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10/21/1981-10/23/1981 Cancun, Mexico)

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# WITHDRAWAL SHEET

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**FOIA**

F16-011

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
243680	PAPER	DUPLICATE OF #243673; ENERGY	1	ND	B1
243681	PAPER	DUPLICATE OF #243570; ENERGY	3	ND	B1
243682	PAPER	DUPLICATE OF #161535; ENERGY DEVELOPMENT IN DEVELOPING COUNTRIES	1	ND	B1
243683	PAPER	DUPLICATE OF #243572; UN CONFERENCE ON NEW AND RENEWABLE SOURCES OF ENERGY (UNCNRSE)	1	ND	B1
243684	PAPER	DUPLICATE OF #161533; LOPEZ PORTILLO WORLD ENERGY PLAN	1	ND	B1
243685	PAPER	DUPLICATE OF #161534; PRODUCER-CONSUMER COOPERATION	1	ND	B1

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Document No.

018894CS

WHITE HOUSE STAFFING MEMORANDUM

WS

1130

FD006-02

10:00 a.m., Friday

October 9

FG011

DATE: 10/7/81

ACTION/CONCURRENCE/COMMENT DUE BY:

SUBJECT: CANCUN SUMMIT BRIEFING PAPERS

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	HARPER	<input type="checkbox"/>	<input type="checkbox"/>
MEESE	<input type="checkbox"/>	<input type="checkbox"/>	JAMES	<input type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input type="checkbox"/>
DEAVER	<input type="checkbox"/>	<input type="checkbox"/>	NOFZIGER	<input type="checkbox"/>	<input type="checkbox"/>
STOCKMAN	<input type="checkbox"/>	<input type="checkbox"/>	WILLIAMSON	<input type="checkbox"/>	<input type="checkbox"/>
ALLEN	<input type="checkbox"/>	<input type="checkbox"/>	WEIDENBAUM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
ANDERSON <i>all comments</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HICKEY	<input type="checkbox"/>	<input type="checkbox"/>
BRADY/SPEAKES/ALLIN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MC COY	<input type="checkbox"/>	<input type="checkbox"/>
CANZERI	<input type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
DOLE	<input type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input type="checkbox"/>	<input type="checkbox"/>	USTP	<input type="checkbox"/>	<input type="checkbox"/>
FRIEDERSDORF	<input type="checkbox"/>	<input type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
FULLER (For Cabinet)	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
GARRICK	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
GERGEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

Remarks:

The attached briefing papers have been developed by the State Department's interagency group in preparation for the Cancun Summit (Oct. 21-23). Some issues remain to be resolved and additional materials will be sent to you for review.

Please provide any views you may have on the attached papers by 10:00 a.m. Friday, October 9.

Thank you.

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db 11/15/2019

ATTACHMENT

Richard G. Darman  
Assistant to the President  
and  
Deputy to the Chief of Staff  
(x-2702)

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# FOOD SECURITY AND AGRICULTURAL DEVELOPMENT

## Food Security and Agricultural Development

### MAIN OBJECTIVES

1. Reassure others that the US shares 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 farmers with incentives.
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 to 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 cut its financial commitment to food aid and development assistance.
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 agricultural 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.
5. Encourage other nation to assume more of the obligation of providing food aid by pledging to the FAC, the IEF, and the WFP.
6. Encourage the development of grain reserves by other exporters and developed importers.

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BY dk NARA DATE 11/15/2019

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 AND CONCESSIONAL AID FOR SOME TIME TO COME. OUR AGRICULTURAL DEVELOPMENT ASSISTANCE PROGRAM WILL CONTINUE TO FOCUS ON HELPING THE SMALL FARMER. THE PRIVATE FARMER IS THE KEY TO IMPROVED AGRICULTURAL PRODUCTION. FIFTY PERCENT OF THE U.S. BILATERAL 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.

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## Food Security and Agricultural 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 US record as the largest donor of food aid and the largest bilateral donor of agricultural development 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 strengthening of international disaster 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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BY *dh* *11/15/2017*

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 priorities; 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.

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-- The most important element of food security is an increase in developing countries' food production. No amount of external aid can supplant the importance of appropriate agricultural policies--especially related to pricing.

-- Other nations should also share in the obligation of providing food aid to the world's hungry. We call on others to pledge additional food aid to the FAC, the WFP and the IEFR.

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Developing Country Food Production

Argument: Long run food security can only be achieved if and when the food deficit developing countries produce enough food for their own needs, or earn enough foreign exchange to import the food they need.

Response:

1. Sound macroeconomic and agricultural policies that reflect the importance of the agricultural sector are essential to increasing food production in any countries
2. Even allowing for differences among developing countries, the development of agricultural technology and its delivery to farmers is likely to require a substantially greater commitment of resources than in the past.
3. Institutions at the national, regional, and local levels must receive increased support to enable them to serve low income producers and consumers.
4. Successful implementation of a broadly participatory agricultural development strategy not only will augment food output, but also will contribute to achieving the multiple objectives of a more equitable distribution of income, increased employment opportunities, a more balanced pattern of rural and urban development, and conditions more conducive to reduced population growth.

