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WITHDRAWAL SHEET

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Collection Name WHITE HOUSE OFFICE OF RECORDS MANAGEMENT

(WHORM): SUBJECT FILE

Withdrawer

11/13/2019

File Folder

FO006-02 (018874) (1 OF 19)

DLB FOIA

F16-011

Box Number

BIERGANNS

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
243568	PAPER	RE: GLOBAL NEGOTIATIONS	1	9/19/1981	B1

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

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

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

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B-7 Release would disclose information compiled for law enforcement purposes ((b)(7) of the FOIA]

B-6 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

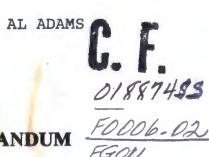
B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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THE WHITE HOUSE

WASHINGTON



CABINET ADMINISTRATION STAFFING MEMORANDUM

A	CTION	FYI		ACTION	FYI
ALL CABINET MEMBERS			Baker		
Vice President			Deaver		
State Treasury			Allen		
Defense Attorney General			Anderson		
Interior Agriculture		00000000000000000000000	Garrick		
Commerce Labor			Darman (For WH Staffin		
HHS HUD			Gray		
Transportation Energy			Beal		
Education Counsellor					
OMB CIA					. 🗆
UN USTR					
USIR	- 🗒				

Remarks:

The attached just arrived and should be considered in revising Cancun briefing materials.

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RETURN TO:

Craig L. Fuller

Deputy Assistant to the President

Director,

Office of Cabinet Administration

456-2823

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

October 16, 1981

MEMORANDUM FOR: Craig Fuller

FROM:

Lionel H. Olmer

SUBJECT:

Talking Points for President's Meeting with

Prime Minister Suzuki

We are reliably informed that the Japanese Government has abandoned efforts which had been contemplated to increase imports of manufactured goods. Specifically, the Government has taken no serious steps to implement the July 14th commitments of Minister Tanaka to stimulate the import of manufactured goods. In addition, the proposed \$3 billion emergency import fund has been rejected. I would suggest inclusion of the following language in the briefing material for the President's bilateral meeting with Prime Minister Suzuki in Cancun.

- o We are concerned about the widening U.S. trade imbalance with Japan which will amount to over \$15 billion this year, and could go as high as \$20 billion next year. Worldwide, Japan will have a trade surplus of over \$20 billion in 1981. Continued surpluses of this magnitude may have unpredictable and unfortunate effects on our bilateral relationship.
- o We urge the Japanese Government to take measures to reduce dramatically this trade imbalance by increasing U.S. imports into Japan and to implement the import commitment announced by MITI Minister Tanaka on July 14.

Secretary Baldrige and Ambassador Brock believe that the President should raise these points with Prime Minister Suzuki at Cancun. I have also discussed them with Bob Hormats and he agrees.

cc: Ambassador Brock Robert Hormats





DEPARTMENT OF STATE

Washington, D.C. 20520 October 12, 1981

UNCLASSIFIED VILLE ATTACHMENT

MEMORANDUM TO MR. RICHARD G. DARMAN THE WHITE HOUSE

SUBJECT: Letter to Secretary from Genscher

The attached letter from Foreign Minister
Genscher is the latest example of the pressures we
face from our closest allies on the global negotiations
issue. It should be brought to the attention of the
President, in the context of his preparations for Cancun.

L. Paul Bremer, 1717 Executive Secretary

Attachment: As stated.

cc: NSC:Mr. Allen
WH:Mr. Fuller

UNCLASSIFIED WITH COMPUDENTIAL ATTACHMENT

Courtesy Translation

" Dear Al,

The forthcoming summit meeting of 22 heads of state or government from north and south in Cancun on 22/23 October fills me with some concern.

While the foreign ministers succeeded both in Vienna and in Cancun in August to create an atmosphere of confidence in which a frank exchange of views was possible without regard for the individual participants' membership of their respective groups or regions, it mus now be feared that the Summit will confront us with a much more difficult situation.

In Cancun the foreign ministers agreed that the heads of state or government should hold an exchange of views on the future of international economic co-operation and the reactivation of the world economy. In addition, they acknowledged that a main objective of the meeting should be to facilitate agreement with regard to the global negotiations in the United Nations.

The talks I have held and the information which I have received, especially from the Third World, show that the participants will be attending the Cancun Meeting with high expectations: they hope that the US President will be able to take a decision in favour of renewed American participation in the preparations of global negotiations and possibly also on the project for an energy affiliate of the world bank.

This hope is shared by my government and its partners in the European Community. I would greatly appreciate if President Reagan could decide in favour of the global negotiations. I have the impression that since the failure of the 11th special session of the general assembly the readiness of the Third World countries to be more flexible has grown considerably and that the prospects for successful global negotiations have certainly increased. I could well imagine that the idea of a strategy for growth, which you outlined in your address to the 36th session of the UN General Assembly, could play a special role in the implementation of general assembly resolution 34/138.

My government regards the economic negotiations within the United Nations, especially the global negotiations, as part of a confidence-building process which we should consciously seek in the interest of our relations with the developing countries. If we neglected to do so, there would be the danger of alienating the developing countries and driving them into the arms of false friends. I also believe that resolution 34/138 offers sufficient scope to bring the negotiations to a successful conclusion which would contribute to the solution of international economic problems and promote global economic growth. This would be in the common interest and in line with the responsibility which the Western industrial nations in particular have to meet.

I hope that we shall have an opportunity in Cancun to discuss these matters as well.

Yours sincerely,

sgd. Hans-Dietrich Genscher. "

THE AMBASSADOR

OF THE

FEDERAL REPUBLIC OF GERMANY

WASHINGTON, D.C.

