growth and development.

U.S. objectives, substantive and tactical, for a G Con would be primarily foreign policy ones. The principal U.S. objective would be tactical: to create an alternative in order to avoid the United States from being isolated and pressured into accepting something worse, specifically an unacceptable GN. Other U.S. objectives could include: (1) maintaining/promoting the positive momentum the United States derived from Cancun regarding our relations with developing countries, which, now after five months, some might suggest is flagging; (2) building on the pragmatism that has emerged over the last year among developing countries, i.e., picking up the moderate developing countries' interest in resuming practical work and further isolating radical developing countries which pursue "confrontation" tactics; (3) diverting attention from a perceived U.S. fixation on East-West/strategic considerations and reasserting U.S. interest in economic development problems (this was the strategy of the Haig UNGA speech last September); (4) reaffirming a United States leadership role on international economic issues and demonstrating United States continuing interest in problems of economic development; (5) focusing attention on the historical record as to what development policies have actually succeeded; (6) emphasizing that appropriate domestic policies are the key to economic growth and development and examining the kinds of policies which contribute most to aid effectiveness; and/or (7) highlighting the rationale for U.S. economic policies and demonstrating sensitivity to the effect of domestic policies on the global economy.

These objectives (as drafted) are a combination of defensive tactical goals and broader foreign policy/economic policy efforts to generate improved international atmospherics (at least),

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if not clear up some popular misconceptions of U.S. policy. A G Con should be seen as primarily serving these more general atmospheric/educational objectives, since the Administration, for policy and technical reasons, has for some time been committed to pursuing its specific policy approaches and possible new initiatives within appropriate existing specialized international agencies.

B. Questions Raised by G Con

The question naturally arises as to what a G Con would accomplish that is not already being done or could be done within existing international mechanisms.

A G Con could serve to increase international understanding of the relationship between trade and aid, improve the working relationships among specialized agencies, and act as a "safety valve" to keep political issues and pressures away from specialized international agencies.

There exist, however, other fora where similar -- if not more substantive -- objectives could be accomplished, particularly that of encouraging or engaging moderate developing countries to join in practical discussions. The United States has been or will be actively pursuing economic policies and initiatives consonant with the President's development philosophy, both in these organizations and unilaterally. For example, the sequence of high-level international meetings which last year provided repeated opportunities for this Administration to present and argue its views on economic relations with developing countries will occur again, starting in May (IBRD/IMF Development Committee (May), OECD Ministerial (May), Versailles Summit (June), and Bank/Fund Annual Meeting (September)). In addition, other extraordinary international conferences will take place on trade (GATT Ministerial, November), food (Italian Summit follow-up, April), and energy (follow-up to New and Renewables Conference, June). Preparations are also underway to set the agenda for the UN Conference on Trade and Development's (UNCTAD) Sixth Meeting, scheduled for summer 1983. (Before the notion of GN, UNCTAD's quadrennial conferences were the primary high-level "North/South" negotiating conference.)

Another question a G Con proposal raises is the relationship and interplay between the G Con and existing international agencies. For purposes of this paper, a G Con is assumed to be an extraordinary event with no direct linkages to the operations of established international organizations. Nonetheless, an "activist" G Con could indirectly detract from the on-going work of these agencies, if developing countries perceive (incorrectly) that any policy pronouncements emerging from the conference could influence these activities. Conversely, developing countries could use a G Con to continue to pursue proposals on which they were unsuccessful

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-4-

in the specialized agencies. Active U.S. encouragement for conducting international economic discussions via extraordinary channels (e.g., a G Con) could also serve to strengthen developing countries' resolve to pursue the tactic themselves, e.g., via GN or an equivalent.

Besides this potential for disruption, there is also the possibility of a "backlash" effect on international institutions. The United States has endorsed certain unpopular policies and analyses of the World Bank (e.g., strict performance requirements in structural adjustment lending and policy conditionality in the IBRD's study on Sub-Saharan Africa) and of the Fund (conditionality). To the extent that these institutions are perceived as implementing U.S. policies, there could be negative repercussions on support of the institutions by developing country members -- thus possibly making policy dialogue with developing countries less effective or more difficult. (One of the conclusions of Treasury's MDB Evaluation was that a major strength of multilateral institutions lay in their potential for exerting leverage to persuade countries to adopt appropriate economic policies, leverage that the United States and other countries do not possess individually.) The IBRD already has been subject to criticism by African nations on its Sub-Saharan African study, which some view as a "blueprint" of the U.S. Administration's approach to economic development.