Facts: A labor-intensive food production strategy which assures that the broad majority of farmers, including small farmers, have access to agricultural resources, services and infrastructure (such as credit facilities and rural roads) can translate into increased food production and consumption, and increased employment. The success of this strategy, however, depends on the existence of an overall policy framework that makes food production profitable and does not discriminate against the agricultural sector. In contrast, a more capital-intensive food production strategy may exacerbate the rural unemployment problem if machines displace labor, and most troubling, such a strategy is not likely to alleviate hunger and malnutrition because those who are hungry will lack the jobs (hence incomes) to purchase the food they need.

While the policy initiatives needed to implement an equitable growth strategy must be generated by the developing countries themselves, the U.S. will maintain its commitment to accelerating the process through the provision of technical, financial, and food assistance.

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Agricultural Development Assistance

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

Responses:

1. The main objective of US agricultural development assistance is to strengthen 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 Development 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 agricultural 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 be used to complement technical and financial assistance to achieve both short-run nutrition objectives and longer run production objectives.

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BY Mr NARA DATE 11/15/2019

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 \$1.7 billion, 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 sovereign 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 to 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 \$1.7 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 Reserve.

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## International Grain Reserves

Criticism: The US should cooperate with efforts to establish a system of nationally-held, internationally-coordinated grain reserves to enhance world food security.

Response:

1. The US is proud of its record on world food security issues. We alone have a conscious reserve policy which can meet both domestic and international needs. Our food aid and agricultural assistance programs have helped alleviate hunger and malnutrition in many countries of the world.
2. We believe that national grain reserves which are responsive to market factors are preferable to the system of nationally-held, internationally-coordinated reserves currently under discussion in the International Wheat Council. We are hopeful that alternative proposals for food security grain reserves will take into account the merits of market-responsive national reserves.
3. We support the International Wheat Council, an organization of wheat exporters and importers, as the appropriate forum for the discussion of alternative proposals for food security reserves.
4. We urge other nations to join the US in holding grain reserves without waiting for an international agreement.

FACTS: Since the World Food Conference in 1974 the international community has repeatedly called for a new Wheat Trade Convention (WTC) to enhance world food security by setting up an international grain reserve system. The US participated in the 1978/79 UNCTAD negotiations on a new WTC, which broke down over the issues of price bands and stock size.

Following the UNCTAD effort, the International Wheat Council developed a less-rigid approach to a new Wheat Trade Convention which has the approval of most of the other members, including the EC and Japan. Recently the US told European leaders and the other members of the International Wheat Council that we will not proceed with negotiations on a new Wheat Trade Convention based on the Council's current proposal, explaining that it does not take sufficient account of market responsive national reserves.

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COMMODITIES, TRADE AND INDUSTRIALIZATION

## COMMODITIES, TRADE AND INDUSTRIALIZATION

### MAIN OBJECTIVES:

1. To emphasize the importance of trade and of an open trading system in the development process.
2. To convince others that the GATT is the appropriate forum in which to consider trade liberalization. In that context we are beginning preparations for the 1982 GATT Ministerial.
3. To make it clear that the US has been cooperative in seeking solutions to problems in commodity markets.
4. To restate our belief that industrialization can not be centrally directed, but is a response to market forces.

### BEAR IN MIND:

1. Some developing countries believe the US supports the GATT Ministerial primarily to avoid global negotiations.
2. Most other Cancun participants are willing to include trade in global negotiations.
3. Mexico is not a GATT member and will be less than enthusiastic about the GATT Ministerial.
4. Many other Cancun participants see regulation of international commodity markets and centrally planned redeployment of industry as the most promising solution to the problem of price instability and unemployment.

### CHECKLIST:

1. Stress that trade plays an important role in the development process by providing the funds to finance development, and that an open global trading system will provide the greatest opportunities for the developing countries to expand and diversify their exports.
2. State our general commitment to maintain open markets, resist protectionism, and facilitate adjustment in our economy.
3. To announce our intention to work with others to prepare for the 1982 GATT Ministerial, which will lay the groundwork for further liberalization, strengthening, and increased discipline in the international trading system.
4. Stress that while the US favors trade in commodities through free markets, we have cooperated with many organizations seeking solutions to the problems faced by developing countries dependent on commodities.

## COMMODITIES, TRADE AND INDUSTRIALIZATION

THE UNITED STATES IS COMMITTED TO AN OPEN WORLD TRADING SYSTEM WHICH WILL PROVIDE ALL COUNTRIES AN OPPORTUNITY TO STRENGTHEN AND DIVERSIFY THEIR ECONOMIES. TRADE CAN PROVIDE A STRONG ENGINE FOR GROWTH BOTH IN DEVELOPED AND DEVELOPING COUNTRIES. INCREASED EXPORTS LEAD TO AN INCREASE IN PRODUCTION, EMPLOYMENT AND DEVELOPMENT. THEY LIKEWISE LEAD TO A GREATER INTEGRATION AND INFLUENCE IN THE WORLD TRADING SYSTEM.

