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Withdrawer

SMF 2/25/2008

File Folder FRANCE-ISSUES (11)

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S2007-081

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NOUZILLE

182

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
51146	CABLE	280236Z APR 82 R 4/20/2010 M2007-081	4	4/20/1982	B1
51147	MEMO	NAU TO CLARK RE FRENCH CONCERNS ABOUT BUDGET DEVELOPMENTS R 4/23/2010 NLRRM2007-081	1	4/29/1982	B1
51148	CABLE	301637Z APR 82 R 4/20/2010 M2007-081	3	4/30/1982	B1
51149	PAPER	RE TACTICS AND MEETINGS POST-APRIL 23 R 4/20/2010 M2007-081	4	ND	B1
51150	MEMO	NAU TO CLARK RE MEETING WITH ATTALI REPRESENTATIVES ON TECHNOLOGY REPORT R 4/23/2010 NLRRM2007-081	2	5/7/1982	B1

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OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

April 28, 1982

*France
Summit
(Issues)*

MEMORANDUM TO: Executive Committee of USTR
Teresita Schaefer - State
Don Eiss - Commerce
Mary Chaves - Treasury
Elinor Sachs - CEA
Henry Nau - NSC
Rick Nygard - OMB
John Hudson - Agriculture
Betsy White - Labor
Stuart Chemtob - Justice

From:

Dick Self *DS*

Subject:

Briefing Paper for the Schulz Trip

Please provide me with your comments regardint the
attached briefing paper by c.o.b. Thursday, April 29
(telephone: 395-5666). Thank you.

Attachment

TRADE

Recession in North America and Europe, following on the heels of the Tokyo Round, has led to the inevitable slowdown in trade flows. World exports grew by only 1 percent in 1980 and stagnated in 1981. The recession has limited the process of structural adjustment in a number of the traditionally import-sensitive sectors and has significantly depressed the economies of many developing countries where growth is closely related to consumer demand in the industrial world. We are now facing a pattern of oftentimes unhealthy efforts at export expansion combined with stagnant demand for imports. Characteristic examples include European efforts to export steel products at dumped or subsidized prices and a smattering of "reciprocity" bills in the U.S. Congress that provide additional tools to restrict imports. At the same time Japan is significantly increasing its trade surplus, from under \$2 billion in 1980 to over \$20 billion in 1981, at the expense of a continually restrictive import market.

The Summit must address these fundamental problems in a positive way but without ignoring major issues of sensitivity, such as the Japanese import market. It should reaffirm the commitment to an open market system by stressing the fundamental economic strengths that it brings. It should in the same breath reaffirm the importance of fair trade following the principles established by the GATT.

Assuming there is general acceptance of this basic position, we believe the President should propose at least two concrete actions at the Summit in the trade area: (1) a commitment to making positive achievements at the November meeting of GATT Ministers that will serve to strengthen GATT as the central institution for developing trade disciplines. In addition to a review of the Tokyo Round agreements and GATT institutional processes, the Ministerial should address the emerging issues in trade heretofore not addressed by the GATT. These include trade in services, high technology products and trade-related investment issues; (2) a major initiative aimed at liberalizing trade between developed and developing countries. The centerpiece would be a proposal for a round of trade negotiations in the GATT to improve LDC access to the markets of the industrialized countries. Special tariff rates would be offered in return for non-discriminatory liberalization of the LDC's own trade regimes.

The challenge to these trade initiatives is likely to arise out of the basic reticence of the Europeans to tackle the new issues when they are beset with fundamental economic problems of their own. A structural problem that complicates trade and other issues is the recent inability of the European Commission to speak for the Community because of the broad philosophical

differences that now exist among the leaders of some of the important member states. The Summit, of course, is an opportunity for some consensus-building-within-the EC, and we should capitalize on it in the trade area.

Ministerial and LDC Initiative

GATT Ministerial

The basic elements of the emerging issues to be launched at the GATT Ministerial include: (1) a work program to examine existing barriers to service industries, an analysis of what principles of international trade should govern these sectors, and the formulation of a code of conduct in the GATT covering all service industries; (2) a major effort to identify barriers and structural problems that affect trade in high technology items; and (3) a work program aimed at developing multilateral limits on countries' use of trade and investment-distorting measures, such as investment barriers, incentives, and trade-related performance requirements.

agreed?

Trade With Developing Countries

The Administration is developing a major initiative aimed at liberalizing trade between the developed and developing countries. The centerpiece would be a proposal (attached) for a round of trade negotiations in the GATT to improve LDC's access to developed countries' markets in return for non-discriminatory liberalization of the LDC's own trade regimes.

Ambassador Brock has begun consultations on the proposal with our major LDC trading partners and, in a very preliminary way, with other developed countries. The major developing countries in Asia and South America have been mildly encouraging to enthusiastic about the proposal. Developed countries also have shown substantial interest, although their capitals have not had adequate time to provide in-depth responses. Ambassador Brock intends to present the proposal to the OECD Ministerial on May 10-11. This would set the stage for President Reagan to discuss the proposal at the Versailles Summit. The North-South Round on market access would be a tangible, economically meaningful follow-up to President Reagan's pledge last October at Cancun "to carry out the commitment in the Ottawa Summit Declaration to conduct a more formal dialogue (with the developing countries) ... in specialized international agencies." We will seek an endorsement of the North-South Round by the GATT Ministerial meeting in November 1982, with the preparatory phase of the round to begin in early 1983.

It would be extremely helpful if you could discuss the need and proposed framework for the North-South Round during your meetings in the Summit capitals. The attachment may be left with officials in developed country capitals on an informal basis. An important point to stress is that the North-South Round would be

a far more meaningful exercise for all countries than any so-called Global Negotiations in the UN.

Problems of Specific Concern:

(1) Japan - There is concern that the Summit will be highlighted by a series of statements aimed at the problem of the large Japanese trade surplus and her failure to take steps to open up her import market. The Japanese are planning to announce a number of measures before the Ministerial that are designed to demonstrate concrete steps in the direction of openness. If their actions are as relatively insignificant as the 67 "actions" taken in March, it is not likely to improve the climate. Your Tokyo visit could be especially useful in doing some stock-taking on the nature of these actions and how they will be perceived by the rest of the world. We believe that it is healthy to press the Japanese at the Summit so long as the pressure is along the lines of export promotion rather than import protection, which could distinguish our approach vis-a-vis some of the European participants.

(2) Agriculture - Paradoxically the EC is accelerating its costly support for agriculture at a time when it is being subjected to some of the most intense criticism in this area. The U.S. wants to raise agriculture in a meaningful way at the GATT Ministerial with the hope that a fundamental re-thinking can eventually emerge in this volatile area. The EC has resisted the idea because of their concern that such an exercise would be a global condemnation of the CAP. The Summit should at a minimum establish the necessity to work through agricultural problems in a multilateral framework with continued efforts to address problems of subsidies and quotas that are unique to all countries.

(3) Steel - This issue, while not ideal for Summitry, may become a topic because of the resurgency of dumping and countervail actions in the U.S. combined with the abolition of the Trigger Price Mechanism. The unhealthy condition of the steel industry in the U.S. and the EC has contributed to an element of brinkmanship by forcing the deadly issue of subsidy through government ownership to the test of our unfair trade laws. We should stress at this stage that we must talk about a solution to the problem through discussion while respecting the present legal process Congress has mandated.

(4) Reciprocity - If raised by the other participants, it would be useful to clarify exactly what the President's objectives are in the pending bills before Congress on this subject. Specifically we oppose any legislation that applies reciprocity sectorally; we would not agree to any form of legislation that requires the President to take reciprocal action if it violates our international obligations. Much of the "reciprocity" legislation is a relatively healthy Congressional outlook on trade -- especially in a recession. Its thrust is to establish trade fairness rather than trade protection.

I. U.S. Objectives

During the next several years, the United States seeks to achieve a number of objectives with regard to the developing countries. The GATT Ministerial meeting in November offers an excellent opportunity to launch a process that would enable us to achieve our objectives. Briefly, our trade objectives vis-a-vis the LDCs through the mid-1980s are:

- to improve U.S. market access in rapidly expanding LDC markets, particularly in advanced developing countries in which U.S. exporters have identified serious impediments to foreign goods and services.
- to strengthen the GATT as an institution for dealing with issues in DC-LDC trade; in this regard, we wish to see continuing progress in implementing graduation.
- to carry out President Reagan's commitment at Cancun to work with developing countries to make trade an effective force for economic development in the Third World.
- to divert attempts to move trade issues increasingly under the authority of political bodies such as the U.N. General Assembly.
- to obtain a renewal of the U.S. Generalized System of Preferences (GSP) in a manner that provides additional graduation for the advanced beneficiaries and greater relative benefits for the less advanced beneficiaries.
- to obtain LDC support for our proposed framework for GATT work in the 1980s (e.g., agriculture, services, investment, high-tech).

II. Proposal for North-South Round

Recent consultations with developing countries in the context of preparing for the GATT Ministerial and in other North-South fora have revealed that a major trade objective of the LDCs is to reduce or eliminate the remaining import barriers to their products in developed countries. There is substantial dissatisfaction among the LDCs with the degree of improved market access that they obtained in the Tokyo Round. LDC interest in tropical products,

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tariff escalation, structural adjustment, etc., all boil down to a strong desire to improve their access to developed country markets. We believe that many LDCs would be willing to make concessions in order to obtain additional liberalization of developed countries' trade regimes.