With respect to the realism of our defensive tactical objectives, a proposed G Con is unlikely to be regarded by others as a favorable alternative to GN. As conceived in this paper (see below), a G Con would be a consultative forum, not a negotiating one making recommendations to specialized agencies. A G Con, of course, could be refashioned to be a more palatable alternative by making it more "GN-like." Such a conference would then run the risk of being regarded as the "first stage" of GN. However, assuming that the G Con were to evolve into a GN, then a U.S.-supported G Con could act as a positive influence to make the subsequent stages of (an unavoidable) GN more acceptable than otherwise may have been the case.

A G Con also raises questions regarding this Administration's approach to dealing with developing countries. We have pursued a policy of differentiation among developing countries; a G Con could engender a reversion to "North-South" bloc politics, with developing countries -- frustrated by what they perceive as inaction on development issues -- adopting unified positions at the extreme. A G Con may also raise unfounded expectations that the United States will offer extraordinary trade/aid concessions to appease developing countries. In contrast, we have sought to encourage a realistic, pragmatic approach to issues.

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Finally, using a G Con as a follow-up to Cancun makes the assumption that the G Con could be as well-managed and as "productive" as the Cancun Summit. That Summit had little formal substantive preparation and advanced documentation, occurred in the relatively early days of the Administration's deep involvement in developing its international economic policies, and was at the Heads of State level (with the United States emphasizing the bilateral aspects). Replicating these conditions would be impossible, if for no other reason than that this Administration's views and performance on development and trade issues of interest to developing countries have become more defined and well-known (MDB Assessment, UNGA discussions on GN, Caribbean Basin Initiative, MFA renewal, commodities policies, etc.).

C. Tactical Considerations/International Receptivity

Renewed discussions on a G Con have occurred in the context of preparations for the Versailles Summit. If a G Con were considered worthwhile, the tactical question arises as to where the proposal for such a conference could be made which would offer the best prospects for international acceptance. Implicit in the following discussion is the assumption that if the G Con were proposed by the United States, many countries would resist/oppose on principle alone. Therefore, the proposal should be made by another country perceived as more favorable to developing country interests (e.g., Canada) or "emerge" from international discussions.

As to the venue for proposing or pursuing a G Con, possibilities are:

Verailles Summit: The communique could call for a G Con. This would give G Con high political profile and round out the Summit communique on "North/South" issues with a positive action plan. The G Con could be proposed as "free-standing," unique meeting with limited participation (a la Cancun) or plugged into an international organization. On the other hand, Summit participants' commitment to an untested idea risks being rejected by developing countries (who likely would regard the idea with some suspicion) and is contrary to our goal of keeping Summit communiqes less action-oriented than in the past.

Global Negotiations: If New York discussions appear to begin to pick up steam, but in an unacceptable direction, the G Con could be posed as an alternative to GN. This could place the United States in a positive position of presenting serious alternatives for a global dialogue but consistent with the President's statements at Cancun. As noted above, developing countries are unlikely to regard a G Con as a viable alternative to GN; or, if the G Con were fashioned to resemble a GN process (e.g., conferences covering sectoral issues reporting to a central conference), then similar procedural problems as with GN are likely to arise. A tactical problem would be to ensure that the G Con was clearly an alternative to GN and not pursued simultaneously with GN.

IMF/IBRD Development Committee (DC): The DC could recommend that the Bank/Fund sponsor a G Con and undertake the preparations itself (i.e., agenda, organization, etc.). The DC has a limited membership (and participation from capitals) with a balance of industrialized and developing (including oil-exporting) country representation which could facilitate G Con preparations while portraying the G Con as being representative of all interests. The DC's review of the IBRD's Sub-Saharan African Study could serve as the vehicle for proposing a general conference on growth. The DC's mandate, however, covers only "transfer of real resources" to developing countries; it has not been perceived as an activist, productive, or responsive (to developing countries' interests) "North/South" forum.

United Nations: The General Assembly could call for a conference and have it take place in conjunction with the interim review of the International Development Strategy (IDS) for the 1980s (UN General Assembly review scheduled for 1984, with preparatory work likely in 1983). IDS preparations will entail contributions from regional UN commissions and other international development agencies. Using the UN, however, is likely to lead to a greater politicization of the G Con than otherwise, and engage discussions on a less substantive plane.