Dear Mr. Secretary:

Federal Foreign Minister Genscher has asked me to transmit to you the following telegram:

Lieber Al,

Das bevorstehende Gipfeltreffen der 22 Staats- oder Regierungschefs aus Nord und Süd, das am 22./23. Oktober 1981 in Cancun stattfinden wird, erfüllt mich mit einer gewissen Sorge.

Nachdem es den Aussenministern sowohl in Wien wie auch im August dieses Jahres in Cancun gelungen ist, eine Atmosphäre des Vertrauens zu schaffen, in der ein freimütiger Meinungsaustausch ohne Rücksicht auf die Zugehörigkeit der einzelnen Teilnehmer zu ihren Gruppen oder Regionen möglich war, ist nun zu befürchten, dass das Gipfeltreffen uns vor eine erheblich schwierigere Situation stellt.

Die Aussenminister hatten in Cancun beschlossen, dass die Staats- oder Regierungschefs einen Meinungsaustausch über die Zukunft der internationalen wirtschaftlichen Zusammenarbeit und die Wiederbelebung der Weltwirtschaft führen sollten. Darüber hinaus haben sie anerkannt, dass es ein

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Hauptziel des Treffens sein soll, die Einigung über die globalen Verhandlungen in den VN zu erleichtern.

Meine Gespräche und sonstigen Informationen, vor allem aus der Dritten Welt, zeigen mir, dass die Teilnehmer am Treffen mit hohen Erwartungen nach Cancun gehen werden: sie hoffen, dass es dem amerikanischen Präsidenten möglich sein wird, eine Entscheidung zugunsten einer erneuten amerikanischen Mitarbeit an den globalen Verhandlungen und möglichst auch an dem Projekt einer Weltbanktochter für Energie zu treffen.

Diese Hoffnung teilt die Bundesregierung ebenso wie ihre Partner in der EG. Sie würde es ausserordentlich begrüssen, wenn es Präsident Reagan möglich wäre, sich zugunsten der globalen Verhandlungen zu entscheiden. Ich habe den Eindruck, dass seit dem Misserfolg der 11. Sondergeneralversammlung die Bereitschaft der Länder der Dritten Welt zur Flexibilität erheblich grösser geworden ist und dass die Chancen, die globalen Verhandlungen fruchtbar zu führen, durchaus gewachsen sind. Ich könnte mir auch vorstellen, dass die Idee von einer Wachstumsstrategie, die Sie in Ihrer Rede vor der 36. Generalversammlung der VN entwickelt haben, eine besondere Rolle bei der Implementierung der Resolution 34/138 der Generalversammlung spielen könnte.

Für die Bundesregierung sind die Wirtschaftsverhandlungen in den VN, besonders aber die globalen Verhandlungen, Teil eines Vertrauensbildungsprozesses, den wir im Interesse unserer Beziehungen mit den Entwicklungsländern bewusst anstreben sollten. Bei einer Verweigerung unsererseits bestünde die Gefahr, dass wir die Entwicklungsländer vor den Kopf stossen und sie falschen Freunden in die Arme treiben. Ich glaube auch, dass die Resolution 34/138 ausreichend Spielraum bietet, um diese Verhandlungen mit einem Ergebnis zu führen, der einen Beitrag darstellt zur Lösung internationaler wirtschaftlicher Probleme und zur Förderung des globalen Wirtschaftswachstums. Damit wäre dem allseitigen Interesse und der Verantwortung, die besonders die westlichen Industrie-länder zu tragen haben, gedient.

Ich hoffe, dass wir in Cancun Gelegenheit haben werden, auch diese Fragen weiter zu erörtern.

Mit freundlichen Grüssen gez. Genscher."

A courtesy translation is attached.

Sincerely yours,

Washington, D.C., 9 October, 1981

to con vini

The Homorable

Alexander M. Haig, Jr.

Secretary of State

Washington, D.C.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name Withdrawer

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ATTACHMENT

THE WHITE HOUSE WASHINGTON

October 13, 1981

NOTE FOR DICK DARMAN

FROM:

CRAIG L. FULLER



Attached are the Cabinet responses on the initial Cancun briefing papers.

For your review prior to tomorrow's meeting.

Attachment



ATTACHMENT





Department of the Treasury

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THE CHAIRMAN OF THE AZIA CHMEN

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS

WASHINGTON

OF CLASSIFIED EXCLOSED AND 11/12/2019

October 9, 1981

MEMORANDUM FOR DICK DARMAN

FROM: Murray L. Weidenbaum

Subject: CANCUN Briefing Papers

I have substantive points to raise with a few of the papers. The attached staff memos question several important points raised in three agricultural-related papers and the one on Natural Resource Development.

memorandum

DATE: October 8, 1981

REPLY TO Bill Dobson

summer: Comments on Briefing Papers for the Cancun Summit

TO: Bob Murphy

The Cancun materials on "Food Security and Agricultural Development," "International Commodity Agreements" and the "Common Fund" that I was asked to comment on generally appear to be acceptable. However, these three points should be noted:

1. The context statement following the "U.S. statement on Food Security and Agricultural Development" contains the following language: "Close to half billion people, mostly in developing countries are undernourished."

Statistics such as this one on the number of hungry people in the world are being questioned by University economic development specialists and reporters. The point they raise is that numbers such as the "half billion" figure are potentially misleading since we don't have good statistics on the number of hungry or undernourished people in the world. The criticism appears to be valid. Therefore, it might be useful to replace the reference to a "half billion" undernourished people with some more general statistics.