THE UNITED STATES RECOGNIZES THE IMPORTANT CONTRIBUTION MADE BY TRADE IN SPURRING ECONOMIC ACTIVITY IN MANY DEVELOPING COUNTRIES. EXPORT EARNINGS OFTEN PROVIDE THE PRIMARY SOURCE OF FUNDING FOR DEVELOPMENT. THEY ARE ALSO VITALLY IMPORTANT FOR FINANCING IMPORTS OF FOOD AND OTHER BASIC NECESSITIES. THE UNITED STATES IS COMMITTED TO CONTINUE EFFORTS DESIGNED TO ENSURE THAT DEVELOPING COUNTRIES ARE MORE FULLY INTEGRATED INTO THE INTERNATIONAL TRADING SYSTEM AND ARE ABLE TO DERIVE INCREASED BENEFITS FROM IT.

WE ARE COMMITTED TO A STRENGTHENED MULTILATERAL TRADING SYSTEM AS EMBODIED IN THE GATT. IN THAT REGARD, THE UNITED STATES IS READY TO WORK CLOSELY WITH ITS DEVELOPED AND DEVELOPING COUNTRY TRADING PARTNERS TO PREPARE FOR A GATT MINISTERIAL IN 1982. THIS MINISTERIAL WILL LAY THE GROUNDWORK FOR GREATER LIBERALIZATION, STRENGTH, AND DISCIPLINE IN THE INTERNATIONAL TRADING SYSTEM. ONE IMPORTANT FOCUS OF THE MINISTERIAL'S EFFORTS WILL BE THE INCREASED PARTICIPATION OF DEVELOPING COUNTRIES IN THE GATT SYSTEM ON THE BASIS OF GROWING BENEFITS

AND RESPONSIBILITIES. ACTIVE PARTICIPATION IN THE GATT WILL GIVE DEVELOPING COUNTRIES THE BEST MEANS TO INFLUENCE THE EVOLUTION AND MANAGEMENT OF THE INTERNATIONAL TRADING SYSTEM.

COMMODITIES ACCOUNT FOR MORE THAN HALF THE EXPORT EARNINGS OF THOSE DEVELOPING COUNTRIES WHICH DO NOT EXPORT PETROLEUM. THE UNITED STATES RECOGNIZES THE IMPORTANT ROLE THAT COMMODITIES PLAY IN THE ECONOMIC DEVELOPMENT OF MANY COUNTRIES, AND COOPERATES WITH PRODUCERS AND CONSUMERS IN A GOOD NUMBER OF COMMODITY ORGANIZATIONS. THE KEY TO REVITALIZED COMMODITY MARKETS, HOWEVER, IS A HEALTHY INTERNATIONAL ECONOMY AND AS WE RESTORE GROWTH WORLDWIDE OVER THE NEXT SEVERAL YEARS WE CAN EXPECT COMMODITY EXPORT EARNINGS TO INCREASE SUBSTANTIALLY.

WE BELIEVE THAT INDUSTRIALIZATION IN DEVELOPING COUNTRIES WILL TAKE PLACE THROUGH NATURAL MARKET FORCES IF TRADE IS KEPT OPEN AND NON-DISCRIMINATORY IN NATURE AND DOMESTIC LDC POLICIES ENCOURAGE INVESTMENT AND ENTREPRENEURIAL SKILLS. WHILE RECOGNIZING THE DOMESTIC POLITICAL NEED FOR THE SAFE GUARD CODE IN DEVELOPED COUNTRIES, WE BELIEVE THAT IF INVOKED IT SHOULD BE DONE IN A NON-DISCRIMINATORY WAY. THE ALTERNATIVE OFFERED BY SOME OF "ORGANIZED MARKETS" IS UNACCEPTABLE. WE MUST KEEP THE TRADING SYSTEM OPEN AND COMPETITIVE.

## COMMODITIES, TRADE AND INDUSTRIALIZATION

### Objectives

-- To emphasize the importance of trade and of an open trading system in the development process.

-- To convince others that the GATT is the appropriate forum in which to consider trade liberalization. In that context we are beginning preparations for the 1982 GATT Ministerial.

-- To make it clear that the U.S. has cooperated extensively with international organizations in seeking solutions to problems in commodity markets.

### Context

Access to developed countries' markets is a priority concern of developing countries. The U.S. is committed to maintain open markets, to resist protectionism, and to facilitate adjustment in our economy. While we thus share common views with the developing countries in many aspects of trade policy, many developing countries do not share our emphasis on GATT as the proper forum for trade liberalization.

Mexico itself is not a GATT member. It will thus be less than enthusiastic about the GATT Ministerial as the occasion for initiating further trade liberalization. Most Cancun participants other than the U.S. want global negotiations and want to include trade in these negotiations. Some developing countries believe that U.S. support for the GATT Ministerial is primarily motivated by a desire to avoid global negotiations.

We believe that we can now make a major contribution to the global economy by restoring strong, non-inflationary growth to our economy and by permitting market forces to operate. Through continuing to resist protectionist pressures, we believe that we will provide attractive market opportunities for industrializing developing countries. We also believe that our GSP program has provided significant development benefit to the developing countries.