UNCTAD: UNCTAD VI scheduled for the summer of 1983 could be used for the G Con. Preparations on the agenda for the conference have just begun and there is some interest in having UNCTAD VI more thematic, with a general focus, than the previous sessions. UNCTAD has a mandate that covers only trade and development, is notorious as an institution for biasing its documentation in favor of developing country interests, and is on the move to gain a foothold in new areas of "North/South" relations, e.g., finance, which a G Con under its auspices could appear to sanction.

D. Nature of Conference: Purpose, Agenda, Organization, and Operations

An acceptable G Con could take various forms to achieve U.S. national objectives. For discussion purposes, their paper makes the following assumptions about such a conference: (a) it is basically economic in nature (although the objectives it serves are primarily foreign policy); (b) participation should be limited to some degree, at least avoiding communist bloc country participation; (c) the conference should be primarily for information exchange/consultations (rather than negotiations) and should have factual documentation on economic issues as background; (d) it should avoid, as much as possible, institutional policy issues (e.g., IMF reform) or issues which are part of an institution's ongoing operational work program; (e) the conference should avoid a North-versus-South orientation, and; (f) it should reflect the U.S. economic principles as presented by the President (trade, investment, assisting self-sustaining food and energy

production, tailored development strategies for individual countries). Achieving international agreement close to these assumptions is likely to be difficult at best, as attested to by the time and effort devoted to the unresolved GN agenda and procedures.

Based upon these assumptions, the following is a sample of the purpose, agenda, organization, and operation of a G Con:

Purpose of Conference

While international agreement would need to be reached, a U.S. view of the purpose of the conference would be to:

- promote shared understanding of world economic outlook;
- explain national policies designed/in place to generate growth;
- stress the key role of appropriate domestic policies for promoting economic growth and development;
- underscore the importance of trade, investment, and private financial flows for economic growth and the contributions of official development assistance, particularly for low-income countries;
- highlight importance of mobilizing domestic resources for growth; and
- provide for informal consultations among economic officials on issues of bilateral interest.

Agenda

The agenda would be constituted primarily of economic topics designed to permit a wide ranging exchange of views. It would be designed to avoid broad sectoral subjects (e.g., trade, energy, food) which are likely to be associated with previous rhetorical "North/South" conferences. Recognizing that such an agenda would be subject to international debate and modification before it is finally adopted, an initial agenda might include the following:

-- Prospects for World Economy

-- National Policies

Anti-inflationary Objectives, (e.g., including monetary,

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-8-

fiscal and regulatory policies)

Promotion of Investment/Savings
(especially investment in energy and food areas)

Role of Government in Fiscal Mangement

Promotion of Productivity

-- International Policies

BOP Financing

Exchange Rates

Trade Regimes

Foreign Investment

External Financial Flows

-- Relationship of National and International Policies

External Debt

Domestic Adjustment Process

Domestic Constraints

Terms of Trade

Worker Immigration/Emigration

Organization of the Conference

Technical support for the conference, country membership, representation, preparation of background documentation, and organization can have an important influence on the nature of the G Con. A possible combination would be the following:

Conference Support: Documentation/support by staffs of IMF and IBRD.

Country Representation: Invitees would be the members of IMF and IBRD.

Representation: Finance/Economic Ministry representatives invited as principal spokesman (with Foreign and Development Ministry participation as well as domestic economic advisers to the Heads of State).

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Statistical Background: Document preparation using global statistics and regional and/or "eight poles" breakout identified by IBRD President Clausen (viz., Western Europe, North America, Japan, Eastern Europe, capital surplus oil-exporting, newly industrialized, populous centers in Asia, and poverty-stricken Sub-Saharan Africa countries).

Organization: Working Groups (chaired by IMF or IBRD officials) reporting to plenary conference chaired by World Bank President or IMF Managing Director (depending upon Development Committee Chairmanship for that year).

Operation

Reports of Working Groups would be oral and on responsibility of the Chairman (i.e., not agreed); the plenary conference would present a final communique issued on the responsibility of the Chairman and reporting on the conference discussions.