2. The "Agricultural Development Assistance" point paper contains the following response:

"Accordingly, our assistance focuses on increasing food production, primarily through small-farm, labor-intensive agriculture; and on increasing the incomes of poor people so they can purchase the food they need."

This emphasis on small-farm, labor-intensive agriculture appears to a significant vestige of the policies of the Carter Administration. The present Administration places more emphasis on the private sector as a mechanism for achieving economic objectives in developing countries. Furthermore, the Administration would not necessarily have an interest in seeing that food production objectives in developing countries are reached "primarily through small-farm, labor-intensive agriculture." The size of farm and degree of labor intensity



are factors that can be determined by market forces. I believe that it would be useful if the reference to small-farm, labor-intensive agriculture could be expunged from the point paper.

3. The "U.S. Statement on Food Security and Agricultural Development" contains the following sentence:

"Third, we must continue to search for an international grains agreement."

This statement needs to be qualified to include a discussion of the type of grain agreement that would be acceptable. A grain agreement that would interfere with free trade or reduce the options available to the U.S. likely would be unacceptable.

memorandum

DATE: October 9, 1981

ATTNOP: Steve Hanke

subscr: Comments on "Natural Resource Development" briefing paper for the Cancun Summit

To: Elinor Sachse
Bob Murphy
Murray Weidenbaum
Bill Niskanen
Jerry Jordan
Jim Burnham

This paper is not consistent with the Administration's statements at the IMF/World Bank meetings.

The paper should be revised, so that the Administration can make their case for free enterprise on this concrete and important natural resource issue.

Suggested Changes

- 1. Eliminate responses (2) and (3). They recommend more government planning. This is not a correct solution.
- 2. A revised "response" (1) should read:
 - 1. We reject the notion that "excessive" resource demand by any country or group of countries is a constraint on the economic development of producing nations.
- 3. A new "response" (2) should read:
 - 2. The resource demands of the U.S. and other industrialized nations promote economic growth in producing countries. These demands allow producing countries to convert relatively low yielding natural resource, capital stocks into higher yielding "invested" capital.
- 4. A new "response" (3) should read:
 - 3. Economic growth is a function of "invested" capital per capita. By creating markets for natural resources, the U.S. and other industrialized nations are creating an opportunity for producing countries to liquidate natural resource stocks and to increase their "invested" capital per capita. Hence, they are promoting the growth of producing countries.





- 5. A new "response" (4) should read:
 - 4. A greater reliance on private property and market institutions for natural resource development and use should be encouraged. These institutions have been fundamental elements that have allowed the U.S. to convert its natural resource capital into "invested" capital. Thus, they have been essential for the sustained increase in "invested" capital per capita and economic growth in the U.S.
- 6. The last two paragraphs under "Facts" should be eliminated. They just call for more planning, cooperation, conferences, international organizations, etc.

What is needed for wise natural resource use are private property and markets. These will foster cooperation and wise resource use.

7. A new "Fact" paragraph should be added. It should read:

Considerable data on trends in raw-material prices are available. They show clearly that costs for extractive materials and natural resource commodities have fallen, in real terms, over the course of recorded price history. We can infer, therefore, that natural resources are not becoming more scarce. They are becoming more plentiful. This has largely been the function of private property and market institutions that have allowed knowledge, imagination and enterprise to flourish and to solve the problems associated with natural resource development and use.

8. A second new "Fact" paragraph should be added. It should read:

It should be remembered that the U.S. and other industrial countries export large amounts of primary products to producing (developing) countries, particularly food. The primary products that developing countries produce enable them to trade for the developed countries' primary products, an exchange from which both countries gain.

Natural Resource Development

Criticism: The U.S. and other industrialized nations are consuming a disproportionate share of the world's natural resources at the expense of economic growth in the Third World.

Response:

1. There is a correlation between economic growth and resource consumption. We, however, reject the notion that "excessive" resource demand by any country or group of countries is a constraint on the economic development of others.

5 -

- 2. Our collective concern should rather be on how to increase and sustain resource availability over the long term in view of continuing population growth and industrialization. This has been relatively neglected by economic and development planners...and significant progress is possible.
- 3. Excellent opportunities for expanding resource availability exist through improved planning, better management, conservation and technological innovation. The U.S. is now making substantial reductions in energy and raw materials usage through a combination of these measures. This is a profitable area for increased international collaboration, and we stand ready to share our experience and knowledge.

Facts: There is no evidence that reduced resource consumption by the U.S. would stimulate greater economic growth in the developing countries. A much stronger argument can be made that U.S. economic prosperity has historically had a significant, positive impact on developing country economic and social developme

Future worldwide economic growth will depend on both expanding supplies of minerals and energy, and on maintaining the productive capacity of water resources, forests and soils. However, many poor nations are now finding their development programs being undercut by the degradation of their natural resource base on which food production and industrialization critically depend.

Rich and poor nations thus have shared interest in finding and exploiting new sources of energy and minerals, reducing waste and inefficiencies in use, and improving the management of renewable resources. The U.S., as a world leader in resource management and conservation, is in a strong position to engage the developing countries in effective cooperation in this area, and to change the tone of the recent North-South dialogue on resource development issues.