The developing countries will argue that the developed countries should take measures to actively promote imports from the developing countries, and to eliminate protection against their exports. Some developing countries will also argue that the developed countries should take steps to bring about the "redeployment" to developing countries of those industries in which the developed countries are no longer competitive.

Although we regard structural adjustment as desirable, in our economy it is carried out primarily by the market. We see as one of the priority issues of the GATT Ministerial the integration of developing countries into the trading system. This would entail trade liberalization in the economies of the developing countries, particularly the more advanced among them.

Commodity prices have historically fluctuated widely, though the trend in real prices has been downward for the past thirty years. Many developing countries, including several Cancun participants, are dependent on one or two commodities for most of their export earnings. These nations view regulation of international commodity markets as the most promising solution to their commodity-related problems, even though attempts at regulation have had little success. The U.S. is a member of price stabilizing agreements for tin, natural rubber, coffee, and sugar. The sensitivity of commodity prices to economic conditions in developed countries indicates that restoring non-inflationary growth will reinvigorate commodity markets.

We have joined commodity agreements if they help stabilize market prices rather than replace the market with artificial prices. Our major emphasis has been in the IMF in support of the Compensatory Financing Facility (CFF) which helps finance balance of payments shortfalls caused by decline in commodity prices. The key to development is a stable flow of foreign exchange earnings and not artificially supported commodity prices.

#### Key Points to Make

-- We recognize that trade plays an important role in the development process. We support an open global trading system as providing the greatest opportunities for developing countries to expand and diversify their exports.

-- We are committed to maintaining open markets, resisting protectionism, and facilitating adjustment in our economy.

-- We intend to work with others to prepare for the 1982 GATT Ministerial, which will lay the groundwork for further liberalization, strengthening, and increased discipline in the international trading system.

-- The United States has cooperated with international organizations in seeking answers to commodity problems. However, we believe that restoring strong, non-inflationary growth most effective solution to commodity market problems.

-- We believe that industrialization of developing countries will result from an open world trading system.



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BY dlr NARA DATE 11/15/2011

International Commodity Agreements

Criticism: The US has been uncooperative in the negotiation of international agreements designed to stabilize prices of commodities that are important foreign exchange earners for developing countries. In those commodity organization in which the US is a member, it obstructs price range increases needed by producers to cover increased costs of production.

Response:

1. The United States favors international trade in commodities through open markets. Nevertheless, the US has cooperated extensively with international organizations on a wide range of commodities. We have considered proposals for economically sound, market oriented commodity agreements that offer a balance between producer and consumer interests and help the market function more efficiently.. The US is a member of price stabilizing agreements covering tin, natural rubber, sugar and coffee, as well as other commodity bodies which provide forums for discussing market problems of a large number of other important commodities.
2. The US can support price range adjustments for commodities only when such changes can be justified by the long-term price trend and existing market conditions.
3. Renewed growth in the US and other industrialized countries should restore demand for raw materials and other commodity exports and is expected to increase the income of developing countries.

Facts: The track record of international commodity agreements in stabilizing the prices of commodities exported by developing countries has not been good. Nevertheless, pursuing a number of goals, developing countries will continue to press for strong commodity agreements.

In those commodity organizations where the US is a member, we have been under political pressure from time to time to agree to prices higher than the free market would support. Our position has led to some friction with countries that are politically and strategically important to us, such as ASEAN tin producers.

The US was dissatisfied with the results of the recently concluded negotiations for a Sixth International Tin Agreement. Though we have been urged to join the Sixth Tin Agreement, we have decided not to participate since the agreement does not effectively balance consumer and producer interests.

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Common Fund

Criticism: 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 planned for FY 1983 through 1985. Seeking budget authority 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 shares 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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BY dh NARA DATE 11/15/2019

Protectionism

Criticism: The United States and other developed countries maintain closed markets for the products in which the developing countries have a comparative advantage (e.g., textiles, apparel and light manufacturers).

Response:

1. The United States is among the most open markets in the world. Our average tariff is low, our quantitative restrictions are few, and our customs procedures are highly transparent and predictable.
2. Our positions on such issues as textiles and safeguards are more forthcoming than other major industrial countries.
3. This Administration, in particular, is committed to free trade and an international division of labor based upon the operation of market forces. Our decision earlier this year against the extension of orderly market agreements for footwear demonstrates our willingness to maintain open markets for products in which developing countries are competitive.
4. Increased openness of our markets can be achieved if other countries liberalize their own trade regimes and reduce the degree of subsidy that their governments provide to exports and import-competing production.

Facts: The United States annually absorbs 26% of non-OPEC developing countries exports to the world and 45% of their exports of manufactured goods. More than one quarter of our imports are from the non-OPEC developing countries, which is nearly as much as we import from Japan and the European Community combined.