E. Pitfalls for the United States/Avoidance Techniques

Even in the best of times, convoking an international conference is fraught with potential hazards, not the least of which is public rejection of an invitation to attend. Assuming that the initial hurdles of having the conference idea adopted are surmounted, there are some potentially severe pitfalls for the United States in which the G Con could develop into an event quite contrary to our interests. Of course, there can never be certainty that any international conference will be "successful" for achieving our national objectives. However, there are pitfalls peculiar to this particular exercise at this time, including the following:

- (A) Conference might be utilized as first phase of Global Negotiations. The structure and agenda of the conference would be formulated with a view to avoiding this specifically by (a) not having the conference under UN auspices; (b) designating Finance Ministry representatives from capitals as principal spokesman; (c) structuring discussion on regional/country groups, not sector topics; (d) making the final communique a factual report and not an action agenda for follow-up.
- (B) Debates on institutional reforms (e.g., in IMF, IBRD) would break out. The agenda could be used to attempt to avoid this by designating economic issues without direct references to the involvement of the specialized international agencies in policy discussions (easy to say, harder to implement).

- (C) Recommendations contrary to U.S. policy and U.S. interests (e.g., increases in concessional aid) will be stressed. Keeping the conference focused on information/idea exchange may mitigate this, but a heavy dose will be inevitable.

- (D) Attacks on U.S. "policies" (e.g., high interest rates, trade protectionism, reduced contributions to MDBs) will get prominence. We can attempt to avoid this by pointing to long-term objectives, the need to make best use of scarce resources, and the need for others not to hamstring the international trade and financial system. In an atmosphere of continued economic stagnation in the major economies, such attacks are likely to be particularly vicious.

Classified by Jon K. Hartzell
 Declassify Review for
Declassification on 3/18/88

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

Mr. Nau 41
File
France Summit
(issues)

~~LIMITED OFFICIAL USE~~

(UNCLASSIFIED w/o ATTACHMENT)

March 18, 1982

MEMORANDUM

TO : NSC, Mr. Henry Nau ✓
State/IO, Mr. Gordon Streeb
Treasury, Mr. Thomas Dawson
USTR, Ms. Doral Cooper
State/SEN, Mr. Edward Lollis *cm*

FROM : AID/PPC, Constantine Michalopoulos

SUBJECT: Food Initiatives

I am attaching a paper containing some of our preliminary thoughts about possible initiatives in the food area that could be developed in the context of the Versailles Summit.

Attachment: a/s

~~LIMITED OFFICIAL USE~~

smf 2/21/08

(UNCLASSIFIED w/o ATTACHMENT)

Versailles Summit
Possible U.S. Food Initiatives

I. Background

At the Ottawa Summit, the U.S. committed itself "to explore all avenues of consultation and cooperation with developing countries in whatever forums may be appropriate." Throughout 1981, at Ottawa, in his Philadelphia speech and at the Cancun Conference, the President has focused on food as a critical but promising area of international cooperation for development.

- In Philadelphia he stressed that "Increasing food production in developing countries is critically important. It is also an indispensable basis for overall development." In discussing our assistance programs, he stated that "our emphasis will be market-oriented policies....this approach will create rising agricultural productivity, self-sustaining capacity for research and innovation, and stimulation of job-creating entrepreneurship in rural areas."
- At Cancun, the President specifically offered to send Agricultural Task Forces to promote world food security to those nations that requested them.

The above concepts focus on the two basic evolving ideas that hold hope for promoting world food security. First, actions taken by individual developing countries are fundamental to world food security. Neither global organizations nor major grain exports acting collectively or individually can solve the problem. Second, proper use of food aid and agricultural assistance can make a contribution to food security. This paper explores approaches for a U.S. initiative that could be developed for the Versailles Summit. The President's Vatican visit following the Summit could also be an occasion during which these ideas could be explored. The first idea focuses on helping individual countries to help themselves by building upon the President's Cancun initiative to establish Agricultural Task Forces. The second discusses approaches to strengthen the national food reserve systems of developing countries. These alternatives need to be considered in the context of the large stocks of grain forecasted for the near future in the U.S. Strengthening of LDC reserves presents an opportunity to help address short-run U.S. agricultural objectives while promoting long-term food security.

II. International Agricultural Task Forces

Following the Cancun Summit meeting, the U.S. has announced Agricultural Task Forces for Peru and Egypt. An announcement is expected soon about Thailand. Liberia and Venezuela have had preparatory teams in-country, and ground work is being laid for Honduras, Sudan, and Morocco.