A review of trade developments during the 1970s and the growing interest in Third World markets on the part of U.S. producers and suppliers suggest that significant economic benefits for the United States and other developed countries could be achieved by a reduction in the LDCs' barriers to foreign goods and services. LDC imports from the world during the period 1970-1980 increased at an average annual rate of 23.7 percent, compared to 20.7 percent annual growth in world imports during the same period. Currently the developing countries purchase nearly 40 percent of U.S. exports (\$89 billion in 1981), which is 20 percent greater than U.S. exports to the EC and Japan combined. The substantial growth of U.S. exports to the Third World (average annual rate of 19 percent during 1970-81) has occurred in spite of significant protectionism in developing country markets. At the product or industry level, the growing importance of Third World markets and potential U.S. exporters' growing frustration with LDCs' import barriers indicate a strong desire on the part of the U.S. private sector to seek additional liberalization of LDCs' trade regimes.

In order to respond to the desires of both the LDCs and the U.S. private sector in a manner consistent with the other objectives of U.S. trade policy toward the LDCs, the United States should work for a decision by the GATT Ministerial to call for a major round of trade negotiations between developed and developing countries. The purpose of the North-South Round would be to provide all developing countries with improved access to developed country markets at the same time that developing countries open their markets further to foreign goods and services.

Tariff concessions by developed countries would be on a preferential basis for all developing countries, with a convergence of the MFN and LDC rates over a period of time to be stipulated at the time of an agreement. In return, developing countries would be required to undertake agreed liberalization steps on an MFN basis. LDC liberalization would not be limited to tariff concessions; in some countries it might be more appropriate to liberalize quantitative restrictions on goods, barriers to trade in services, import licensing procedures, trade-related investment requirements, etc. The negotiating procedure would be similar to that used during the MTN, i.e., negotiations would be conducted bilaterally, with concessions being incorporated in each

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country's GATT obligations. Although the North-South Round would be conducted under the auspices of the GATT, contracting parties could negotiate parallel agreements with non-members (e.g., Taiwan, Mexico). All major developed countries would be expected to complete a series of bilateral negotiations with individual developing countries.

USTR: DCV: 4/22/82

~~SECRET~~

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NATIONAL SECURITY COUNCIL
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EXDIS, BRUSSELS FOR USEEC, EMB INFO; PARIS ALSO FOR USOECD
E.O. 12065: RDS-3 4/26/02 (BUCKLEY, JAMES L.)
TAGS: EFIN EEW T UR
SUBJECT: BUCKLEY INTERAGENCY MISSION: FOLLOW-UP ON
- APRIL 23 MULTILATERAL MEETING

REF: PARIS 14535

1. ENTIRE TEXT SECRET.
2. SUMMARY. AS INDICATED REFTEL, PARTICIPANTS AT APRIL 23 MEETING AGREED THAT FOLLOW-UP SESSION WILL BE HELD IN PARIS MAY 14 PARALLEL TO BUT SEPARATE FROM NEXT "SHERPA" SESSION. IF WE ARE TO HAVE PRODUCTIVE SESSION ON MAY 14, IT IS OF GREATEST IMPORTANCE THAT, DURING THE INTERVENING PERIOD, OTHER SUMMIT PARTICIPANTS WORK ON TWO PARALLEL SUPPORTING TRACKS TOWARD: (A) A CONSENSUS ON THE LIKELY DEVELOPMENT OF THE SOVIET UNION'S HARD CURRENCY POSITION THROUGH 1990 AND (B) AGREEMENT ON A MECHANISM AND ITS FORM OF OPERATION WHICH WOULD LIMIT OR CONTROL THE FLOW OF OFFICIAL CREDITS AND OFFICIALLY GUARANTEED CREDITS TO THE SOVIET UNION DURING THAT SAME TIME PERIOD. AT THE APRIL 23 MEETING, LORD BRIDGES (UK) SUGGESTED THAT AGREEMENT ON POINT (B) SHOULD AWAIT DEVELOPMENT OF CONSENSUS ON POINT (A). WITH SUPPORT OF OTHER DELEGATIONS, UNDER SECRETARY BUCKLEY ARGUED AGAINST THIS APPROACH, AND WE BELIEVE IT IS IMPORTANT TO NAIL DOWN CONCEPT THAT TWO EXERCISES WILL GO ALONG IN TANDEM. END SUMMARY.

3. FOR PARIS. LETTERS IN PARAGRAPHS SEVEN AND EIGHT SHOULD BE DELIVERED TO JEAN-CLAUDE PAYE AND JACQUES ATTALI FROM UNDER SECRETARY BUCKLEY.

4. FOR BONN. LETTER IN PARAGRAPH NINE SHOULD BE

DECLASSIFIED

NLRR 107-281 #51146
BY CS NARA DATE 4/20/10

~~SECRET~~

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NATIONAL SECURITY COUNCIL
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PAGE 02 OF 04 SECSTATE WASHDC 3340 DTG: 280236Z APR 82 PSN: 002570

DELIVERED TO FRAU STEEG IN ECONOMIC MINISTRY FROM UNDER SECRETARY BUCKLEY. PER FISHER IN FOREIGN OFFICE SHOULD RECEIVE LETTER IN PARAGRAPH TEN BELOW.

EXDIS

5. FOR BONN, LONDON, ROME, OTTAWA, TOKYO AND USEC. POSTS SHOULD DELIVER LETTER IN PARAGRAPH TEN BELOW TO FISCHER, BRIDGES, BUCCI, JENKINS, TANAKA AND LOEFF FROM UNDER SECRETARY BUCKLEY.

6. IN ALL LETTERS EMBASSIES SHOULD INSERT NAME OF OFFICER WHO WILL BE ABLE TO SERVE AS LIAISON WITH HOST GOVERNMENT OFFICIALS ON THIS SUBJECT OVER THE NEXT FEW WEEKS. THERE WILL BE NO SIGNED ORIGINALS OF LETTERS IN PARAGRAPHS SEVEN THROUGH TEN.

7. LETTER FOR ATTALI.

DEAR MR. ATTALI:

EXDIS

I APPRECIATED OUR APRIL 24 CONVERSATION AND I AM LOOKING FORWARD TO OUR LUNCH IN PARIS MAY 14. FOLLOWING MY RETURN TO WASHINGTON, I HAVE THOUGHT FURTHER ABOUT THE QUESTION YOU RAISED REGARDING US OBJECTIVES IN ADVANCING OUR PROPOSAL FOR COOPERATION LIMITING FUTURE OFFICIAL CREDITS AND GUARANTEES TO THE SOVIET UNION. I WOULD LIKE TO ASSURE YOU AGAIN, AS I DID DURING OUR TALK LAST SATURDAY AND AS BOB HORMATS DID AT RAMOUBILLET, THAT OUR OBJECTIVE REMAINS AS I STATED IT, NAMELY TO ENSURE THAT THE FLOW OF OFFICIAL CREDITS AND OFFICIAL GUARANTEED CREDITS TO THE SOVIET UNION FROM THE WESTERN COUNTRIES IS CONTROLLED BY A MULTILATERAL MECHANISM IN SUCH A WAY AS TO ASSURE THAT: (A) WE DO NOT BUILD UP A VAST MOUNTAIN OF DEBT IN THE USSR WHICH WOULD GIVE THE SOVIETS THE ABILITY THROUGH "REVERSE LEVERAGE" TO INFLUENCE THE POLICIES OR THE ECONOMIC INSTITUTIONS OF OUR COUNTRIES; AND (B) IN LIGHT OF THE FACT THAT THE SOVIET ECONOMIC SITUATION IS MAKING THE DECISION TO INCREASE MILITARY EXPENDITURES MORE DIFFICULT, WE DO NOT WANT TO DO ANYTHING TO MAKE SUCH DECISIONS EASIER. THE ENORMOUS AND GROWING

EXDIS

BURDEN WHICH THE MASSIVE SOVIET DEFENSE EFFORT PLACES ON THE SOVIET ECONOMY SHOULD HAVE TO BE ADDRESSED SQUARELY BY THE SOVIET LEADERS. WE DO NOT WANT TO EASE THE ECONOMIC CONSEQUENCES OF THIS BURDEN THROUGH GOVERNMENT INTERVENTIONS IN THE CREDIT MARKETS. AS I STRESSED TO YOU ON SATURDAY, WE ARE NOT FOLLOWING, NOR ARE WE SUGGESTING THAT OUR ALLIES FOLLOW, A POLICY OF "ECONOMIC WARFARE" AGAINST THE SOVIET UNION. RATHER, WE ARE URGING THAT FOR REASONS OF FINANCIAL PRUDENCE AND NATIONAL SECURITY, WE NEED TO WORK TOGETHER EFFECTIVELY IN THE CREDITS AREA.

EXDIS

I WOULD WELCOME RECEIVING FROM YOU ANY FURTHER THOUGHTS YOU MIGHT HAVE ON THIS SUBJECT AS WELL AS ANY QUESTIONS YOU MIGHT HAVE. MR. (-----) OF OUR EMBASSY WOULD BE PLEASED TO PASS YOUR REACTIONS TO ME.

