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CENTRAL INTELLIGENCE AGENCY
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National Foreign Assessment Center



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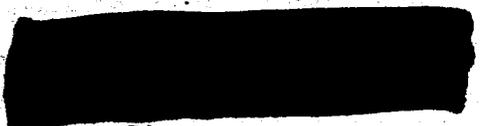
MEMORANDUM FOR: Ambassador Charles Meissner
Special Negotiator for Economic Affairs
Department of State

SUBJECT : CIA Country Papers for Cancun Summit 

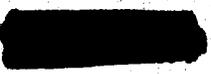
Attached are finished copies of two projects you asked us to do for the briefing book being prepared for Secretary Haig's participation in the 1-2 August Cancun preparatory meetings. The projects are:

- o Two-page political and economic background papers 
- o A table showing LDC petroleum imports and exports, highlighting the Cancun attendees.

You had received earlier drafts of these projects for use by your Cancun Working Group. 



Director
Economic Research



Attachments:
As Stated



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AUSTRIA

Political and Economic Setting

Austria's normally calm political environment has turned increasingly acrimonious in recent months. A major political scandal involving corruption associated with the construction of Vienna's new general hospital has resulted in an uncommon amount of interparty mud-slinging. Months of investigations have been inconclusive; nobody has accepted responsibility for the fiasco, although Kreisky's heir apparent has been forced to resign, creating new uncertainties about an eventual successor. Moreover, the Austrian economy is going through a rare period of trouble that threatens the traditionally close cooperation between the various sectors of Austrian society. Despite these developments, which have served to increase distrust of political figures, Kreisky's personal popularity remains largely unshaken.

Global View

As a small neutral country, Austria realizes that its ability to maneuver on the international stage is constrained by the status of East-West relations at any particular moment. Austria, nonetheless, has pursued an active foreign policy, guided largely by Kreisky himself, who is anxious to enhance his own international reputation. The period of detente in Europe permitted Kreisky to focus his efforts on Third World problems, most importantly the Arab-Israeli conflict. More recent events have encouraged him to become more involved in East-West questions such as arms control efforts between the superpowers. He has repeatedly criticized what he perceives as the US administration's "policy of strength," which he maintains is unsettling for East-West relations. He argues that it is inappropriate for dealing with inevitable Third World political change, particularly in places like El Salvador.

Expectations for Cancun

As an original co-sponsor of the Summit, Kreisky has staked a certain amount of personal prestige on its outcome. Kreisky's hope for any meaningful results probably has been dampened by his awareness that the economic slowdown in the industrial states makes major concessions extremely unlikely. His pessimism is probably deepened, moreover, by his failure to convince the Soviet Union to attend. Under the circumstances, Kreisky sees the Summit largely as an opportunity to enhance his own reputation and as a useful forum for exchanging views.

Positions on Specific Issues

Austrian positions on specific issues have been slow to emerge during the planning phase of the Cancun Summit, probably because of Kreisky's preoccupation with getting the participants to the table.

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[REDACTED] in early June that no position papers had yet been prepared, in keeping with Kreisky's view that Cancun should have no formal agenda and very little prepared documentation to consider. Kreisky prefers a free-wheeling discussion, not excluding the possibility of confrontations on some issues.

Kreisky himself views North-South issues from a philosophical perspective of justice and equity, but he has few pragmatic solutions to offer. While committed to achieving a successful Summit -- however it may come to be defined -- he will continue to be more concerned with his personal role than with the substance of discussions. In general, given his philosophical predilections and his prominent role in the Socialist International, he is likely to recognize US concerns about the important role of the private sector in LDC development while expressing sympathy for LDC appeals for changes in international institutions to facilitate resource transfers. He is unlikely, however, to seek to be a leader in advocating solutions, especially those which might put too much distance between Austria and the United States or other industrial countries.

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Exemptions: (b)(1), (b)(3)

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SWEDEN

Political and Economic Setting

Sweden's Prime Minister, Thorbjorn Falldin, will arrive at Cancun at a time when his countrymen are likely to be far more preoccupied with Sweden's domestic economic difficulties than with North-South issues. Rising unemployment, persistent inflation, and a sluggish economy have made life difficult for his Center-Liberal coalition government, which has pledged to reduce sharply the growth of the public sector. Very modest austerity measures were passed last winter. The Swedes are braced for a year of zero economic growth.