In 1980, 51% of our imports from the developing countries entered duty free. The average tariff on dutiable imports from the world was 5.5% in 1980. We maintain a limited number of quantitative restrictions or fees on agricultural products covered by domestic price supports programs, but the Administration already has taken steps to reduce price supports, which will enable us to reduce the amount of surplus production and, therefore, provide greater opportunities for sales of imported products. The Meat Import Law of 1979 provides for quantitative restrictions that are relaxed when domestic production falls. Our bilateral quantitative agreements for imports of textiles and apparel provide for an orderly expansion of shipments from developing countries.

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1982 GATT Ministerial

Criticism: The GATT (General Agreement on Tariffs and Trade) Ministerial scheduled for November 1982 offers an opportunity to address important issues in international trade of interest to both developed and developing countries.

Response:

1. The United States supports the concept of a GATT Ministerial meeting in 1982 and believes that this meeting should be held in conjunction with the November 1982 meeting of the GATT Contracting Parties (CPs).
2. We will urge the establishment by the CPs of a Preparatory Committee which would meet initially in March 1982 in Geneva to consider the agenda; and suggest that this committee be charged with developing an agreed agenda before the August 1982 GATT recess.
3. While the range of possible objectives and specific agenda items are still under consideration, we assume that the GATT Ministers will set forth a brief list of the major trade problems and will agree to seek means of finding solutions on a multilateral basis.
4. Hence, we view the planning process for the Ministerial meeting as critical to the ability of the GATT Ministers to reach important decisions aimed at solving international trade problems.

Facts: The concept of a ministerial-level meeting of the GATT during 1982 was endorsed by GATT's Consultative Group of 18 (CG-18) at their most recent meeting, June 25-26. Further support was provided by the July 22 Declaration of the Ottawa Summit. The next formal discussion of the Ministerial will take place at the CG-18 meeting scheduled for October 14-16, 1981. The formal decision to convene the GATT Ministerial will have to be made at the November meeting of the Contracting Parties (CPs). The most likely date for the Ministerial is November 1982 in connection with the annual meeting of the CPs. At this time, no agenda has been set for the Ministerial meeting. However, while there is little enthusiasm for launching an extensive new round of multilateral trade negotiations at the 1982 GATT Ministerial, the United States does not wish to rule out an ambitious agenda. The range of possible objectives and specific agenda items are currently being considered within the USG.

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BY dh RE DATE 11/15/2019

Developing Countries in GATT  
(General Agreement on Tariffs and Trade)

Criticism: The General Agreement on Tariffs and Trade (GATT) is an organization created by and for the industrialized countries. Hence, developing countries need not join the GATT nor its codes since GATT addresses the trade interests and needs of the developed rather than the developing countries.

Response:

1. Developing countries have been participants in GATT since its establishment in 1948, and they continue to play an active role in the GATT system.
2. GATT has, in fact, been increasingly responsive to the trade and development needs of the developing countries -- particularly in the past decade. Moreover, GATT activities have led to reductions in trade barriers which have significantly benefitted the developing countries.
3. THE USG feels that there are important benefits to be gained in joining the GATT and in signing the MTN (multilateral trade negotiations) codes. Further integration into the world trading system is the best means of ensuring economic development, and the GATT system offers the most practical vehicle for developing countries to expand their trade.

Facts: Of the twenty-two (22) original contracting parties who signed the General Agreement at its founding in 1948, half were developing countries, and included such countries as Brazil, Sri Lanka, India and Pakistan. Today, some two-thirds of the eighty-six (86) GATT members are developing countries, and an additional thirty (30) developing countries apply the GATT on a de facto basis.

Through the addition of Part IV to the GATT in 1966 and the Framework Agreement of the multilateral trade negotiations (MTN) in 1979, the GATT as an institution has increasingly recognized and addressed the trade and development needs of the developing countries. For example, Part IV and the Framework Agreement of GATT provide for differential treatment of developing countries and for a generalized system of non-reciprocal preferences (GSP) in trade between developed and developing countries. Moreover, GATT's Committee on Trade and Development (CTD) and its subcommittees continually review those issues most critical to the developing countries.

Generalized System of Preferences (GSP)

Criticism: Graduation of more advanced developing countries under the Generalized System of Preferences (GSP) is discriminatory, contradicts the basic principles underlying the program, and will not result in greater benefits for less advanced countries.

Response:

1. I believe that the GSP is an important element in North-South economic relations and that it has made an integral contribution to the development process in developing countries.
2. The GSP is a temporary program designed to assist developing countries in competing better with more traditional suppliers in developed country markets. Developing countries should phase out of preferential treatment as they become competitive producers of individual products, allowing less competitive supplying countries to benefit from GSP treatment on the items.
3. The GSP must serve 140 developing countries with widely different infrastructures and productive capacities. The United States introduced graduation in its GSP in order to expand trade opportunities for countries at the middle and lower ranges of economic development.
4. Our GSP scheme is a very open and transparent one, and we will continue to consider the views expressed by our developing country trading partners in administering the GSP program.