FOOD SECURITY and AdilCHITHIAL DEVELOPMENT

During discussions of food security, the assurance of regular and adequate food supplies for the world's population, and agricultural development, we will want

- -- to stress that the most important element of food security is increasing developing countries' food production. To that end, developing countries should:
 - adopt appropriate agricultural policies, especially relating to price incentives;
 - encourage involvement of both the local and foreign private sectors in food storage and marketing/distribution programs in developing countries;
- -- to emphasize the <u>US record</u> as the <u>largest donor of food</u> aid and the <u>largest bilateral donor of agricultural development</u> assistance;
- -- to state that although foreign assistance is not excluded from our efforts to reduce federal expenditures, the world's food and agricultural problems must remain high on our list of development priorities;
- to urge other nations to share more equitably in the burden of providing food and, agricultural development assistance by calling for additional pledges to the Food Aid Convention (FAC), the International Emergency Food Reserve (IEFR), and the World Food Program (WFP);
- to encourage the development of grain reserves by other exporters and developed importers.
- -- to urge the <u>strengthening of international disaster</u> relief cooperation.

CONTEXT

Food security and hunger are critical development problems. Close to a half billion people, mostly in developing countries are undernourished. Almost all of the two billion population growth expected by year 2000 will be in developing countries. For these reasons, the developing countries represented at Cancun will likely seek higher external assistance to meet emergency food needs and to accelerate domestic food production.

At Cancun, we should emphasize the continuing strong leadership role of the US in addressing the elements of world food security: agricultural development assistance to increase developing countries' food production; food aid; and grain reserve policies. We should also stress that food and agricultural

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policies and programs of the developing countries themselves are more important than external aid.

The most important element of food security is increased developing country food production. A principal constraint to improved output in most developing countries is pricing policies that subsidize the urban consumer at the expense of the farmer.

Secondly, most developing countries are handicapped by undeveloped storage, processing, distribution, and marketing capacity. The developing countries should encourage involvement of both the local and foreign private sectors in the development of their infrastructures and the development and application of agricultural technology.

Most Summit participants will at least privately support the US position that developing countries should increase food production as essential to ensuring world food security. Publicly, however, some developing countries may chastise the US for seeming insensitivity towards the hungry and call for further aid. The US should (1) recount its record as the largest donor of food and the largest bilateral donor of agricultural development assistance; (2) state that although foreign assistance is not excluded from our efforts to reduce federal expenditures, food and agricultural problems must remain high on our list of development priorities; (3) recognize that many of the poorer countries, despite efforts to integrate them into-the world economy, may have to rely heavily on concessional assistance for some time to come; and (4) reiterate that the US will continue its high commitment to such aid.

Food Aid and Agricultural Development Assistance represent the second element of world food security. The US can take pride in its record as the largest donor of food and the largest bilateral donor of agricultural development assistance. The bulk of US multilateral aid is disbursed through the multilateral development banks (MDBs). In FY 1980, MDB lending for agriculture totalled \$4.6 billion, or 28% of total MDB lending. The US also makes substantial contributions to more specialized organizations, such as the Food and Agriculture Organization of the UN and the World Food Program (WFP). We have also pledged annually 4.47 million tons of food aid of a targetted 10 million tons to the Food Aid Convention and 125,000 of a targetted 500,000 tons to the International Emergency Food Reserve. Neither of these targets has been met by the international community. Bilateral aid: Roughly half of our bilateral assistance is devoted to agricultural development programs in developing countries. Our PL 480 program will provide in excess of \$1.7 billion in food aid to needy people in about 80 countries this fiscal year.

There is no one issue within this area that any Summit participant is likely to raise as a criticism of the US. If, however, any participant should raise the general issue that the US has not

been generous enough in its commitment to alleviate hunger, the US may (1) reiterate the US record; (2) state that although foreign aid is not excluded from our efforts to reduce federal expenditures, that food and agricultural problems must remain high on our list of development prorities; and (3) call for additional pledges to the FAC, the WFP, and the IEFR.

Grain Reserve Policies represent the third element of world food security. We are the only nation which acquires and releases its grain reserves in an open market system in response to changes in international supply and demand. Not only does our open market system provide full access to the foreign buyer of grain, but our market system also provides buyers for substantial and increasing quantities of developing countries' products.

At the most recent International Wheat Council meeting, the US opposed the draft proposal for a new agreement based upon an internationally-coordinated system. However, we would consider other proposals based on market-oriented national reserves. Other exporters and major importers should establish such reserves without awaiting a new International Wheat Agreement proposal. (EC governments argue that such reserves should only be established in the context of an international system. The developing countries will seek an agreement which also stabilizes prices and finances stocks in developing countries.).

KEY POINTS TO MADE

- The United States takes pride in its leadership role in the quest for food security, the assurance of adequate food supplies for the world's population.
- We have been the largest donor of food aid and the largest bilateral donor of agricultural development assistance.
- Although foreign aid is not excluded from our efforts to reduce federal expenditures, food and agricultural problems must remain high on our list of development priorities.
- -- We are the only nation which acquires and releases its grain reserves in an open market system in response to changes in international supply and demand. Our market system also provides buyers for substantial and increasing quantities of developing countries' products.

CHCTUDG TE TRE

Agricultural Development Assistance

Argument: The United Staes provides substantial agricultural devlopment assistance which can significantly accelerate increased food production in the developing countries.

Responses:

- 1. The <u>main objective</u> of US agricultural development assistance is to <u>strengthen</u> the capability of developing countries to alleviate hunger and malnutrition.
- 2. Accordingly, our assistance focuses on increasing food production, primarily through small-farm, labor-intensive agriculture; and on increasing the incomes of poor people so they can purchase the food they need.
- 3. We will continue our commitment to alleviate hunger and malnutrition by allocating over one-half of our FY 82 Devel-opment Assistance (about \$830 million) to help accelerate agricultural development in the developing countries.
- 4. We will combine the considerable expertise of US universities and the private sector with capital and food assistance to support broadly participatory agricultural development.