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-2-

These Task Forces raise to the highest decision-making levels in the requesting countries the major constraints to increasing food production and accelerating agricultural development--and recommend alternative approaches to alleviating those constraints. They emphasize three interrelated, strategic elements of agricultural development: (a) country policies; (b) science and technology; and (c) the private sector. Plans to date would have them comprised solely of American experts from universities, agriculture-related businesses, cooperatives, farmers and government agencies.

Proposal

It is proposed that the Agricultural Task Forces, while retaining U.S. leadership be broadened to permit wider participation by others. We would base this initiative on the significant interest shown in the Task Forces by several developing countries. We would offer to expand the number of countries we assist, add members from other countries to selected teams, and possibly conduct joint efforts with other donors. In particular, We would draw talent from more advanced developing countries with obvious professional and political advantages.

In the initial stages, to assure our leadership, international participation would be primarily accomplished by recruitment of international experts who would be serving in their individual capacities - although joint efforts with other donors would be undertaken, provided mutuality of interests and approaches to development could be assured.

At a later stage as we gain further experience, this approach could evolve further to include other donors and international institutions in both the development of the scope of work and the leadership of the task forces. This evolution would need to be undertaken with care: Institutional involvement by other bilateral donors and international organizations would obviously add further to the capacity of the Task Forces and their international dimension. However, such involvement may result in the dilution to some extent of the focus of the task forces as we may have to accommodate potentially divergent views of other donors and institutions. Moreover, the complexity of managing the task forces would increase significantly.

The U.S. would prepare the ground for this initiative by sounding out other donors in the preparation for the Versailles Summit and proceeding with a suitable announcement at the Summit.

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III. Strengthening National Food Reserve Systems

The pursuit of greater food security for developing countries depends primarily on the developing countries themselves. An improved policy environment in these individual countries is necessary to mobilize investment in agriculture in coordination with pricing and other policies that stimulate food production. Also, it has been shown that such policies when they are combined with prudent stock accumulation and management at the national level can go a long way in cushioning the impact of production shortfalls resulting from adverse climatic circumstances or temporary worldwide food shortages. Improving local food production and strengthening management of food in the developing countries are the keys to long-term food security. Also, they will do more to stabilize domestic consumption than will dependence upon world food stocks.

However, short-term food problems exist and food reserves are important for orderly transition toward greater world food security. The inherent problems and costs in negotiating an international agreement on grain reserves suggest that further progress may be found through national actions made possible by adequate world reserves.

The timing of the building up of reserves is also important. Reserves should be built up during periods of relatively abundant world food supplies. Current forecasts show that during this year and next, world food supplies will be relatively more plentiful as a result of good crops in the U.S. and elsewhere. Building up of LDC reserves during this period could be helpful to U.S. agricultural export interests.

Unfortunately, many LDCs in the past have relied on the U.S. and other exporters to hold reserves, either because the costs of holding reserves themselves appeared too high or because they lacked the required financing. Last year's establishment of the food import window of the CFF in the IMF strengthened LDC financial capacity to import food. However, the purpose of the window is to provide assistance during periods of shortfall or high prices - not to build up stocks.

The challenge of the moment is how to take advantage of the relatively abundant food supplies to (a) promote better LDC food production and management policies; (b) enhance long-term LDC food security by helping build LDC reserves; while (c) strengthening the market for U.S. food.

The greatest contribution that the U.S. can make in helping LDCs to build up reserves and enhance their food security is to maintain ample food supplies ourselves. How we intervene in the market to manage supplies, is also of great significance to the world food system.

PL 480 and other food aid programs can be used to promote better LDC food policies while strengthening LDC food stocks. However, current budgetary constraints in the U.S. cast doubt about the ability of the U.S. to provide additional financing through PL 480 to stock additional food reserves in LDCs.

On the other hand, a number of financial proposals have been put forward notably by the World Food Council and will be discussed at its 8th Ministerial Meeting on June 21-24, 1982.