Facts: The total amount of imports receiving duty-free treatment under the U.S. GSP has more than doubled since implementation of the program, increasing from \$3.1 billion in 1976 to \$7.3 billion in 1980. Five advanced developing countries (Taiwan, Hong Kong, Korea, Mexico, and Brazil) have accounted for as much as 70 percent of that total in past years. Graduation of advanced developing countries from GSP duty-free treatment on a product-by-product basis should increase the share of the program's benefits accruing to the less advanced developing countries. However, the most advanced countries, particularly Brazil and Mexico, see graduation as purely protectionist. They doubt that graduation will result in a greater distribution of GSP benefits since less advanced countries generally produce a different mix of products than more advanced developing countries.

MTN Tariffs on Developing Countries

Criticism: The Tokyo Round of Multilateral Trade Negotiations (MTN) did little to reduce tariff barriers for developing countries.

Response:

1. The Tokyo Round clearly aided developing countries by lowering both tarriff and non-tariff barriers.
2. Exports from developing countries have been enhanced by average global tariff reductions of one-third negotiated in the MTN.
3. Where possible, the United States offered deeper than formula tariff cuts in the MTN. Tariff reclassifications were made for products principally supplied by developing countries.
4. The United States made tariff reductions in the MTN without expecting full reciprocity wither from the developing countries or from small suppliers.

Facts: The Tokyo Round, concluded in Geneva in 1979, is the seventh round of multilateral trade negotiations to take place under GATT auspices.

As a result of the MTN, the average US tariff rate on goods imported from developing countries will fall from 7.7 percent to 5.7 percent.

The US MTN industrial tariff offer resulted in a 26 percent depth of cut for developing countries and covered \$10 1/4 billion in shipments. Developed countries cuts averaged 32-33 percent.

Developing countries also benefitted from US tariff reductions in the agricultural sector which resulted in average duties of 2.6 percent on shipments from developing countries. Duties averaged 4.1 percent on agricultural imports before the MTN. The least developed countries also received tariff reductions immediately on most products except the most sensitive, while tariff cuts benefitting other countries will be phased in through 1987.

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MTN Codes

BY Dr NARA DATE 11/15/2019

Criticism: The agreements (also known as codes) concluded in 1979 at the end of the Tokyo Round of multilateral trade negotiations (MTN) do not address directly the trade and development needs of developing countries and, hence, few developing countries have signed and accepted the agreements.

Response:

1. The United States continues to encourage as broad a participation as possible in the MTN agreements, and places strong emphasis on greater developing country involvement.
2. Many developing countries have signed and/or accepted at least one of the MTN agreements and others seem interested in doing so in the near future; and by and large, the United States is pleased with the progress all code signatories have made in implementing the MTN agreements.
3. We consider the code committee structure to be an important fora for the discussion of technical and specific trade-related problems and encourage developing countries to make use of this mechanism for resolving trade disputes. Work under the MTN agreements will be important to the evolution of the world trading system and we urge fuller participation.

Facts: The MTN agreements include two tariff protocols and codes of conduct governing technical barriers to trade (product standards), subsidies and countervailing measures, customs valuation measures, import licensing practices, government procurement procedures, antidumping practices, and trade in civil aircraft and in meat and dairy products. Developing countries which have signed and/or accepted at least one of the agreements include: Argentina, Brazil, Chile, Dominican Republic, Egypt, Hong Kong, India, Indonesia, Israel, Ivory Coast, Jamaica, Korea, Malaysia, Pakistan, Peru, Philippines, Singapore, Tunisia, Uruguay, Yugoslavia, and Zaire.

Assuming the responsibilities of GATT and MTN code membership will strengthen the ability of the developing countries to have a full voice in the interpretation and operation of the GATT and its new non-tariff agreements or codes, will give the developing countries redress under their dispute settlement procedures, and will generally allow the developing countries to take full advantage of the rights and benefits of GATT and/or code membership.



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Multifiber Arrangement (MFA)

Criticism: The Multifiber Arrangement (MFA) is a protectionist agreement which permits developed importing countries to restrict the imports of textiles and apparel products from exporting developing countries.

Response:

- I. If the MFA negotiation is raised by any Cancun participants, the United States should note that this is a crucial and very sensitive issue. As it is under intense negotiation in the GATT, the United States should point out that the Cancun meeting is not the appropriate forum for MFA discussions.

Facts: The MFA, which governs international trade in cotton, wool and man-made fiber textiles and apparel, expires on December 31, 1981. The MFA is the framework agreement that provides guidelines for the negotiation of bilateral quantitative restraint agreements between exporting developing countries and importing developed countries.

The MFA's fundamental objectives are the expansion and progressive liberalization of trade in textiles while avoiding the disruption of individual markets. It seeks to obtain for developing countries increases in their export earnings and a greater share of the world's trade in textiles and apparel.

The original MFA entered into effect in 1974 and was extended by an interpretative protocol in 1977. The forty-two signatories of the MFA, which account for roughly three-quarters of the world textile trade, have been meeting this year in the GATT Textiles Committee in an effort to renegotiate the Arrangement. Progress has been slow to date and difficult negotiations are expected as the end of the year deadline approaches. The negotiations are very sensitive and failure to renew the MFA would have very negative consequences for the entire international trading system.