Facts: To increase food supplies sufficiently to begin to make an impact on malnutrition, there must be a substantial increase in investment in the agricuttural sector in most developing countries, along with complementary policy, institutional and other reforms. While the bulk of these efforts must be made by the developing countries themselves, external technical, financial and food assistance can significantly accelerate the process.

US-supported technical assistance plays an important role in conducting agricultural research; developing institutional and human resources; assisting in the adaptation and application of agricultural and institutional technology; and rendering advisory services to governments and the private sector in the developing countries.

In many developing countries assisted by the US, increased small farmer production often depends on the performance of the private sector. Therefore, the US will support developing country policies and programs which improve that performance and which mobilize private sector resources for development purposes.

PL 480 food aid and the local currency generated from the sale of food aid will increasingly by used to complement technical and financial assistance to achieve both short-run nutrition objectives and longer run production objectives.

UNCLASSIFIED

U.S. STATEMENT

FOOD SECURITY AND AGRICULTURAL DEVELOPMENT

THE PRESENCE OF HUNGER IN THE WORLD IS A MAJOR CONCERN TO THE U.S. AND, I AM SURE, TO THE PEOPLE OF ALL NATIONS THAT ARE REPRESENTED HERE TODAY. OUR MEETING AT CANCUN PROVIDES US WITH AN OPPORTUNITY TO DISCUSS ASSURING REGULAR AND ADEQUATE FOOD SUPPLIES FOR THE WORLD'S POPULATION AND TO OFFER WAYS IN WHICH THE INTERNATIONAL COMMUNITY MIGHT COOPERATE MORE EFFECTIVELY IN RESPONDING TO THE NEEDS OF THE HUNGRY AND MALNOURISHED.

THE U.S. SHALL CONTINUE ITS LEADERSHIP ROLE IN THE QUEST FOR FOOD SECURITY. FIRST, THE U.S. WILL CONTINUE TO BE THE LARGEST DONOR OF FOOD AID AND THE LARGEST DONOR OF BILATERAL AGRICULTURAL DEVELOPMENT ASSISTANCE. SECOND, THE UNITED STATES SHALL CONTINUE TO ACQUIRE AND RELEASE ITS GRAIN RESERVES IN AN OPEN MARKET SYSTEM IN RESPONSE TO CHANGES IN INTERNATIONAL SUPPLY AND DEMAND. IN FACT, THE U.S. IS THE ONLY COUNTRY WHO KEEPS MAJOR GRAIN RESERVES.

THE U.S. SEES FOUR MAJOR AREAS THAT MUST BE DISCUSSED IF
WE ARE TO INCREASE WORLD FOOD SECURITY. FIRST, THE MOST IMPORTANT
REQUIREMENT FOR WORLD FOOD SECURITY IS AN INCREASE IN FOOD PRODUCTION
IN THE DEVELOPING COUNTRIES THEMSELVES. NO AMOUNT OF EXTERNAL
ASSISTANCE CAN SUPPLANT THE IMPORTANCE OF APPROPRIATE AGRICULTURAL
POLICIES - ESPECIALLY PRICING - WITHIN A DEVELOPING COUNTRY. IN
ALL COUNTRIES, FARMERS MUST RECEIVE SOME ASSURANCE OF AN ADEQUATE
RETURN BEFORE UNDERTAKING THE INVESTMENT NEEDED FOR INCREASED
PRODUCTION.

SECOND, FOOD AND AGRICULTURE MUST REMAIN HIGH ON OUR
LIST OF DEVELOPMENT PRIORITIES FOR FOREIGN ASSISTANCE BOTH
BILATERAL AND MULTILATERAL. WE BELIEVE IN HELPING COUNTRIES
TO HELP THEMSELVES. BUT WE ALSO RECOGNIZE THAT SOME COUNTRIES,
DESPITE THEIR OWN EFFORTS, WILL STILL REQUIRE TECHNICAL ASSISTANCE
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DEVELOPMENT ASSISTANCE PROGRAM WILL CONTINUE TO FOCUS ON HELPING
THE SMALL FARMER. THE PRIVATE FARMER IS THE KEY TO IMPROVED
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AND PROGRAM WILL BE USED IN THE SUPPORT OF AGRICULTURE. THE U.S.
WILL ACCORD SPECIAL ATTENTION TO SUPPORTING DEVELOPING POLICIES
AND PROGRAMS WHICH WILL IMPROVE THAT PERFORMANCE AND WHICH WILL
HELP MOBILIZE PRIVATE SECTOR RESOURCES FOR DEVELOPMENT PURPOSES.

INTERNATIONAL COOPERATION SHOULD ALSO EXTEND TO THE AREA OF FOOD AID. ADDITIONAL MEMBERS OF THE INTERNATIONAL COMMUNITY MUST ASSUME MORE OF THE OBLIGATION ENTAILED IN PROVIDING FOOD AID. IN PARTICULAR, WE CALL ON COUNTRIES WHO HAVE NOT DONE SO, ESPECIALLY OPEC, THE UPPER INCOME DEVELOPING COUNTRIES, AND THOSE INDUSTRIALIZED COUNTRIES WITH CENTRALLY PLANNED ECONOMIES, TO MAKE PLEDGES IN CASH OR COMMODITIES UNDER THE FOOD AID CONVENTION, THE WORLD FOOD PROGRAM, AND THE INTERNATIONAL EMERGENCY FOOD RESERVE.

THIRD, WE MUST CONTINUE TO SEARCH FOR AN INTERNATIONAL GRAINS AGREEMENT. WE KNOW THE KEY PROBLEMS OF WHO SHOULD BEAR PURCHASE AND STORAGE COSTS, OF WHAT PRICES STOCKS ARE BOUGHT AND SOLD AND FOREIGN EXCHANGE PROBLEMS OF DEVELOPING COUNTRIES.