Proposal

Against this background, the summit process can be used to (a) draw attention to the issue of food security and (b) to pave the way for subsequent action at the national level. At the Summit we could:

- Emphasize the importance of LDC national food strategies to the achievement of long-term food security objectives. In this connection, we could link the Agricultural Task Forces initiative to assistance in the development of such strategies.
- Secure agreement by other Summit countries on the importance of using food aid to enhance LDC food production prospects as well as increase their current food availabilities.
- Indicate our willingness to explore with others mechanisms that would help LDCs finance the acquisitions of grain stocks - such as those proposed by the WFC. In this context we would stress (a) that LDC access to such mechanisms would need to be conditioned on LDC assurances that the reserves are used in support of effective domestic food strategies (b) the important responsibilities of countries in financial surplus to provide assistance in this area.
- Indicate our own commitment to pursue policies that maintain ample food supplies and avoid disruption of the international markets for food.

AID/PPC -- March 18, 1982

Canadian Embassy



Ambassade du Canada

*File
France
Summit
(issued)*

~~CONFIDENTIAL~~

1746 Massachusetts Ave. N.W.,
Washington, D.C. 20036-1985.

March 17, 1982.

Dear Bob,

As agreed at the last meeting of Summit Personal Representatives, de Montigny Marchand has prepared some preliminary thoughts for the paper on North/South issues which the Italians are preparing. I attach the text of his letter to Mr. Berlinguer conveying these thoughts.

Yours sincerely,

G. E. SHANNON

G. E. Shannon
Minister (Economic)

The Hon. Robert D. Hormats,
Assistant Secretary for Economic
and Business Affairs,
State Department,
Washington, D. C.

c.c. Mr. Henry Nau,
Senior Staff Member,
National Security Council,
Room 392,
Old Executive Office Building,
Washington, D. C.

DECLASSIFIED
NLRR 007-081 #51095
BY ON DATE 4/26/88

~~CONFIDENTIAL~~

3.TEXT OF LET BEGINS.QUOTE DEAR SERGIO,

I AM WRITING TO YOU PURSUANT TO OUR RECENT MEETING OF PERSONAL REPRESENTATIVES ON FEBRUARY 27-28 AND, SPECIFICALLY, IN RESPONSE TO THE SUGGESTION THERE THAT WE SHOULD PROVIDE VIEWS ON THE INDIVIDUAL ISSUE PAPERS TO BE PREPARED.SINCE YOU HAVE GENEROUSLY AGREED TO TAKE ON THE NORTH-SOUTH PAPER,THE FOLLOWING REPRESENT SOME INITIAL THOUGHTS WHICH YOU MIGHT WISH TO TAKE INTO ACCOUNT IN DRAFTING THE PAPER.I REALIZE,OF COURSE,THAT IT WILL BE UNDERTAKEN PURELY ON YOUR OWN RESPONSIBILITY.

(1)OUR BASIC PREMISE IS THAT WE SHOULD BUILD ON AREAS OF AGREEMENT AT PREVIOUS SUMMITS.IN PARTICULAR,I THINK WE WERE ALL GRATIFIED AT

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BY AI NARA DATE 4/20/10

PAGE TWO ECR0392 CONFD

THE SUCCESS OF OUR JOINT EFFORTS LAST YEAR IN PREPARING THE REPORT OF PERSONAL REPRESENTATIVES ON NORTH-SOUTH ISSUES. THIS PAPER WAS UNIQUE IN THAT IT HAD ORIGINALLY BEEN REQUESTED BY OUR LEADERS AT VENICE; AND, ALTHOUGH THERE IS NO INTENTION OF REPEATING THE TECHNIQUE, I BELIEVE THERE IS MUCH IN THE PAPER WHICH REMAINS VALID. THE PAPER WAS A SERIOUS ATTEMPT NOT ONLY TO REACH A COMMON ANALYSIS OF PROBLEMS BUT ALSO TO LAY THE BASIS FOR CONCERTED POLICY ACTIONS. MANY OF ITS CONCLUSIONS ARE REFLECTED IN THE SUMMIT COMMUNIQUE AND I BELIEVE THE DISCUSSION AMONG OUR LEADERS SHOWED THEY COULD FORM THE BASIS FOR A NEW AND MORE COHERENT APPROACH TO OUR RELATIONS WITH THE DEVELOPING COUNTRIES. THE MOST PRODUCTIVE APPROACH MIGHT THEREFORE BE TO TAKE THAT PAPER AS A POINT OF DEPARTURE AND BUILD FURTHER UPON IT. WITHIN THIS CONTEXT, IT WOULD BE USEFUL TO EXAMINE: WHETHER THE GENERAL CONSIDERATIONS AND OBJECTIVES OUTLINED IN THE PAPER STILL REMAIN VALID IN 1982 (AND, IF NOT, WHY NOT); AS WELL AS THE EXTENT TO WHICH WE HAVE MET THE OBJECTIVES WE SET OURSELVES AT OTTAWA FROM THE PERSPECTIVES OF BOTH TACTICS AND PROCESS AS WELL AS SUBSTANCE.