SINCERELY,
/S/ JAMES L. BUCKLEY

8. LETTER FOR PAYE.

DEAR MR PAYE:

I WANT TO TAKE THIS OCCASION TO THANK YOU ONCE AGAIN FOR YOUR ASSISTANCE IN ORGANIZING OUR MEETING IN PARIS

~~SECRET~~

SECRET

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

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LAST FRIDAY, FOR THE EXCELLENT DINNER YOU HOSTED, AND FOR YOUR VERY ABLE CHAIRMANSHIP. AS I LOOK BACK ON OUR DISCUSSION, I BELIEVE WE MADE CONSIDERABLE PROGRESS TOWARD REACHING A CONSENSUS IN THIS MOST IMPORTANT AREA.

DURING THE PERIOD BETWEEN NOW AND OUR NEXT MEETING IN PARIS ON MAY 14, I BELIEVE IT IS VERY IMPORTANT THAT WE MOVE AHEAD ON THE TWO ITEMS ON OUR AGENDA; SPECIFICALLY, A COMMON UNDERSTANDING OF THE FINANCIAL SITUATION OF THE SOVIET UNION THROUGH 1990, AND AGREEMENT ON A MECHANISM BY WHICH WESTERN COUNTRIES WOULD TOGETHER CONTROL THE FLOW OF OFFICIAL CREDITS AND OFFICIALLY GUARANTEED CREDITS TO THE SOVIET UNION DURING THAT PERIOD.

TO THIS END, I WOULD APPRECIATE RECEIVING YOUR COMMENTS REGARDING THE ANALYSIS OF THE SOVIET UNION'S HARD CURRENCY POSITION DURING THE 1980S, WHICH I DISTRIBUTED AT OUR MEEEEEING LAST FRIDAY, SO THAT WE MAY TRY TO RESOLVE ANY DIFFERENCES IN OUR RESPECTIVE ESTIMATES BEFORE OUR NEXT MEETING. WE ARE CURRENTLY RESTUDYING OUR OWN CREDIT LIMITATION PROPOSALS IN LIGHT OF FRAU STEEG'S ALTERNATIVE SUGGESTION, AND WILL CIRCULATE THEM

FOR COMMENT IN THE VERY NEAR FUTURE. IN THE MEANTIME, YOUR VIEWS ON OUR ORIGINAL PROPOSALS AS WELL AS ANY IDEAS YOU MIGHT HAVE ON ALTERNATIVE APPROACHES TO A CREDIT LIMITATION FORMULA WOULD BE MOST APPRECIATED. I HAVE ASKED MR. (-----) OF OUR EMBASSY TO FOWARD YOUR COMMENTS.

AFTER HEARING FROM YOU AND OUR OTHER COLLEAGUES, WE WILL CIRCULATE NEW PROPOSALS FOR CONSIDERATION AT OUR MAY 14TH MEETING.

ONCE AGAIN, MY THANKS FOR YOUR MANY COURTESIES LAST FRIDAY.

SINCERELY,
/S/ JAMES L. BUCKLEY

9. LETTER TO FRAU STEEG.

DEAR FRAU STEEG:

IT WAS A PLEASURE TO SEE YOU AGAIN AT THE MEETING IN PARIS APRIL 23, AND TO BENEFIT AGAIN FROM YOUR EXPERIENCE AND BACKGROUND ON THE IMPORTANT SUBJECT OF CREDIT POLICY TOWARD THE SOVIET UNION. AS YOU WILL RECALL FROM THE TALKS WHICH YOU AND GRAF LAMBSDORFF HAD IN WASHINGTON IN FEBRUARY, THIS IS A SUBJECT TO WHICH PRESIDENT REAGAN ATTACHES A GREAT DEAL OF IMPORTANCE AND ON WHICH WE STRONGLY HOPE THAT A CONSENSUS AMONG THE ALLIED COUNTRIES CAN BE REACHED SHORTLY.

DURING THE PERIOD BETWEEN NOW AND OUR NEXT MEETING IN PARIS ON MAY 14, WE HOPE WE CAN REACH A CONSENSUS ON THE SOVIET UNION'S PROBABLE HARD CURRENCY POSITION DURING THE BALANCE OF THIS DECADE, WITH PARTICULAR EMPHASIS ON THE CRITICAL YEARS BETWEEN NOW AND 1985. TO THIS END, WE WOULD APPRECIATE YOUR EARLY REACTION TO

THE PAPER WE DISTRIBUTED SO THAT ANY DIFFERENCES CAN BE ADDRESSED BY OUR RESPECTIVE EXPERTS.

I ALSO LOOK FORWARD TO RECEIVING YOUR FURTHER DEVELOPMENT OF THE CONCEPT YOU PRESENTED AT OUR APRIL 23 MEETING REGARDING LIMITATION OF OFFICIAL CREDITS AND OFFICIALLY GUARANTEED CREDITS IN THE REDUCTION OF THE

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SHARE OF ANY SPECIFIC TRANSACTION THAT COULD BE COVERED BY THEM. I AM SURE THAT OUR COLLEAGUES AT THE PARIS MEETING ARE ALSO LOOKING FORWARD TO RECEIVING YOUR FURTHER THOUGHTS ON THIS MATTER. FINALLY, WE WOULD APPRECIATE ANY COMMENTS YOU MAY HAVE ON THE APPROACH TO

CREDIT RESTRAINT WHICH WE CIRCULATED BEFORE OUR LAST MEETING.

FOR YOUR CONVENIENCE, I HAVE ASKED MR. (-----) OF OUR EMBASSY TO FORWARD YOUR THOUGHTS AND COMMENTS ON THE ABOVE MATTERS. AFTER WE HAVE HEARD FROM YOU AND OUR OTHER COLLEAGUES, WE WILL CIRCULATE ONE OR MORE SPECIFIC PROPOSALS FOR CONSIDERATION AT OUR NEXT MEETING.

WITH BEST PERSONAL REGARDS.

SINCERELY,
/S/ JAMES L. BUCKLEY

10. LETTER FOR FISCHER, BRIDGES, BUCCI, JENKINS, TANAKA AND LOEFF.

DEAR MR. (-----):

OUR MEETING IN PARIS APRIL 23 WAS, I THOUGHT, A VERY USEFUL AND IMPORTANT STEP IN OUR EFFORTS TO ACHIEVE A CONSENSUS ON BOTH THE NATURE OF THE PROBLEM WHICH WE FACE AND HOW WE SHOULD JOINTLY DEAL WITH IT.

DURING THE PERIOD BETWEEN NOW AND OUR NEXT MEETING IN PARIS ON MAY 14, WE HOPE TO REACH A CONSENSUS ON THE SOVIET UNION'S PROBABLE HARD CURRENCY POSITION DURING THE BALANCE OF THIS DECADE, WITH PARTICULAR EMPHASIS ON THE CRITICAL YEARS BETWEEN NOW AND 1985. TO THIS END, WE WOULD APPRECIATE YOUR EARLY REACTION TO THE PAPER WE DISTRIBUTED AT OUR LAST MEETING SO THAT ANY DIFFERENCES CAN BE RECONCILED IN ADVANCE OF OUR NEXT MEETING.

WE ARE CURRENTLY RECONSIDERING OUR OWN CREDIT LIMITATION PROPOSALS IN LIGHT OF FRAU STEEG'S ALTERNATIVE SUGGESTION, -AND HAVE ASKED HER TO FURTHER REFINE HER THINKING SO THAT WE MAY ALL HAVE THE BENEFIT OF IT. IN THE MEANTIME, YOUR COMMENTS ON OUR ORIGINAL PROPOSALS AS WELL AS ANY IDEAS YO MIGHT HAVE ON ALTERNATIVE APPROACHES TO A CREDIT LIMITATION FORMULA WOULD BE MOST APPRECIATED.

FOR YOUR CONVENIENCE, I HAVE ASKED MR. (-----) OF OUR EMBASSY TO FORWARD YOUR THOUGHTS AND COMMENTS ON THE ABOVE. AFTER WE HAVE HEARD FURTHER FROM YOU, AS WELL AS FROM OUR OTHER COLLEAGUES AT THE PARIS MEETING, WE WILL CIRCULATE ONE OR MORE SPECIFIC PROPOSALS FOR

CONSIDERATION AT OUR NEXT MEETING.

WITH BEST PERSONAL REGARDS.

SINCERELY,
/S/ JAMES L. BUCKLEY
HAIG
BT

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~~CONFIDENTIAL~~

NON-LOG

MEMORANDUM

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~

April 29, 1982

*File
France
WPC HAS SEEN
Summit
(issues)*

MEMORANDUM FOR WILLIAM P. CLARK

FROM: HENRY R. NAU *HRN*

SUBJECT: French Concerns About Recent Budget Developments

The French Ambassador invited me to breakfast this morning (there were just the two of us, along with the Economic and Finance Counselors) to discuss his concerns about the recent budget developments. He expressed strong pessimism about what this would mean for recovery in the U.S. economy in the second half of this year. Without such a recovery, he argued, European efforts to contain unemployment will not succeed. And in France some improvement in the unemployment situation is a necessary offset to the recent agreements which the government obtained from the labor unions to hold contract wage increases this year to an average level of 11%. Unless these agreements hold, the French inflation rate this year will not diminish from 14 1/2% in 1981 to a projected level of 12 1/2% in 1982, but will actually increase perhaps as high as 15-20%.