WE MUST WORK TOWARD A SOLUTION THAT PROTECTS CONSUMER AND PRODUCER INTERESTS. RESTS ON MARKET PRINCIPLES AND PROVIDES MORE FOOD SECURITY.

FOURTH, INTERNATIONAL COOPERATION IN THE CASE OF FOOD EMERGENCIES RESULTING FROM NATURAL DISASTERS MUST BE IMPROVED.



Department of Energy Washington, D.C. 20585

OCT 8 1981

INFORMATION MEMORANDUM

TO:

Craig L. Fuller

Assistant to the President

Director

Office of Cabinet Administration

FROM:

Special Assistant to the Secretary

SUBJECT:

Cancun Summit Briefing Papers

We have reviewed the energy briefing papers contained in Section III of the Cancun Summit briefing package. We have the following suggestions on the energy briefing papers.

First, we should refer specifically to the Administration's decision to decontrol oil prices and the positive impact this decision has had on both energy production and conservation in the U.S. and on the world market. This step is an essential element in our reliance on market forces and has a direct bearing on our efforts to encourage adoption by developing countries of market-oriented pricing policies and strategies. The current language on this topic could be made more specific and direct.

Second, we should emphasize the U.S. role as a reliable energy supplier to the world market. In particular, we should direct attention to the U.S. industry's response to the increased foreign demand for U.S. steam coal as well as the Administration's determination to establish a consistent framework under which the commercial transaction can take place. We should point to coal as an alternative to imported oil. Furthermore, we should underline the Administration's determination to reestablish the U.S. as a reliable and predictable nuclear trade partner.

Third, we seriously question the wisdom of signaling a U.S. willingness to join international energy discussions, particularly if this implies a commitment to negotiate with OPEC as an organization. It seems inappropriate at this stage for the Administration to make any gesture that would seem to strengthen the internal cohesion of OPEC.

We question whether we want to signal even the slightest possibility of the U.S. supporting an increase in the World Bank's energy lending program. Assuming we do not, we should strike Paragraph 4 which indicates that we might reconsider our position if OPEC increases its participation.

Benard C. Rusche

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

MEMORANDUM FOR CRAIG L. FULLER

THE WHITE HOUSE

FROM:

Lionel H. Olmer

Under Secretary for International Trade

SUBJECT:

Cancun Summit Briefing Papers

Thank you for the opportunity to review the briefing papers prepared for the Cancun Summit. The Department of Commerce has participated actively in the interagency process through which the documents were developed, and our views have been substantially taken into account. Nevertheless, the Commerce staff has prepared additional comments on specific points raised in a number of the papers. Following are our comments and suggestions:

Commodities, Trade and Industrialization

-- In the U.S. statement on "Commodities, Trade and Industrialization," in the last paragraph on the second page, the LDCs are in essence denied the right to employ the infant industry argument which the United States has itself employed in its own historical development.

International Commodity Agreements

- -- In the first item under "Response" (line 8), either the word "presently" should be inserted before the phrase "is a member," or the word "tin" should be deleted.
- -- In the third item under "Response," the word "help" should be inserted before the word "restore" and "many" should be inserted before "raw materials."
- -- In the second paragraph under "Facts," the words "higher than the free market would support" should be replaced with "above the long term free market trend."
- -- In the last paragraph under "Facts," add at the end of the first sentence "and the 1980 International Cocoa Agreement." In the second sentence, delete "the Sixth Tin Agreement" and substitute "both of these agreements." Also in the second sentence, change "agreement does not" to read "agreements do not" for consistency with the other changes.



-- It would be useful to include something in this paper on the U.S. view of Lome II's STABEX, on the assumption that there will be an LDC effort to ask the United States why it does not provide a similar level of direct support to commodity dependent LDCs.

Adjustment and Redeployment of Industry

-- In the third item under "response," the word "not" should be deleted from the first line of the second sentence. It will then read: "We do regard it as beneficial and appropriate for government to facilitate structural change by ensuring that trade and investment can flow as freely as possible."

Developing Country Debt Burden

-- In the "Facts" section of this paper, we question the use of \$280 billion for the total medium and long-term public debt of the non-oil producing developing countries. This figure dramatically understates the debt figure by excluding export credits and private external debt. A more accurate reflection would be the OECD figures for 1980, which show total debt for the LDC's at \$466 billion at year-end in 1980 and \$360 billion for the non-OPEC LDCs.

Importance of National Policies

- -- In the first item under "Response," the paper takes a somewhat extreme position in declaring that "any country's economic performance is primarily a function of its own economic policies." Given fluctuations in food and fuel prices, to cite but two externalities over which many LDCs have little or no control, this assertion is highly questionable. This is particularly true with reference to the economic situation of the poorest of the developing nations.
- -- In the third sentence under "Facts," the word "former" should be changed to read "latter."



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503



OCT 9 1981

MEMORANDUM FOR:

CRAIG FULLER

FROM:

David A. Stockman

Subject:

OMB Comments on Cancun Summit Briefing Papers

Most of the papers adequately reflect Administration policy and can be used in their present form. Several, indicated below, require changes because of recent policy developments or unclear language. The papers listed in the table of contents as "to be provided" (IFAD, Global Negotiations, Law of the Sea) all involve current policy questions and we will want to see them as soon as possible.