(II) ALTHOUGH IT WAS THE GENERAL FEELING AT OUR FEBRUARY 27-28 MEETING THAT NORTH-SOUTH NEED NOT, AS A SEPARATE ISSUE, BE GIVEN THE SAME CONCENTRATION IN LEADERS DISCUSSIONS AT VERSAILLES THAT IT HAD RECEIVED AT OTTAWA, I BELIEVE IT WAS ALSO FELT THAT WE WOULD ALL NONETHELESS WISH TO ENSURE THAT IT WAS GIVEN APPROPRIATE REFLECTION AND RECOGNITION IN THE FINAL COMMUNIQUE OR DECLARATION, AS THE CASE

PAGE THREE ECR0392 CONF

MAY BE INADEQUATE TREATMENT OF THE ISSUE IN A PUBLIC DOCUMENT
COULD-AND PROBABLY WOULD-BE MISINTERPRETED BY OUR DEVELOPING-COUNTRY
PARTNERS AS A SIGN OF DECLINING INTEREST AND COMMITMENT. I THINK THAT,
IN THIS CONTEXT, YOUR PAPER WILL TAKE ON ADDED IMPORTANCE AS PROVIDING
THE INTELLECTUAL BUILDING-BLOCKS FOR THE FINAL COMMUNIQUE/DECLARATION.

(III) WITH RESPECT TO TACTICS AND PROCESS, WE WILL CLEARLY WISH TO
REAFFIRM OUR INTEREST IN, AND COMMITMENT TO, PURSUING THE OVERALL
QUOTE DIALOGUE UNQUOTE WITH THE DEVELOPING COUNTRIES. WITH REGARD TO
THE SPECIFIC MECHANISM OF GLOBAL NEGOTIATIONS, WHILE, LIKE ALL OF US, I
SINCERELY HOPE THAT THE ISSUE WILL HAVE BEEN RESOLVED BY THE TIME OF
THE SUMMIT IN JUNE, THE SITUATION MAY WELL REMAIN UNCLEAR EVEN THEN.
ANY SUMMIT POSTURE ON THIS ISSUE MUST CLEARLY AWAIT DEVELOPMENTS
CLOSER TO THE TIME AND I THEREFORE ASSUME YOU WOULD NOT WISH TO GO
INTO THE MATTER IN DETAIL IN YOUR PAPER AT THIS STAGE. DEPENDING ON
WHETHER GLOBAL NEGOTIATIONS ARE LAUNCHED BY JUNE, OUR LEADERS WILL
PROBABLY WANT TO DISCUSS EITHER HOW THEY CAN BE SUPPORTED AND MADE
EFFECTIVE, OR WHAT ALTERNATIVE APPROACHES MAY BE NECESSARY.

(IV) WITH RESPECT TO SUBSTANCE, I BELIEVE THERE ARE TWO MAJOR ISSUES
OUTSTANDING FROM LAST YEAR UPON WHICH YOU MAY WISH TO CONCENTRATE:
ENERGY DEVELOPMENT AND FOOD PRODUCTION AND SECURITY. WITH RESPECT TO
THE FORMER, AND AS I MENTIONED AT OUR MEETING, I BELIEVE IT WOULD BE
USEFUL TO EXAMINE AGAIN-AND IN THE CONTEXT OF A VERY DIFFERENT
SITUATION-MEANS OF INCREASING ENERGY PRODUCTION IN NON-OIL DEVELOPING
COUNTRIES, INCLUDING THE POSSIBILITY OF A MULTILATERAL FUNDING