The seriousness of Sweden's economic problems has been compounded by a sense of deadlock in the domestic political arena. Although the present two-party coalition government has the backing of less than a third of the Swedish parliament, it has thus far been able to count on Conservative support to give it a precarious one-vote majority on key economic legislation. The weak parliamentary base of the present coalition, however, raises doubts about its long-term prospects and restricts its ability to develop and carry through consistent, long-term strategies for dealing with the current crisis. Each passing month appears to lend new weight to the argument of the Social Democratic opposition that a Social Democratic government is the only one capable of winning a sufficiently broad degree of acceptance for the tough measures needed to overcome Sweden's economic difficulties. With elections only a year away, the governing parties are likely to be increasingly attentive to possible opportunities for cooperation with Olof Palme's resurgent Social Democrats in the interest of better positioning themselves for a power broker role in the event that no party secures a parliamentary majority.

Global View

Sweden combines what often appears to be moralistic rhetoric with economic interest in its approach to North-South relations. Sweden shares the general West European view of North-South relations that aiding the development of the South will contribute to the stability of many politically volatile regions. What sets Stockholm apart from most of its West European neighbors is a willingness to back up its rhetoric with money, even during periods of domestic economic difficulty. Ironically, most of the money to be provided under Swedish supported proposals would come from larger countries such as the US. Last year Swedish official assistance amounted to 0.76 percent of GNP; the OECD average was 0.37 percent. Another difference between Sweden and some other West European nations is Stockholm's refusal to view North-South issues in East-West terms. While supporting programs in Vietnam, Sweden has also given generously to efforts to ease the plight of refugees from Afghanistan.

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Expectations for Cancun

The Swedes, who strongly supported Global Negotiations in the United Nations, are one of the original sponsors of the Cancun Summit. They would like to see political support for some concrete actions at Cancun, at a minimum in one of the "themes" but ideally in all -- i.e., a general endorsement of Global Negotiations. Stockholm has a traditional interest in environmental protection and envisages as a possible topic at Cancun how to spur development while protecting the environment.

Positions on Specific Issues

Food and Population - In general, the Swedish government sides with LDCs on food issues. Stockholm wants international emergency food reserves reinforced and favors creation of national buffer stocks in developing countries for the stabilization of prices. The Swedes see a continued need for delivering food to the poorest countries but want to make sure such aid does not hinder efforts to strengthen domestic food production capacity.

Trade - Sweden supports LDC demands for improvements in the system of preferences but also insists that emerging industrial countries be prepared to adopt liberal trading policies as their development progresses. Stockholm believes measures to promote LDC exports must supplement reduction in trade barriers. Thus, Sweden for years has been the largest contributor to the UNCTAD/GATT International Trade Center.

Energy - Dependent on imports for 80 percent of its energy requirements, Sweden has a vested interest in seeing LDCs exploit their energy supply potential more fully. Stockholm accordingly supports the creation of an energy affiliate at the World Bank. Another pet project involves helping developing countries utilize their forest resources in a "balanced" manner.

Aid - Although some budget-conscious Swedish legislators favor cutbacks in foreign aid outlays, most Swedes continue to support the present level of Swedish assistance. The Swedish government has consistently fulfilled the UN aid goal of 0.7 percent of GDP and has supported the recommendation of the Brandt Commission (of which Olaf Palme was a member) to raise the figure to 1 percent. The primary beneficiary of Sweden's generous aid program is Tanzania. In mid-1980 the Swedish parliament refused to suspend aid to countries, like Vietnam, which are accused of human rights violations.

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ALGERIA

Political and Economic Setting

Long a leading proponent of the North-South dialogue, Algeria originally proposed the idea of global negotiations four years ago. President Bendjedid came to power in February 1979 as a consensus candidate, but is steadily strengthening his hold on the regime. He is now looking for ways to burnish Algeria's international image following a long preoccupation with domestic concerns. Algiers thus will be eager to assert a leading role in deliberations at Cancun.