Comments on Individual Papers (marked-up versions attached)

1. Food and Agriculture. The summary paper on Food Security and Agricultural Development should be changed in two places. The second numbered sentence under "main objectives" should be revised to read "especially relating to adequate prices as incentives to farmers." This makes clear that the prices referred to are those paid to farmers. The first numbered sentence under "Bear in Mind" should be revised as shown on the attached copy, to indicate that, while there are to be significant cuts in food aid, they result from overall budget constraints and not from a rejection of the concept of development aid.

The second paragraph of the U.S. Statement on Food Security and Agricultural Development should be changed to say that the U.S. "intends to" (rather than "will") continue as the largest donor of agricultural assistance. The change makes the statement one of intent rather than an absolute promise.

The point paper on Food Aid contains several incorrect numbers. The 1981 food aid level ("Response paragraph 1" and Facts paragraph should be \$1.6 billion, and the increase over six years mentioned in the Facts paragraph should read "over \$400 million."

The above changes have been agreed to by the drafting offices.

2. Commodities, Trade and Industrialization. The paper on the Common Fund needs to be revised in light of OMB's position that funding for this program should be eliminated. The second and third sentences of the first numbered paragraph under "Response" should be stricken, and the word "is" on the sixth line of the "Facts" paragraph should be changed to "would be." State and Treasury staff have agreed to this change.



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3. Monetary and Finance. The paper on IMF Financing and Conditionality should be revised to clarify several statements that are misleading. The last part of the second sentence of the "Facts" paragraph should be dropped because it gives the impression that the IMF supports continued borrowing by LDC governments to finance balance-of-payments deficits, so long as that borrowing is from private banks. In fact, the Fund's assistance is intended to eliminate the need for such short-term bail-outs and to shift borrowing to longer term productive investments. A later sentence in the same paragraph, which indicates that "A member's access to IMF resources is now multiple of its quota" should be revised because that has been the case since the Fund began operations. What has changed is that access is now a larger multiple.

Attachment



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Food Security and Agricultural Development

MAIN OBJECTIVES

- 1. Reassure others that the US snares their concern about the problem of hunger and malnutrition.
- 2. Stress that no amount of external aid to developing nations can supplant the importance of appropriate agricultural policies, especially relating to prices as that provides the formers.
- 3. Reassure others that although foreign assistance is not excluded from our efforts to reduce federal expenditures, that food and agricultural problems will remain high on our list of priorities.
- 4. Urge that other nations share more in the burden of providing food and agricultural development assistance by committing themselves be more fully to multilateral efforts.
- 5. Encourage the development of grain reserves by other exporters and developed country importers, but state that we remain open to alternative approaches which address the problems of adequate grain reserves.

BEAR IN MIND

- 1. Others may think that the US will significantly out its
 financial commitment to food aid and development assistance are
 negative Signals instructed to really budge Tightness.
- 2. Others may characterize our emphasis on developing nations helping themselves as an attempt to palliate a decreased financial commitment to food aid and assistance programs.
- 3. The International Wheat Council, an organization of wheat exporting and importing nations, should remain the international forum for discussions relating to grain reserves.

CHECKLIST

- 1. Stress our support of self-help efforts by developing nations.
- 2. State that our aricultural development assistance program will continue to focus on helping the small farmer.
- 3. State that the US will support developing nations' policies which will improve the performance of the private sector.
- 4. State that although foreign assistance is not excluded from our efforts to reduce federal expenditures, that food and agriculture will remain high on our list of development priorities.
- Encourage other nation to assume more of the obligation of providing food and by pleaging to the FAC, the IEFR, and the WFP.
- 6. Encourage the development of grain reserves by other exporters and developed importers.

U.S. STATEMENT

FOOD SECURITY AND AGRICULTURAL DEVELOPMENT

THE PRESENCE OF HUNGER IN THE WORLD IS A MAJOR CONCERN TO THE U.S. AND, I AM SURE, TO THE PEOPLE OF ALL NATIONS THAT ARE REPRESENTED HERE TODAY. OUR MEETING AT CANCUN PROVIDES US WITH AN OPPORTUNITY TO DISCUSS ASSURING REGULAR AND ADEQUATE FOOD SUPPLIES FOR THE WORLD'S POPULATION AND TO OFFER WAYS IN WHICH THE INTERNATIONAL COMMUNITY MIGHT COOPERATE MORE EFFECTIVELY IN RESPONDING TO THE NEEDS OF THE HUNGRY AND MALNOURISHED.

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HELP MOBILIZE PRIVATE SECTOR RESOURCES FOR DEVELOPMENT PURPOSES.

International cooperation should also extend to the area of food aid. Additional members of the international community must assume more of the obligation entailed in providing food aid. In particular, we call on countries who have not done so, especially OPEC, the upper income developing countries, and those industrialized countries with centrally planned economies, to make pledges in cash or commodities under the Food Aid Convention, the World Food Program, and the International Emergency Food Reserve.

THIRD, WE MUST CONTINUE TO SEARCH FOR AN INTERNATIONAL GRAINS AGREEMENT. WE KNOW THE KEY PROBLEMS OF WHO SHOULD BEAR PURCHASE AND STORAGE COSTS, OF WHAT PRICES STOCKS ARE BOUGHT AND SOLD AND FOREIGN EXCHANGE PROBLEMS OF DEVELOPING COUNTRIES.

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Food Aid



Criticism: Developing countries should receive more food aid, preferably on a multilateral basis; food aid should not be used as a weapon.