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Export Credit to Developing Countries

Criticism: The United States, in negotiating for strengthened export credit understandings and in raising Eximbank's lending rates while reducing its budget, has aggressively sought to reduce export credit subsidies to the detriment of developing countries receiving such subsidies.

Response:

1. The objective of countries which offer export credit subsidies is the promotion of exports, not economic development of less developed countries. The exports financed by official export credit agencies only sometimes and incidentally fit the development objectives of recipient countries. The current low interest rates also are the result of official export credit competition and serve more to distort trade flows than to provide economic aid.

2. Eximbank's subsidies are being reduced as part of our domestic economic program. The success of this program, in raising U.S. productivity and lowering inflation and interest rates, will make many more U.S. goods available at lower prices than narrowly-based programs such as Eximbank's.

Facts:

The international level of export credit subsidies has grown in recent years as market interest rates have shown little increase.

Mixed credits, or the use of both official aid and normal export credits to finance export sales, has been used extensively by some countries, notably, France. These are typically used to finance sales for which an exporter is facing severe competition, with the largest credits going to higher income developing countries.

The Administration is requesting that Eximbank's authorization ceilings be reduced in FY 1982. The Bank's direct loan program would be reduced \$1.5 billion from its FY 1981 level to \$3.9 billion. This is still high historically, the direct loan program reaching only \$0.7 billion in FY 1977 and \$2.9 billion in 1978.

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Adjustment and Redeployment of Industry

Criticism: Developed countries should take deliberate steps to relocate to developing countries those industries in which, because of structural changes, they are no longer competitive.

Response:

1. Structural adjustment is a dynamic process which proceeds more rapidly the more open an economy is.
2. Because of the openness of the U.S. economy, structural change has always been a major characteristic of our economy, and one that we welcome.
3. We do not regard it as either necessary or desirable for the government to intervene in the private sector decision-making which brings about structural change. We do not regard it as beneficial and appropriate for government to facilitate structural change by ensuring that trade and investment can flow as freely as possible. We hope other governments will do likewise, and we stand ready to cooperate with such efforts in the future, as we have in the past.

Facts: The U.S. economy has undergone substantial structural change. From 1960 to 1979 the share of manufacturing in total non-agricultural employment dropped from 31 percent to 23.4 percent. Services increased from 13.6 percent to 19 percent. Agricultural employment dropped by 2.6 million workers.

The average U.S. tariff on industrial products was reduced 35 percent by the Kennedy Round and 32 percent by MTN. The U.S. has tried to rely on growing export markets rather than import restrictions to cushion the effects of rapid import change, as evidenced by the recent decision to end Orderly Marketing Agreements on footwear. The extent of structural change accompanying trade is suggested by the very rapid 25.2 percent per annum growth in manufactured goods imports to the U.S. from developing countries from 1970-1979.

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ENERGY

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## ENERGY

WE BELIEVE THAT SECURING ADEQUATE AND REASONABLY PRICED ENERGY FOR THE FUTURE IS A CRITICAL GLOBAL ISSUE. IT IS AN ISSUE FACED BY ALL COUNTRIES, AND AN AREA WHERE FALSE STARTS, MISGUIDED POLICIES AND MISUNDERSTANDINGS HAVE REPEATEDLY SET US BACK IN OUR COMMON GOALS. WE NEED TO PRODUCE MORE ENERGY FOR GROWING WORLD ECONOMIES, AND WE NEED TO USE THE ENERGY WE PRODUCE--PARTICULARLY THE FINITE FOSSIL FUELS--AS EFFICIENTLY AS WE KNOW HOW.

TO ACHIEVE THESE GOALS, WE MUST INCREASE INVESTMENT IN ENERGY PRODUCTION AND ENERGY-EFFICIENT EQUIPMENT.

IT IS MY FIRM CONVICTION THAT ONLY THROUGH GREATER RELIANCE ON THE MARKETPLACE AND THE RESOURCEFULNESS AND INGENUITY OF THE PRIVATE SECTOR CAN THE WORLD EFFECTIVELY TACKLE THE ENERGY CHALLENGE AHEAD.

IN THE UNITED STATES, A RETURN TO MARKET PRICING AND THE REDUCTION IN THE REGULATORY BURDEN HAVE PUT OUR PRODUCTIVE AND INNOVATIVE PRIVATE SECTOR TO WORK IN THE CONTEXT OF A STABLE AND PREDICTABLE ENVIRONMENT FOR LONG-TERM INVESTMENT DECISIONS. THE EFFECT OF THESE CHANGES HAS BEEN IMMEDIATE AND DRAMATIC--OUR USE OF ENERGY IS DOWN AND THERE IS A NEW IMPETUS TO INVESTMENTS IN ENERGY EXPLORATION AND DEVELOPMENT.