The Ambassador's concerns are undoubtedly the first of many which we will hear from Europeans over the next few days and weeks. The budget outcome will make more difficult the task of reaching consensus and agreement on cooperative and positive responses by the Summit countries at Versailles. Beryl Sprinkel has convened a working group to develop some of the details of a possible Summit agreement on international economic and monetary cooperation. This group should also consider how to contain the worse implications of recent budget events in the U.S. for our discussions with the Europeans in the run-up to Versailles. While the budget decisions are unquestionably right in the context of domestic politics, they are not going to play very favorably in the international context.

~~CONFIDENTIAL~~

Review 4/29/88

DECLASSIFIED

NLRP 117-081 #51147

~~CONFIDENTIAL~~

BY CA NARA DATE 4/23/10

Proposed Summit Agreement on International Monetary Cooperation

File 13
Finance
Summit
(Issues)

As recognized in previous summit meetings, international economic stability requires greater stability in underlying economic and financial conditions within countries. It also has been recognized that in a world of interdependence, national economic policies cannot be formulated in isolation. We reaffirm these beliefs. In addition, we believe that because economic and monetary developments within the major currency countries have a significant impact on the world economy, the governments of these countries have a special responsibility to strengthen their collaboration and cooperation when setting the course for their national economic policies. In particular, and consistent with the spirit and accomplishments of the first economic summit held in Rambouillet, they should strengthen such efforts within the framework of the IMF and the IMF Articles of Agreement.

Background

At the first economic summit at Rambouillet, France in November 1975, the heads of state explicitly came to grips with the implications of growing economic interdependence, including the implications for international monetary stability. As concluded and reported in the communique:

"With regard to monetary problems, we affirm our intention to work for greater stability. This involves efforts to restore greater stability in underlying economic and financial conditions in the world economy. At the same time, our monetary authorities will act to counter disorderly market conditions or erratic situations in exchange rates."

As also noted in the communique, the groundwork was laid to facilitate agreement through the IMF on issues of international monetary reform.

In 1976, agreement was reached at the Jamaica meeting of the IMF Interim Committee on the broad outlines of international monetary reform. The heart of the Jamaican Agreement was ultimately encompassed in a revision of Article IV of the IMF Articles of Agreement entitled "Obligations Regarding Exchange Arrangements." (See attached text of Article IV.) Although the amended Articles of Agreement give the Fund members freedom to choose their exchange policies, Article IV requires each member "to collaborate with the Fund and other members to assure orderly exchange arrangements and to promote a stable system of exchange rates."

According to Article IV, among the obligations assumed by each member are the following:

"to direct its economic and financial policies toward the objective of fostering orderly economic growth with reasonable price stability, with due regard to its circumstances"

"to promote stability by fostering orderly underlying economic and financial conditions and a monetary system that does not tend to produce erratic disruptions."

Article IV also assigns the IMF responsibility for surveillance over the international monetary system in order to insure its effective operation and to insure the compliance of each member with its obligations under Article IV.

Consistent with its responsibilities under Article IV, the Fund membership formulated in 1978 a set of principles for the guidance of members' exchange rate policies as well as principles and procedures for Fund surveillance over these policies. These principles contain injunctions that (a) members shall avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members; (b) members should intervene in the exchange market if necessary to counter disorderly conditions; and (c) members should take into account in their intervention policies the interests of other members, including those of the countries in whose currencies they intervene.

The principles for Fund surveillance over exchange rate policies provide a list, which is not exhaustive, of developments that might indicate the desirability for discussions

between the Fund and a member country. These developments include protracted large scale intervention in one direction in the exchange market; an unsustainable level of official or quasi-official borrowing or lending for balance of payments purposes; various kinds of restrictions or incentives affecting current transactions or capital flows; abnormal encouragement or discouragement to capital flows through financial policies for balance of payments purposes; and exchange rate behavior that appears to be unrelated to underlying economic and financial conditions. In essence, these developments relate to practices designed to prevent adjustment and artificially limit exchange rate movements.

IMF Surveillance Activities

At the heart of the Fund's surveillance activities are its regular Article IV consultations with member governments. Full scale consultations for a large number of members are held once a year and result in an in depth staff analysis and evaluation of economic developments and policies within each country. The Article IV staff reports are then discussed by the full Executive Board. Special consultations also are held with major industrial countries in connection with the World Economic Outlook review by the Executive Board and Interim Committee. In addition to these activities the Fund staff conducts special studies on international monetary and exchange market problems and developments.

IMF Article IV staff reports and related Executive Board discussions are useful for a number of reasons: (1) provide extensive information to member governments regarding economic developments, economic policies and the thinking underlying those policies in other member governments. (2) provide a base of information for Fund staff assessments of global economic and exchange rate developments which in turn provide useful information for national economic authorities. (3) provide a framework for critiques by the representatives of member governments during Executive Board discussions. (4) provide an information base from which all nations can develop a better understanding of the economic linkages among nations.

IMF Surveillance Activities and Consultations Among Fund Members

Although Fund surveillance activities involve consultations between the Fund and individual member countries, they do not currently involve direct consultations between two member countries or among such groups of member countries. For a variety of reasons, Executive Board discussions and Interim Committee meetings are not conducive to the kind of give and take discussions that would be a necessary feature of any effort at strengthening economic consultations and collaboration among the major currency governments. At the same time, the IMF surveillance activities offer a framework as well as a base of information, experience and analysis that could contribute to improving economic consultations and collaboration among the major currency governments.

Issues Connected with Strengthening Consultations Procedures(1) Subject Matter

A. Exchange Rates

- underlying policies affecting exchange rates
- intervention policies

B. Macro Economic Policies

- exchange rate/intervention implications

(2) Country Representatives Participating in Consultations

In most governments, economic policy-making authority is diversified. The question then arises, who should represent each government during consultations?

- Monetary Authorities
- Fiscal Authorities
 - tax
 - budget
- Economic Advisers to Heads of State
- Congressional-Parliamentary Representatives

(3) Frequency and regularity of consultations

- Consultations could occur on a regularly scheduled basis
- Consultations could be geared to policy-making cycles within countries
- Consultations could be geared to problems
- Consultations could be called on on ad hoc or as needed basis
- Consultations could be called at the request of one or more countries

(4) Number of countries involved in consultations

- Three major currency governments - yen, dollar, mark
- The five SDR currency governments
- Two or more countries on an ad hoc basis
- *Possibly more than five*

(5) Secretariate

- no secretariate
- Fund staff

(6) Other participants-observers

- representatives from other governments
- Fund staff
- other Executive Directors

(7) Link w/ Fund

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AID/W FOR A/AID MCPHERSON
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USDA FOR LODWICK
PARIS FOR OECD/DAC/KAUFFMAN
E.O. 12065: GDS 04/30/88 (HOLMES, JOHN W.) OR-E
TAGS: EAID, EAGR, ENSD, IT
SUBJECT: ITALIAN MEETING TO FIGHT HUNGER IN THE WORLD,
- APRIL 26-29, 1982

1. SUMMARY: DESPITE EARLIER DOUBTS AS TO ITS POSSIBLE CONTRIBUTION TO HELPING SOLVE PROBLEM OF WORLD HUNGER, THE ITALIAN-SPONSORED MEETING ON WORLD HUNGER CAN BE CONSIDERED A SUCCESS IN RELATIVE TERMS, BOTH WITH REGARD TO ITALIAN DOMESTIC POLITICAL CONSIDERATIONS AS WELL AS INCREASING THE LEVEL OF AWARENESS AND MUTUAL CONCERN ABOUT THE NEED FOR MORE CONCERTED ACTION BY DONOR AND RECIPIENT ALIKE TO TACKLE THE MAJOR DEVELOPMENT PROBLEMS AFFECTING FOOD AVAILABILITY. AT THE SAME TIME, THE DISCUSSIONS SHIED AWAY FROM SEEKING DECISIONS ON MORE CONTENTIOUS ISSUES (E.G., INTERNATIONAL WHEAT AGREEMENT AND HIGHER AID LEVELS) WHICH COULD HAVE CAUSED THE MEETING TO FOUNDER. WHILE DISCUSSED, THERE WAS ALSO NO DETERMINED EFFORT TO GAIN AGREEMENT TO OTHER CONCRETE PROPOSALS THAT WOULD HAVE REQUIRED ANY PARTICIPANT TO COMMIT ITSELF AT THIS STAGE. MOREOVER, THE GOI AVOIDED ANY ATTEMPT TO OBTAIN A CLEAR COMMITMENT FROM PARTICIPANTS TO ATTEND A MINISTERIAL LEVEL MEETING. HOWEVER, IN THEIR CONCLUDING SUMMARY, THEY DESCRIBED THE MEETING AS HAVING EXPLORED "CONCRETE MEASURES" THAT MIGHT BE ADOPTED AT A SUBSEQUENT "MEETING" AT THE MINISTERIAL LEVEL. BASED ON THIS AND SUBSEQUENT CONVERSATIONS WITH GIACOMELLI, GOI COMMITMENT TO HAVING A MINISTERIAL MEETING IN THE FALL, RESULTING IN "CONCRETE ACTION", REMAINS FIRM. END SUMMARY.