Response:

- 1. The United States is the world leader in efforts
 to nourish the world's poor through food transfers.
 In FY 81, the value of our food aid programs exceeded
 \$1.16billion, about half in grant aid and half in
 highly concessional food financing.
- 2. While our bilateral food aid program is well established and has proven useful to recipient countries, we also recognize the value of multilateral food aid. Thus, we have pledged \$220 million in food aid to the World Food Program for the 1981-82 biennium, plus a 125,000 ton annual pledge to the International Emergency Food Reserve.
- 3. We believe that as more food aid is needed it should come from new donors (e.g., those OPEC members not currently contributing, and the centrally planned economies) as well as those developed and wealthier developing donors in a position to increase their donations (e.g., Japan and Brazil).
- 4. (To be used only if issue of food aid as a weapon is raised). The United States, as a soverign state, has the right to determine the use of our resources, including which countries will be the recipients of our food aid. We also bear willingly the responsibility, self-imposed and scrutinized closely on the international level, to decide such questions only after a careful weighing of all factors. Humanitarian concerns in the face of hunger, poverty, and emergencies play a basic, pivotal role in our decision-making. We think our record is good, and we stand on it.

Facts: Food aid represents one of the basic resource transfers in the North-South equation. The US has an excellent record of consistent generosity. Our food aid permits food deficit developing countries to use their scarce foreign exchange for other priority needs. Over the past six years, we have increased our food aid outlays by \$500 million, from \$1.2 billion in 1975 to \$1.0 billion in 1981. Developing countries appreciate our efforts, though their demands continue as the overall need increases. We have advocated a greater sharing of the burden of feeding the needy, both by new donors and by current donors in a position to do more. We pledge a minimum quantity of 4.47 million tons annually to the 10 million ton target of the international Food Aid Convention. This amount includes our pledge of \$220 million to the \$1 billion target of multilateral World Food Program for the 1981-82 biennium. Additionally, we pledge 125,000 tons annually to the 500,000 ton target of food aid under the International Emergency Food

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Common Fund

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<u>Criticism</u>: The United States appears to be moving away from its commitment to help bring the Common Fund for Commodities into operation. Does the US intend to join the Common Fund, and if so, when?

Response:

- 1. The United States signed the Common Fund Agreement on November 5, 1980. The request for budget authorization for the US contribution to the Fund is planted for FY 1983 through 1985. Seeking budget such sity is an important first step in the ratification process. Further steps will be taken provided that a sufficient number of suitably structured commodity agreements are prepared to associate with the Fund.
- 2. We believe that our efforts to promote vigorous economic growth in the United States, and renewed growth in all industrialized countries, provide the answer to the market problems of developing countries that export commodities.

Facts: Through its First Account, the Common Fund will facilitate the financing of price stabilization operations of associated international commodity agreements. The Fund's Second Account will finance other measures, such as research and development in commodities. The US contribution to the First Account is \$73.85 million. We have stated that the US does not plan to contribute to the Second Account. We believe the Second Account duplicates existing efforts by UNDP and the World Bank.

The Common Fund will come into operation when ninety countries holding two-thirds of the Fund's snares have ratified the Agreement. So far, only about half of the required number of countries have signed, and about ten have been ratified.

The Philippines has been campaigning to have the Common Fund headquarters located in Manila, and may press this issue in Cancun. Support for a Manila headquarters site among the G-77 is thinner than the Philippines would admit. The US has made no decision as to its preference for the headquarters site, and will consider this question when the Common Fund comes into operation.

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IMF Financing and Conditionality

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Criticism: The developing countries claim that the amount of financing available from the IMF is inadequate to deal with their balance of payments needs and that the economic policy conditions associated with IMF financing are excessively harsh and damaging to their development efforts.

Response:

- 1. With re-emergence of large balance of payments deficits and financing needs over the past few years, the IMF has moved dramatically to increase its resources and expand members access to those resources.
- Consequently, recourse to the IMF's financing has increased rapidly.
- 3. The need now is to assure that the substantial resources available to the IMF are used prudently in support of soundly designed and effectively implemented programs of economic adjustment. This is critically important for the IMF as an institution, to individual borrowing countries, and to the world in general.

Facts: The IMF is the principal source of official financing for countries experiencing temporary balance of payments difficulties. The availabiltiy of IMF financing is conditioned upon the borrower's adopting economic adjustment policies that will correct its balance of payments problem and place its external position on a sustainable basis, that can be financed from non IMT pources, primarily animate markets. In recent years, the IMF has substantially expanded its resources available for balance of payments financing, and members access to those resources. Quotas have been doubled since 1977 (to a total of about \$69 billion), and the IMF has borrowed significant amounts (includíon a recent \$9 billion loan from Saudi Arabia and \$2 billion from other countries). A member's access to IME resources is now multiple of its quota. Consequently, the IMF's financing commitments have increased sharply and in 1981 (through July) loans are being made at an annual rate of \$16 billion, more than double the pace set last year.

The US and other major countries have become increasingly concerned that IMF supported adjustment programs have
not been adequately implemented despite the substantial
commitment of IMF resources. The effectiveness of the IMF's
efforts to promote sound economic policies in borrowing
countries is critical to the achievement of a more stable
world economy and maintenance of the financial integrity
of the institution. We are working with IMF management
and other countries to improve IMF conditionality.



DEPARTMENT OF AGRICULTURE

OFFICE OF THE DEPUTY SECRETARY

WASHINGTON, D.C. 20250

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MEMORANDUM

October 8, 1981

To:

Craig L. Fuller

Deputy Assistant to the President

Director, Office of Cabinet Administration

Subject:

Cancun Summit Briefing Papers

Number 0188#4CA

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The subject briefing papers have been reviewed. In the section on "Food Security and Agricultural Development," please delete the paragraph which appears at the bottom of page 2 and the top of page 3 which begins "Third, we must..."

No mention should be made of an international grains agreement.

RICHARD E. LYNE

Deputy Secretary

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