IN ALL COUNTRIES SOUND NATIONAL ENERGY POLICIES ARE INDISPENSIBLE. GOVERNMENTAL POLICIES HAVE A MAJOR IMPACT ON WHETHER SUFFICIENT CAPITAL IS GENERATED FOR INVESTMENT NEEDS. MARKET DETERMINED CONSUMER PRICES ENSURE THE MOST EFFICIENT DISTRIBUTION AND USE OF ENERGY PRODUCTS. SUBSIDIES TO ENERGY USE, ALTHOUGH POLITICALLY ATTRACTIVE IN THE SHORT

RUN, LEAD TO MISALLOCATION OF RESOURCES THAT OVER TIME CAN CAUSE FUNDAMENTAL DAMAGE TO THE ECONOMY.

LET US PUT ASIDE OUTMODED PERCEPTIONS OF PRIVATE INVESTORS IN THE ENERGY FIELD. PRIVATE COMPANIES ARE THE BEST SOURCE OF EXPERTISE AND CAPITAL FOR HYDROCARBON EXPLORATION IN THE WORLD. THESE COMPANIES ARE MOST EFFECTIVE IN EXPLORATION WHEN THEIR OWN CAPITAL IS AT RISK AND WHEN THERE IS THE REASONABLE PROSPECT OF A FAIR RETURN FOR SUCCESS.

WE SHOULD WORK TOGETHER TO FIND WAYS TO FACILITATE INVESTMENT IN ENERGY IN PROMISING AREAS, INCLUDING THE DEVELOPING WORLD, WHERE THERE HAS BEEN LITTLE EXPLORATION TO DATE.

WE ALSO NEED TO THINK OF THE LONG-RUN ENERGY TRANSITION, PARTICULARLY THE NEED TO INVEST IN NEW AND RENEWABLE SOURCES OF ENERGY. THE UN CONFERENCE ON NEW AND RENEWABLE SOURCES OF ENERGY REPRESENTED A GOOD START IN THIS FIELD.

IN THE YEARS AHEAD, THE U.S. WILL BE INCREASING ITS ENERGY ASSISTANCE TO DEVELOPING COUNTRIES. OUR AID PROGRAMS EMPHASIZE TECHNICAL ASSISTANCE, IN ORDER TO HELP COUNTRIES ASSESS AND SELECT THE MOST PROMISING ENERGY OPTIONS. WE ALSO SUPPORT RESEARCH, SITE TESTING AND DEMONSTRATION OF PROMISING TECHNOLOGIES, PARTICULARLY WHERE U.S. ASSISTANCE COMPLEMENTS ACTIVITIES OF THE PRIVATE SECTOR.

WE SUPPORT ENERGY LENDING BY MULTILATERAL INSTITUTIONS. I BELIEVE, HOWEVER, THAT MORE CAN BE DONE TO UTILIZE THESE SCARCE PUBLIC SECTOR FUNDS TO CATALYZE PRIVATE FLOWS AS WELL.

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243682	PAPER  DUPLICATE OF #161535; ENERGY DEVELOPMENT IN DEVELOPING COUNTRIES	1	ND	B1

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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]
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- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
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243683	PAPER  DUPLICATE OF #243572; UN CONFERENCE ON NEW AND RENEWABLE SOURCES OF ENERGY (UNCNRSE)	1	ND	B1

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World Bank Energy Lending

Criticism: The US has opposed both the proposed World Bank energy affiliate and an expansion of resources for World Bank energy lending.

Response:

1. Most resources for energy investment must come from the private sector. The Bank can play an important role by complementing and catalyzing private efforts and by encouraging host governments to adopt policies conducive to private sector involvement.
2. We are unable to agree to the proposed expansion of the Bank's energy lending or to support the creation of, or participation in, the proposed new energy affiliate.
3. Improvements can and should be made in the Bank's energy lending program which, within the limits of currently pledged resources, will result in higher energy investment in the developing countries. The Bank should be encouraged to promote developing country energy development by increasing its multiplier effect on private energy investment.
4. After we have had the opportunity to see the effect of these improvements and gauge the OPEC willingness to increase its participation, we will also be able to judge what additional resources, if any, should be provided to the Bank for further energy development activities.

Facts: In response to a Venice Summit initiative, the Bank proposed in 1980 an expansion of its FY 82-86 energy lending from \$14 to \$30 billion, to be financed by creating an energy affiliate whose capital, for a large part, would come from OPEC.

Since February 1891, the US has maintained the position that it cannot support the proposed affiliate. Moreover, the in-depth interagency report on the Bank energy lending program directed by the Treasury recommends that the Bank reorient its current lending activities, and questions the need for an expansion of Bank lending. While France and Canada are the only strong supporters of the affiliate among G-6 countries, there appears to be wider support in the Group for expanded energy lending. The OPEC position on the affiliate or expanded energy lending is not clear. World Bank President Clausen has given no impression he will push for the affiliate. Moreover, it appears that in response to our concerns, the Bank is attempting to expand the role of private capital investment in its energy projects.

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243684	PAPER  DUPLICATE OF #161533; LOPEZ PORTILLO WORLD ENERGY PLAN	1	ND	B1

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243685	PAPER  DUPLICATE OF #161534; PRODUCER-CONSUMER COOPERATION	1	ND	B1

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