2. WITH 25 COUNTRIES, 13 UN AGENCIES AND MULTILATERAL DEVELOPMENT BANKS AND 8 REGIONAL ORGANIZATIONS AND DEVELOPMENT FUNDS IN ATTENDANCE, THE ITALIAN GOVERNMENT, LED BY GIOVANNI GIACOMELLI, THE DIRECTOR GENERAL OF THE DEPARTMENT OF DEVELOPMENT COOPERATION, MINISTRY OF FOREIGN AFFAIRS, LAUNCHED ITS POST-CANCUN EFFORT TO JOIN THE RANKS OF AID DONORS BY SEEKING GREATER RECOGNITION OF AND THE NEED FOR EXPANDED SUPPORT FOR " THE FIGHT AGAINST WORLD HUNGER". DESPITE AN EARLIER STATE OF DISARRAY AND INCLUSION OF TOO MANY AREAS OF CONCERN IN THE PROPOSED AGENDA, GIACOMELLI AND HIS COLLEAGUES, STRONGLY SUPPORTED BY FOREIGN MINISTER EMILIO COLOMBO, WERE ABLE TO ACHIEVE A DEGREE OF SUCCESS

IN WHAT STARTED AS A RESPONSE TO INTERNAL POLITICAL PRESSURES TO DO MORE IN THE INTERNATIONAL DEVELOPMENT FIELD. INDEED, GIACOMELLI HIMSELF PRIVATELY CHARACTERIZED THE MEETING AS PREMATURE, GIVEN THE LIMITED TIME HE HAD TO PREPARE FOR SUCH A CONCLAVE AFTER THE RECENT POLITICAL DECISION TO LAUNCH A MAJOR EXPANSION OF THEIR DEVELOPMENT ASSISTANCE PROGRAM AND IN THE ABSENCE OF ANY CLEAR POLICY GUIDELINES OR STAFF EXPERIENCE IN DEALING WITH DEVELOPMENT ISSUES. DESPITE THESE LIMITATIONS, THE MEETING WAS WELL MANAGED AND PROVIDED A CONGENIAL ATMOSPHERE FOR A CONSTRUCTIVE THOUGH GENERALIZED DIALOGUE ON FOOD/AGRICULTURE RELATED DEVELOPMENT ISSUES.

3. IT IS CLEAR THAT GIACOMELLI IS STILL LEARNING THE TRADE. NEVERTHELESS, HE WAS ABLE TO OVERCOME THE SHORTAGE OF EXPERIENCED DEVELOPMENT PROFESSIONALS WITHIN THE MINISTRY, WHO COULD HELP SHAPE THE CONTENT OF SUCH A MEETING, BY DRAWING ON OTHER MORE EXPERIENCED PARTICIPANTS AS INTERLOCUTORS FOR THE PRINCIPAL DEVELOPMENT ISSUES ON WHICH THE MEETING FOCUSED. THEY WERE:

- (A) GENERAL AND EMERGENCY FOOD AID
 - (B) FOOD SECURITY
 - (C) AGRI-FOOD STRATEGIES
 - (D) SECTORAL ACTION THEMES; AND
 - (E) THE HARMONIZATION AND COORDINATION OF AID.
- THE DISCUSSION ON EACH OF THESE ISSUES WAS INTRODUCED WITH BRIEF PRESENTATIONS MADE BY THE DELEGATIONS OF AUSTRALIA, FRANCE, THE NETHERLANDS, KUWAIT AND CANADA RESPECTIVELY. IN GENERAL, THE PRESENTATIONS WERE OF HIGH QUALITY (PARTICULARLY THE CANADIAN AND DUTCH PAPERS) AND SERVED AS VERY EFFECTIVE WAYS OF PRODUCING AN APPROPRIATE AND PRODUCTIVE DIALOGUE AMONG THE MAJORITY OF PARTICIPANTS. THE ONE SOUR NOTE WAS THE GROUSING BY ED WEST, DEPUTY DIRECTOR-GENERAL OF FAO, WHOSE INTERVENTIONS CAN ONLY BE CHARACTERIZED AS AGGRESSIVELY DEFENSIVE. THIS WAS ESPECIALLY TRUE WITH REGARD TO HIS CRITICISM OF THE ROLE OF THE WORLD FOOD COUNCIL AND ITS EFFORTS TO ENCOURAGE LDCS

TO UNDERTAKE PREPARATION OF FOOD STRATEGY STUDIES (FSS). THIS APPROACH NOT ONLY PROVED TO BE COUNTERPRODUCTIVE BUT ALSO TENDED TO ISOLATE THE FAO FROM OTHER INTERNATIONAL ORGANIZATIONS AS WELL AS THE OECD COUNTRIES. HOWEVER, DESPITE WEST'S ASSERTION THAT THE FAO WAS ALREADY ENGAGED BT

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IN THIS AREA (AND MOST OTHERS, FOR THAT MATTER), THERE WAS OVERWHELMING ACCEPTANCE OF THE NEED FOR SUCH STUDIES TO HELP FOCUS ATTENTION ON THE SPECIFIC PROBLEMS OF EACH COUNTRY. THE DISCUSSION HELPED SOLIDIFY THE ACCEPTANCE BY THE PARTICIPANTS OF THE FSS AS A MEANS OF UNDERPINNING RECIPIENT GOVERNMENT POLICY DECISIONS AS WELL AS FUTURE DONOR DECISIONS ON RESOURCE ALLOCATIONS. AT THE SAME TIME, HOWEVER, IT WAS GENERALLY RECOGNIZED THAT THEY SHOULD NOT BE CONSIDERED AS A PANACEA FOR SOLVING THE VERY DIFFICULT PROBLEMS FACED BY LDGS IN THE ABSENCE OF DETERMINED POLITICAL WILL AND AN EFFECTIVE DIALOGUE ON ALL ASPECTS OF DEVELOPMENT..

4. THE OPENING DISCUSSIONS OF FOOD AID FOCUSED ON THE DIFFERENCE BETWEEN EMERGENCY FOOD AID (AND THE NEED TO RESPOND TO RECURRING CATASTROPHIC EVENTS) AND GENERAL OR STRUCTURAL FOOD AID (AND ITS TEMPORARY CHARACTER) AND THEIR RELATION TO THE NEED FOR LONGER TERM FOOD SECURITY. WHILE SOME SPEAKERS ENDORSED THE IEFR CONCEPT AND ALSO CALLED FOR FULFILLMENT OF THE 10 MILLION TON FOOD AID TARGET SET BY THE 1974 WORLD FOOD CONFERENCE, THERE WAS CLEARLY NO CONSENSUS REGARDING THE SETTING OF HIGHER TARGETS OR CHANGING FOOD AID MODALITIES. THERE WAS, HOWEVER, CONSENSUS THAT FOOD AID SHOULD BE PROVIDED IN THE FRAMEWORK OF REALISTIC DEVELOPMENT PROGRAMS AND POLICIES AND SHOULD BE TEMPORARY IN NATURE. FOOD SECURITY WAS EXAMINED IN ITS SHORT AND LONG TERM ASPECTS AND IN RELATION TO POLICIES AND ACTIONS REQUIRED TO ACHIEVE FOOD SELF-SUFFICIENCY. THE DISCUSSIONS POINTED OUT THE NEED FOR DONORS AND LDGS TO GIVE THE NECESSARY PRIORITY TO THE AGRICULTURE SECTOR BY ALLOCATING MORE PUBLIC AND PRIVATE RESOURCES. WHILE IT WAS FELT THAT FOOD STRATEGY STUDIES COULD HELP IN THIS EFFORT, IT WAS ALSO RECOGNIZED THAT BASIC POLICY CHANGES WHICH SUPPORT INCREASED PRODUCTION (E.G., PROPER EXCHANGE RATES AND PRICING POLICIES, EFFECTIVE CREDIT AND MARKETING SYSTEMS) WERE THE BEST BASIS FOR COORDINATION OF PROGRAMS.