PAGE FOUR ECR0392 CONF

INSTITUTION SUCH AS A WORLD BANK AFFILIATE. IT SEEMS TO ME, IN FACT, THAT WE SHOULD BE USING THE PRESENT TIME OF OIL MARKET SURPLUS TO EXPLORE MORE CAREFULLY HOW THE INTERNATIONAL COMMUNITY, INCLUDING THE OIL EXPORTERS, COULD COOPERATE TO ASSIST THESE COUNTRIES IN MEETING THEIR FUTURE ENERGY NEEDS. (SINCE CANADA HAS AGREED TO TAKE THE LEAD IN DISCUSSING THESE QUESTIONS IN THE HIGH LEVEL MONITORING GROUP ON ENERGY, WE WILL WISH TO KEEP IN PARTICULARLY CLOSE TOUCH WITH YOU ON THIS ASPECT OF YOUR WORK.) SIMILARLY, I THINK IT WOULD BE PARTICULARLY OPPORTUNE TO GIVE DETAILED EXAMINATION TO THE FOOD ISSUE IN THE LIGHT OF BOTH YOUR OWN GOVERNMENTS INITIATIVE AND THE PRIORITY ATTACHED TO THE ISSUE AT CANCUN (AS WELL AS THE FACT THAT THE WORLD FOOD COUNCIL WILL BE MEETING AT MINISTERIAL LEVEL ONLY TWO WEEKS AFTER THE SUMMIT).

(V) ANOTHER MAJOR ISSUE OF SUBSTANCE WHICH I SUGGEST COULD USEFULLY RECEIVE DETAILED TREATMENT THIS YEAR IS THAT OF OUR TRADING RELATIONS WITH DEVELOPING COUNTRIES—AN ISSUE OF PARTICULAR IMPORTANCE IN 1982 GIVEN THE CONVENING OF THE GATT MINISTERIAL MEETING IN NOVEMBER. WHILE THIS WILL UNDOUBTEDLY ALSO FEATURE IN NOBUO MATSUNAGAS TRADE PAPER, I THINK ITS OBVIOUS IMPORTANCE ALSO WARRANTS SOME DETAILED TREATMENT WITHIN THE NORTH-SOUTH PERSPECTIVE. THERE ARE THOSE ISSUES WHICH HAVE OFTEN BEEN GROUPED UNDER THE HEADING QUOTE GRADUATION UNQUOTE BUT WHICH MIGHT BETTER BE DESCRIBED IN MORE PRECISE AND LESS CONDESCENDING LANGUAGE. WE NEED TO COME TO GRIPS WITH HOW TO INTEGRATE THE DEVELOPING ...5

PAGE FIVE ECR0392 CONF

COUNTRIES MORE FULLY INTO THE GATT SYSTEM. THIS WOULD INVOLVE THEIR ACCEPTING INCREASING OBLIGATIONS (EG JOINING THE CODES, BINDING TARIFFS) CONSISTENT WITH THEIR LEVEL OF DEVELOPMENT AND CONJOINTLY ASSUMING A MORE IMPORTANT ROLE IN THE MANAGEMENT OF THE SYSTEM. THERE IS ALSO THE ISSUE OF INCREASING DIFFERENTIATION IN OUR GSP SYSTEM TO ENSURE THAT THERE IS AN EFFECTIVE AND EQUITABLE DISTRIBUTION OF THE BENEFITS OF THIS TARIFF TREATMENT IN A WAY WHICH REFLECTS THE DEVELOPMENT PURPOSE FOR WHICH THE SCHEME WAS CREATED. THESE ISSUES MUST BE ADDRESSED WITH CARE BUT THEY ARE ESSENTIAL COMPONENTS OF THE TRADE POLICY AGENDA FOR THE 1980S.

(VI) FINALLY, GIVEN THE CURRENT GLOBAL MACROECONOMIC PROSPECTS, I BELIEVE IT WOULD ALSO BE USEFUL TO EXAMINE THE BALANCE OF PAYMENTS SITUATIONS (INCLUDING DEBT ASPECTS) CURRENTLY FACED BY DEVELOPING COUNTRIES. IN THIS CONTEXT IT MIGHT BE WORTHWHILE ALSO LOOKING AT THE RESOURCE SITUATION OF THE INTERNATIONAL DEVELOPMENT BANKS.

WHILE THERE ARE CLEARLY MANY OTHER ISSUES OF IMPORTANCE WHICH YOU MAY WISH TO ADDRESS, THESE SEEM TO ME AMONG THE ESSENTIAL PROBLEMS WHICH COULD USEFULLY BE EXAMINED AND ADDRESSED. I TRUST THESE COMMENTS WILL BE OF SOME ASSISTANCE IN YOUR TASK. YOURS SINCERELY, DE MONTIGNY MARCHAND UNQUOTE TEXT ENDS.