5. THE CANADIAN STATEMENT ON HARMONIZATION AND COORDINATION (AND ITS BACKGROUND NON-PAPER) WAS ESPECIALLY WELL RECEIVED AND WAS CHARACTERIZED AS A BASIC DOCUMENT WHICH

WOULD SERVE AS A STANDARD FOR CONSIDERATION OF THIS PROBLEM IN THE FUTURE. AFTER OUTLINING A GENERAL CONCEPT OF HARMONIZATION, THE STATEMENT DEFINED FOUR MAJOR ASPECTS FOR DISCUSSION: (1) A REQUIREMENT FOR CONSENSUS ON THE FINANCIAL NEEDS OF THE RURAL SECTOR OF LDGS IN LIGHT OF ITS IDENTIFIED CONSTRAINTS AND POTENTIAL, (2) HARMONIZATION AND EFFECTIVE DISSEMINATION OF A BALANCED PACKAGE OF BASIC ELEMENTS OF TECHNOLOGY (SUCH AS HIGH YIELDING SEEDS, FERTILIZER, IMPROVEMENTS IN RURAL INFRASTRUCTURE AND UPGRADING OF HUMAN CAPITAL IN TERMS OF AGRICULTURAL EDUCATION AND EXTENSION) IN CONCERT WITH RURAL RECIPIENTS AND IN RELATION TO SUITABLE POLICIES TO ENCOURAGE AND SUSTAIN THE USE OF THE PACKAGE, (3) NEED FOR ACHIEVEMENT OF GREATER CO-ORDINATION AND CONTINUITY AT THE FIELD OPERATIONAL LEVEL (AS NOTED IN THE WFC REVIEW OF DONOR ACTIVITIES IN AFRICA) AND (4) THE CRITICAL IMPORTANCE OF HARMONIZING AID PROGRAMS IN CONJUNCTION WITH THE PROMOTION AND ADOPTION OF SOUND AGRICULTURAL POLICIES BY RECIPIENTS. THE DISCUSSION, WHICH FOLLOWED, AGAIN HIGHLIGHTED EXISTING CONCERN ABOUT THE NEED FOR A MORE EFFECTIVE DIALOGUE BETWEEN DONOR AND RECIPIENT AND AMONG DONORS BUT AT THE SAME TIME, IT REJECTED THE IDEA PUT FORTH IN THE ITALIAN MEMORANDUM ON THE NEED FOR A MORE STRUCTURED WAY OF ENSURING HARMONIZATION AND COORDINATION. IN FACT, IT WAS GENERALLY AGREED THAT EXISTING SYSTEMS (E.G., IBRD CONSULTATIVE GROUPS AND REGIONAL OR SUBREGIONAL GROUPS SUCH AS CDA AND THE CLUB DU SAHEL/CILSS) WERE REASONABLY EFFECTIVE AT THE MOMENT ALTHOUGH A POLICY DOCUMENT SUCH AS A FOOD STRATEGY COULD ENHANCE THE QUALITY AND EFFECTIVENESS OF THE POLICY DIALOGUE CONSIDERABLY. AT THE SAME TIME, HOWEVER, THERE WAS SOME FEELING THAT PERHAPS NOW WAS THE TIME TO REEXAMINE THE UTILITY OF A MECHANISM SIMILAR TO THE NOW DEFUNCT CONSULTATIVE GROUP FOR FOOD PRODUCTION AND INVESTMENT. THERE WAS NO AGREEMENT ON A ROLE FOR THE WFC IN THIS REGARD, ALTHOUGH IT WAS NOT RULED OUT.

6. BY EMPHASIZING MAJOR DEVELOPMENTAL ISSUES, THE MEETING DOWNPLAYED OR IGNORED ALTOGETHER MORE CONTENTIOUS ASPECTS OF SUCH INTERNATIONAL AGRICULTURAL POLICY ISSUES AS THE INTERNATIONAL WHEAT AGREEMENT AND AGRICULTURAL TRADE PROBLEMS AND, TO A LESSER DEGREE, ORGANIZATIONAL RELATIONSHIPS BETWEEN THE VARIOUS MULTILATERAL DEVELOPMENT AGENCIES (E.G., FAO AND UNDP). THE MEETING ALSO AFFORDED AN EXCELLENT
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OPPORTUNITY TO STRESS THE NEED FOR ADVANCING THE DIALOGUE ON THE "FAILURE OF THE INTERNATIONAL SYSTEM" TO RESPOND TO THE NEEDS OF AFRICA. THE U.S. DELEGATE WAS ALSO JOINED BY SEVERAL OTHERS IN A CONSENSUS THAT NOW WAS THE TIME TO SHIFT THE ATTENTION OF THE INTERNATIONAL DONOR COMMUNITY TO OVERCOME THE FOOD DEFICIT IN AFRICA THROUGH SHORT AND LONG TERM PROGRAMS. THERE WAS ALSO AGREEMENT WITH U.S. VIEWS ON THE NEED FOR EXPANDED AGRICULTURAL PRODUCTION RESEARCH, AT THE NATIONAL AS WELL AS THE INTERNATIONAL LEVEL, AND OF THE ROLE OF THE PRIVATE SECTOR, PARTICULARLY AS A MEANS OF MOBILIZING ADDITIONAL RESOURCES AND ENSURING ACCESS TO CREDIT FOR SMALL PRODUCERS.

7. THE ROLE OF VARIOUS PARTICIPANTS WAS INTERESTING IN SEVERAL RESPECTS. OF PARTICULAR NOTE WAS THE PRESENCE OF SEVERAL INTERNATIONAL ORGANIZATIONS, MANY OF WHOM WERE REPRESENTED BY AMERICANS: BRAD MORSE (UNDP), MAURY WILLIAMS (WFC), RUD POATS (OECD/DAC), JIM GRANT (UNICEF) AND ROY STERNFELD (IDB). THEIR PRESENCE AND ACTIVE PARTICIPATION GREATLY ENHANCED THE SUBSTANCE OF THE DISCUSSIONS AND BROUGHT A MORE PRACTICAL ASPECT TO MANY ISSUES WHICH MIGHT OTHERWISE HAVE BEEN DISCUSSED ONLY IN THEORETICAL TERMS. THEIR ACTIVE AND SUPPORTIVE PARTICIPATION PROBABLY ALSO SERVED TO DISCOURAGE OTHERS FROM PUSHING ON ISSUES WHERE THE U.S. WAS KNOWN TO HAVE DIFFERENT AND FIRM VIEWS. - EQUALLY INTERESTING, ALTHOUGH OF A DIFFERENT NATURE, WAS THE PARTICIPATION OF KUWAIT (WHICH PRESENTED A BRIEF BUT THOUGHTFUL PAPER ON THEMATIC PRIORITIES), SAUDI ARABIA (WHICH WAS SILENT), THE UNITED ARAB EMIRATES, AND THE OPEC FUND (ALSO SILENT). THE ITALIAN INVITATION TO THEM WAS NO DOUBT IN PART POLITICALLY MOTIVATED BUT THEIR PRESENCE ALSO SERVED AS AN IMPORTANT REMINDER OF THE SIGNIFICANT ROLE THEY ARE NOW PLAYING AND THEIR POTENTIAL FOR GREATER ACTIVITY THROUGH THEIR OWN DEVELOPMENT FUND ORGANIZATIONS OR AS MAJOR CONTRIBUTORS TO SUCH AGRICULTURE DEVELOPMENT ORGANIZATIONS AS IFAD.

8. FINALLY, THE MEETING MAY BE CONSIDERED, ON BALANCE, A SUCCESS BECAUSE IT DID, IN FACT, ENGENDER VERY USEFUL, IF GENERAL, DISCUSSIONS ON EACH OF THE MAJOR TOPICS AND, INDEED, ADVANCED THE LEVEL OF AGREEMENT ON THE NEED TO

RESPOND TO THE CRITICAL SITUATION FACED BY THE POOREST NATIONS, PARTICULARLY IN AFRICA. BY NOT SEEKING AN AGREED STATEMENT OF CONCLUSIONS THE ITALIANS ALSO ACHIEVED A LEVEL OF RECOGNITION BY THE OTHER ACTORS ON THE INTERNATIONAL DEVELOPMENT STAGE FROM WHICH THEY HAD BEEN EXCLUDED ONLY A SHORT TIME AGO. AS A RESULT OF OUR OWN POSITIVE APPROACH WE SEEM TO HAVE EARNED THEIR APPRECIATION AND A STRONG DESIRE ON THEIR PART TO WORK MORE CLOSELY WITH US AS THEY SHAPE THE FUTURE CONTENT AND DIRECTION OF THEIR OWN PROGRAM. THIS ASPECT WAS UNDERSCORED BY AN INVITATION BY GIACOMELLI TO THE U.S. DELEGATION TO A PRIVATE WORKING LUNCH AFTER THE MEETING HAD CONCLUDED. THIS OCCASION PROVIDED A FURTHER OPPORTUNITY TO EXPAND ON SELECTED SUBJECTS AND TO ENCOURAGE CLOSER COOPERATION IN THE FUTURE.

9. FROM THE ITALIAN POINT OF VIEW, THEY WILL NOW BE ABLE TO CLAIM WITH CONSIDERABLE JUSTIFICATION THAT THEY WERE ABLE TO LAUNCH A NEW PHASE IN THE ONGOING DIALOGUE IN THE "FIGHT AGAINST HUNGER IN THE WORLD". WHILE GIACOMELLI WAS SOMEWHAT CIRCUMSPECT IN HIS SUMMING UP STATEMENT WITH REGARD TO A FUTURE MINISTERIAL LEVEL MEETING, HE INDICATED AT THE WORKING LUNCH THAT SUCH A MEETING WOULD PROBABLY BE HELD IN NOVEMBER, DEPENDING UPON THE SCHEDULE OF OTHER INTERNATIONAL MEETINGS.

10. COMMENT: GIVEN THE FOUNDATION FOR CLOSE COLLABORATION THAT HAS BEEN ESTABLISHED, WE NOW NEED TO IDENTIFY AND HELP THE ITALIANS SHAPE SPECIFIC, SUPPORTABLE AREAS WHERE DAC MEMBERS ARE ALREADY COOPERATING REASONABLY WELL (E.G., INTERNATIONAL RESEARCH PROGRAMS) AND TO IDENTIFY OTHER TYPES OF PROGRAMS (SUCH AS TRYPANOSOMIASIS, AFFORESTATION AND POST-HARVEST FOOD LOSSES) WHICH ARE NEEDED URGENTLY IN AFRICA. SIMILARLY, GIVEN THE STRESS ON THE NEED FOR SOUND POLICY FORMULATION WITHIN THE FRAMEWORK OF AN EFFECTIVE AND OPEN DIALOGUE BETWEEN DONORS AND RECIPIENTS, A MAJOR EFFORT SHOULD BE MADE TO EXPAND OUR SUPPORT FOR FOOD STRATEGY STUDIES IN THOSE LDCS WHICH HAVE THE POLITICAL

WILL AND DESIRE TO INVEST IN AN EXPANDED FOOD PRODUCTION EFFORT. FINALLY, GIVEN BUDGETARY STRINGENCIES, WE SHOULD ENCOURAGE THE CONTINUING DISCUSSION ON HARMONIZATION OF ACTIVITIES OF U.N. INTERNATIONAL DEVELOPMENT AGENCIES IN RELATION TO BILATERAL ASSISTANCE TO ENSURE MAXIMUM IMPACT OF ALL RESOURCES ON LDC DEVELOPMENT PROBLEMS. RABB
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MESSAGE DESCRIPTION TACTICS AND MEETINGS POST-APRIL 23

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TACTICS AND MEETINGS POST-APRIL 23

It would be prudent to assume that the April 23 Paris meeting will not go much beyond producing a greater degree of Summit Seven consensus on the need to examine mechanisms for restraining credits and credit guarantees to the USSR. At least one more meeting of the high-level multilateral group will be necessary.

To keep up the momentum of our initiative we need to move quickly after April 24 to nail down agreement on a credit restraint mechanism which can be blessed at the Versailles Summit. Specifically, we will need to evaluate our progress as we complete each major multilateral initiative, including the possible experts meeting in early May and the second high level multilateral, May 14. We also need to address the problem of broadening the consensus to include smaller Allies and key neutrals.

TACTICS

The principal forum for our initiative should continue to be the Summit Seven plus the EC Commission. If our EC Summit partners recommend that the Belgians, in their EC Presidency capacity, come to Versailles - a decision we should leave to them - the Belgians would have to be included in our core group. This Summit group should be kept separate from the Sherpas exercise but should keep the Sherpas informed to assure proper coordination of our initiative at Versailles.

Treasury should continue to examine the problem of gaps in credit information and appropriate mechanisms for assuring transparency. An evaluation of NATO's ability to provide useful data should be conducted as soon as possible. Further consideration should be given to ways in which the OECD Secretariat could be used for developing data on non - NATO members.

As a greater consensus develops among the Summit partners on key elements of an initiative, we should broaden our contacts to reach the smaller Allies and key neutrals like the Swiss and Austrians. However, we should not let such approaches get out ahead of progress within the core group. Commerce will examine detailed patterns of trade with the Soviet Union by core group countries, smaller allies and neutrals in order to develop alternative, burden sharing scenarios as well as proposals to deal with diversion possibilities.

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At some point, it will be necessary to have a meeting of financial experts to address in more detail the characteristics of a credit restraint mechanism. Ideally this should come after political consensus on the general thrust of a credit restraint mechanism has been developed, but may also be needed to nail down technical issues prior to that. A parallel meeting of intelligence experts might also be helpful in producing similar assessments of Soviet credit worthiness.

Our consensus building efforts outside the Summit core group should involve bilaterals here and in capitals as well as systematic use of high level visits and meetings. In particular, we should take advantage of OECD and NATO Ministerials and the opportunity which they offer for discussions on the fringes.

MEETINGS AND INITIATIVES

Week of April 19

April 19

Summit 7 and EC Commission Ambassadors in Washington given US proposals on credit restraint mechanism.

April 22-23

OECD XCSS Meeting. Assistant Secretary Hormats uses restricted dinner on April 22 with G-6 (US, UK, FRG, France and Japan, EC Commission) to build consensus for US initiative.

April 23

Multilateral high level meeting in Paris.
Presentation of data on Soviet debt situation and discussion of 4/19 US proposal.

April 24-25

Meeting at Rambouillet of Personnel Representatives for preparation of the Seven-Nation Economic Summit. Assistant Secretary Hormats raises initiative, notes link with Summit and April 23 meeting.

Week of April 26

Call in individually the Ambassadors of smaller NATO countries in Washington. Parallel approaches in capitals.

If warranted, call in individually the Ambassadors of key OECD neutrals in Washington. Parallel approaches in capitals.

Treasury sends expert to NATO to assess capability of Secretariat to produce quarterly reports which contain the disaggregated data our initiative demands. This sounding is first step to any broader involvement of NATO in this initiative.

Week of May 3

Possible meeting of Financial Experts of Seven Summit countries plus EC Commission if warranted by results of April 24 multilateral meeting.

Possible meeting of intelligence experts.

May 6-7

Deputy Secretary Stoessel in Bonn.

May 6-7

OECD Export Credit Arrangement Meeting. Urge reclassification of USSR to Category I (in context of general reclassification). Press for maximum upward movement of Category I rates and, if possible, ending of subsidized loans over five-year maturity among Category I countries.

Week of May 10

May 10-11

OECD Ministerial. Secretaries Regan, Baldrige, USTR Brock and Deputy Secretary Stoessel scheduled to attend. Attempt to achieve greater degree of consensus on growing problem of East-West economic relations in debt and credits areas. Bilaterals on fringes.

May 11-12

Deputy Secretary Stoessel in London.

May 13-14

IBRD/IMF Helsinki Meetings. Use bilaterals on fringes to press US case.

May 14

Second high level meeting of group of Seven Summit plus EC Commission representatives in preparation for Summit. Plan ready for submission at Versailles.

Weeks of May 17 and May 24

Follow-up May 14 meeting as necessary in Washington and capitals, including possible experts meeting.

May 16-20

Possible travel by Under Secretary Eagleburger to Europe.

May 17-18

NATO Foreign Ministers Meeting, Luxembourg. Bilaterals with key Allies.

Week of May 31

June 4-6

Versailles Summit puts seal of approval on mechanism for restraining official credits/guarantees to USSR.

Week of June 7

June 10-11

NATO Summit in Bonn.

OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

*File
France
Summit
(Issues)*

May 3, 1982

MEMORANDUM TO:

Henry Nau

From: Geza Feketekuty *GF*

Subject: NSC Discussion of Versailles Summit

Attached is a short briefing paper on trade objectives for the Versailles Summit, and the trade overview paper for the President's briefing book.

Versailles Summit

Trade Objectives and Strategy

Objectives

The U.S. looks to the Summit to reaffirm the notion that there are economic opportunities and mutual gains from trade and to set directions for work in the GATT on key trade issues for the 1980s, including (1) improvement of existing rules on safeguards, agriculture, and dispute settlement; and (2) initiation of studies that would provide the analytical groundwork for new multilateral negotiations covering barriers to services, trade distorting investment practices, and trade in high-technology goods.

*and
obtain
commitments*

The U.S. also seeks political support for a major initiative aimed at liberalizing trade between developed and developing countries. The centerpiece would be a proposal for a round of trade negotiations with the advanced developing countries. Special tariff rates would be offered to GSP graduates in return for liberalization of the LDCs own trade regimes.

The U.S. should deflect European criticism of possible U.S. remedial measures in steel and agriculture by shifting the focus to a discussion of long-term adjustment problems. Special efforts should be made to get the Europeans off their preoccupation with short-run economic problems and to focus on initiatives that will help them adjust to increasing international competition and technological change.

The U.S., along with Europe and Canada, could use the Summit to encourage Japan to take additional steps to open up its closed market. While Summits have never been viewed as appropriate occasions to center criticisms around one country, we should be prepared to speak frankly and constructively to the Japanese about their continued inaction to remove import barriers, especially if they fail to produce anything of consequence between now and the Summit.

Strategy

We should capitalize on three events within the next month that can lay the groundwork for meaningful trade achievements at the Summit. These are:

(1) OECD Ministerial. Secretary-General van Lennep's action proposals on trade issues of the 1980s cover the key trade issues we would like to see addressed in the GATT Ministerial. We are aiming to have the substance of that report reflected in the Communique. We are also aiming to have Ambassador Brock

lay out U.S. proposals for new negotiations with developing countries that have graduated out of GSP. We would expect that this could begin a more intensive, political-level discussion among the developed countries as to the desirability of furthering such an effort in the GATT. Assuming there is a general consensus that the LDC initiative is a worthwhile effort among Ministers, we would want to have it addressed at Versailles.

(2) Second Quadrilateral. Coming on the heels of the OECD Ministerial, the Quadrilateral is an excellent opportunity to establish an initial consensus on what we can achieve at the Summit in trade. If possible, this occasion should be used to work out agreed upon language that would constitute the trade portion of the Summit Communique.

(3) May preparation of GATT Ministerial. This meeting could be decisive in establishing the final elements of the agenda for the GATT Ministerial. If a consensus emerges (short of a final agreement) on the Ministerial agenda, we would be able to more positively endorse in the Summit discussion and Communique the agreements that have been reached by the Preparatory Committee in Geneva.

Summit Communique

U.S. Objective -

The Summit Communique should aim to:

(1) Reaffirm the notion that expansion of trade can lead to mutual economic gains and that the preservation of the open multilateral trading system is essential; to this end a productive outcome of the GATT Ministerial is a high priority political objective of the Summit Countries.

(2) Support initiation of a GATT work program that will lay the analytical groundwork for future trade negotiations in services, high technology and trade related investment issues. Support completion of an interim safeguard agreement and establishment of a firm deadline for the negotiation of a safeguards code. Support a review of further steps that can be taken to strengthen the GATT with respect to dispute settlement and the nontariff codes.

(3) Support initiation of new negotiations leading to more secure market access for developing countries in developed country markets and expanded market access for developed countries in the advanced developing countries.

Fallback Position

Para (1) We should not run into difficulty.

Para (2) Other countries could object to a commitment now on future negotiations in services, high-technology and trade-related investment issues. Fallback position should be to drop the word negotiation. The language in dispute settlement and the nontariff codes could be dropped if that was necessary to achieve support for our initiatives in services, high-technology and trade-related investment issues.

*Why
no explicit
commitment
involved*

Para (3) Other countries may be hesitant to agree to further negotiations on market access with the developing countries. In that case we could frame the objective in terms of exploring the possibilities for future negotiations or as a further fallback we could frame it in terms of improving cooperation between developed and developing countries or trade issues of mutual interest.

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MEMORANDUM

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~

INFORMATION

May 7, 1982

MEMORANDUM FOR WILLIAM P. CLARK

FROM:

HENRY R. NAU *HRN*

SUBJECT:

Meeting with Attali Representatives on
French President's Technology Report

Bob Hormats, Beryl Sprinkel, and I met for two hours with Pierre Morel and Marc de Brichanbault of Jacques Attali's office, to discuss the French President's report on technology. This was the first detailed presentation of the contents of the report.

The report will contain three parts:

- First part identifies the new technologies of the future, micro-electronics, bio-technology, new material, space and oceans, and emphasizes the social and political problems which these technologies will create.
- The second part identifies five major areas in which Summit leaders have political interests at stake in the new technologies -- employment consequences, protectionism, risk of concentration and monopolies, inequality with developing countries spawned by technology, and consequences for the social and cultural identity of individual nations.
- The third part proposes cooperative efforts to achieve new growth through technology, to develop human resources through greater cooperation in vocational training, etc., and to cope with the impact of technology on culture. The centerpiece here is a study group of prominent industrial and government leaders that would develop cooperative projects and report back to Summit leaders at the next Summit.

In our response, we emphasized the political attractiveness of the subject because it deals with the longer-term and represents a more fundamental approach to our economic problems and because it offers hope in the midst of the present recession. We urged that the report be positive about the benefits of technology and not overemphasize centralized management of technology either by government or

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industry. We supported the ideas of a study group as long as its work was closely integrated with existing institutions and activities already underway in these institutions.

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10 May 1982

IFAD'S REPLENISHMENT - AIDE MEMOIRE

DR. HENRY NAU 35
File
Finance Summit
(issues)

1. In January 1982, after more than two years of negotiations, the Governing Council of IFAD adopted a Resolution on IFAD's first replenishment which provided for a US\$ 620 million contribution from the OECD countries (Category I) and a total contribution of US\$ 450 million from the OPEC countries (Category II), including US\$ 20 million from the OPEC Fund for International Development. The replenishment is to become effective after Instruments of Contribution have been deposited with the Fund in amounts equalling at least fifty percent of the respective total contributions of Members in Categories I and II.
2. As indicated in the attached table, a number of donor countries from both Categories have already deposited their Instruments of Contribution and others are expected to do so shortly. Thus, the conditions for the effectiveness of the replenishment are expected to be satisfied by the end of May. The payment of the first instalments is due within thirty days of the date of effectiveness.
3. Many of the major donors taking such positive actions with respect to the deposit of their Instruments of Contributions and their initial payments, have expressed concern about the present inability of the United States to do likewise and firmly expect the United States to pay the first instalment of its contribution during 1982. Despite their concerns in this regard, they have decided to move ahead because they recognize IFAD as a major vehicle for alleviating hunger and poverty in the developing countries and as an important manifestation of OPEC-OECD cooperation in the North/South context. In this connection, it may be noted that the individual contributions of nearly all OPEC countries to the replenishment are more than 50 percent higher than their initial contributions.
4. The full amount of US\$ 180 million requested by President Reagan as the United States contribution to the replenishment has already been authorized by the Congress. The Administration's Budget request for Fiscal Year 1983, which is currently before the Congress, includes an amount of US\$ 65 million to cover the payment by the United States of its first instalment. However, there are many indications that the Congress may not make regular foreign assistance appropriations for Fiscal Year 1983 and may resort to other funding mechanisms which could present even additional legislative difficulties. It will no doubt be essential, therefore, to enlist the active support of the highest levels of the Administration for the inclusion of the US\$ 65 million appropriation for IFAD.

5. The payment of the first U.S. instalment during 1982 will be a critical element in assuring the continuity of IFAD's operations, which are particularly focused on increasing food production. IFAD has already committed for this purpose about US\$ 1.2 billion over the past four years -- including about US\$ 450 million for projects in 35 low-income countries in Africa -- and the steadily worsening food situation in the developing countries has created an even more pressing need for IFAD assistance.

6. - The Member States, including in particular the developing countries who are depending on the Fund's new resources under the replenishment, are following this matter with great interest and are most hopeful that the United States will take the necessary actions in a timely manner.

IFAD'S FIRST REPLENISHMENT

INSTRUMENTS OF CONTRIBUTIONS RECEIVED

(in US\$ equivalent)

Category I

Belgium	14 280 000
Canada	34 980 000
Denmark	9 720 000
Finland	6 150 000
France	49 000 000
Ireland	1 170 000
Japan	60 210 000
Norway	25 000 000
Sweden*	33 200 000

Total	233 710 000
	=====

Category II

Saudi Arabia	155 618 000
Kuwait	56 041 000
Qatar	13 980 000
OPEC Fund for International Development	20 000 000
Nigeria*	40 459 000

Total	286 098 000
	=====

* These governments have officially informed IFAD that their Instruments of Contribution have been approved and have been despatched to IFAD.

Change in the Relevant Share of the United States' Contribution to IFAD between the Initial Contribution and the First Replenishment.

The U.S. contribution of US\$ 200 million to IFAD's initial capital as compared to its contribution to the first replenishment of US\$ 180 million is lower in nominal terms and the U.S. share has been reduced relative to the total contributions; to Category I contributions; and to Category II contributions.

	<u>Initial</u> (a) <u>Contributions</u>		<u>First</u> <u>Replenishment</u>	
	(in millions of US\$)			
<u>Total Contributions of Categories I and II</u>	<u>1 003</u>		<u>1 070</u>	
<u>US Contribution</u>	<u>200</u>	19.9%	<u>180</u>	16.8%
<u>Total Contributions of Category I</u>	<u>567</u>		<u>620</u>	
<u>US Contribution</u>	<u>200</u>	35.3%	<u>180</u>	29.0%
<u>Total Contributions of Category II</u>	<u>435</u>		<u>450</u>	
<u>US Contribution</u>	<u>200</u>	45.9%	<u>180</u>	40.0%

(a) As at 10 June 1976 the date of the initial pledges

16.1.82

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

CATEGORY II CONTRIBUTIONS

(in US\$ millions)

	<u>Column A</u>	<u>Column B</u>	<u>Column B over Column A</u>
	<u>Initial Contributions</u>	<u>First Replenishment</u>	<u>Percentage increase (or decrease)</u>
Algeria	10.00	15.58	56
Gabon	0.50	0.80	60
Indonesia	1.25	1.91	53
Iran	124.75	19.24	(85)
Iraq	20.00	31.10	56
Kuwait	36.00	56.04	56
Libyan Arab Jamahiriya	20.00	31.10	56
Nigeria	26.00	40.46	56
Qatar	9.00	13.98	55
Saudi Arabia	105.50	155.62	48
United Arab Emirates	16.50	25.68	56
Venezuela	66.00	38.49	(42)
Special Con- tribution of OPEC Fund	<u>00</u>	<u>20.00</u>	N/A
	<u>435.50</u> =====	<u>450.00</u> =====	

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

CATEGORY I CONTRIBUTIONS

(in US\$ millions)

	<u>Column A</u>	<u>Column B</u>	<u>Column B over Column A</u>
	Initial ^{1/} Contributions	First ^{2/} Replenishment	Percentage increase (or decrease)
Australia	9.84	10.44	6
Austria	4.80	5.20	8
Belgium	13.64	14.28	5
Canada	33.73	34.98	4
Denmark	7.50	9.72	30
Finland	3.08	6.15	100
France	26.93	49.00	82
Germany, F.R.	55.00	57.70	5
Ireland	1.01	1.17	16
Italy	25.00	38.70	55
Japan	55.00	60.21	9
Luxembourg	0.37	0.40	8
Netherlands	39.56	44.60	13
New Zealand	1.97	2.00	2
Norway	23.55	25.00	6
Spain	2.00	2.00	0
Sweden	25.88	33.20	28
Switzerland	8.83	15.50	76
United Kingdom	31.90	29.75	(7)
United States	200.00	180.00	(20)
TOTAL	569.59 =====	620.00 =====	

^{1/} US dollar equivalent of Category I pledges as at 10 June 1976

^{2/} US dollar equivalent of Category I pledges as at 11 December 1980, consistent with the replenishment resolution