Notwithstanding Algeria's ambitious plans to become a modern industrialized nation, the country will remain dependent upon exports of its hydrocarbon resources for at least the next 20 years. Gas and gas liquids, however, will slowly replace oil as the major source of revenue in the years ahead. Algeria has a per capita GNP of \$2,100 and the economy grew 6.5 percent last year. Bendjedid's five-year development plan (1980-84) provides a new orientation toward decentralization of the economy, an increased role for the private sector, improved availability of consumer goods and housing, and a greater importance for agriculture. Despite these ambitious goals and substantial government investment, only modest gains in the standard of living or structural economic change can be expected over the next several years.

Global View

Algiers believes that the economic interests of the industrialized countries and those of the developing countries are fundamentally opposed. Algeria seeks to reorder the entire international power structure, which it believes is manipulated by the industrialized countries to exploit the developing world. Algiers believes that the developing countries acting together can achieve these major changes by using their control of natural resources to gain concessions. Algeria regards OPEC as a model for coordinated action on other important commodities.

Expectations for Cancun

President Bendjedid has defined the key issue at Cancun as securing US willingness to promote progress on global talks. Algeria is sponsoring a meeting in late July of LDC foreign ministers who will attend the Cancun preparatory meeting to formulate a strategy. The Algerians are in favor of an agenda that will focus pressure on the US. They probably will give priority to process -- launching the Global Negotiations -- rather than to substance, however, because Algeria prefers not to discuss concrete issues in such a restricted forum.

Algeria asserts that the United States is the principal

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obstacle to global negotiations but, at the same time, criticizes the Soviet Union for its refusal to participate at Cancun. Algeria first endorsed the Cancun summit as a way of boosting global talks. It now fears that nothing useful will result from two days of informal discussions and that pressure for broader negotiations will dissipate.

Positions on Specific Issues

Trade - Algeria sees the developing world's control of natural resources as a major tool to gain concessions from the OECD bloc.

Energy - Algeria will strongly defend any assault on OPEC unity or criticism of OPEC price and supply policies by both industrialized and developing countries. It will continue to support oil as a powerful lever in international negotiations and will press for quick action because its oil resources are dwindling.

Global Negotiations - The Algerians strongly support Global Negotiations, preferring to pursue the North-South dialogue in a universal forum like the UN. They argue that issue-specific negotiations in specialized UN agencies have failed and that broader talks -- where concessions could be traded across issue areas -- are needed. Algeria doubtless calculates that the developing countries would gain a tactical advantage in broader talks because of their numerical superiority.

Other Issues - Because of their preoccupation with the US position, the Algerians will probably seek bilaterals with US principals who attend the Summit. These meetings are likely to focus on Washington's unenthusiastic attitude toward the North-South dialogue and global talks in particular. The summit also provides an opportunity for discussion of important North African security concerns, especially Libya's new foreign policy initiatives and the implementation of the referendum on Western Sahara that Moroccan King Hassan proposed at the OAU summit in June.

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BANGLADESH

Political and Economic Setting

The 30 May assassination of President Ziaur Rahman has added the prospect of political instability to Bangladesh's already staggering economic problems. The relative political calm that the country enjoyed during Zia's six years in office allowed the President to focus his considerable energies on ambitious development programs, some of which have been moderately successful. Without Zia's driving force, many of these programs will probably be shunted aside, at least temporarily, as the interim government becomes increasingly preoccupied with maintaining order to ensure a peaceful, constitutional transfer of power. Although the succession is proceeding smoothly, acting President Abdus Sattar is both old and infirm; his death before the September presidential elections would remove the leading candidate and could result in sufficient political turmoil to provoke a military takeover.

The prospect for orderly economic development also has been clouded by the assassination of President Zia. Since its independence in 1971, Bangladesh has often been cited as an archetype for the problems faced by the least developed countries. With a per capita GNP of \$125, it is noticeably lacking in virtually all domestic resources save natural gas and fertile land. Moreover, the population is growing 2.7 percent annually and will double in 25 years. The combination of a swelling population and a limited resource base has caused the Bangladesh Government to rely on external assistance for more than 70 percent of its development budget. Most of the assistance is directed at the agricultural sector, from which more than 80 percent of the population earns its living, and which represents 40 percent of GNP.

Global View

Under Zia, Bangladesh became a leading spokesman for the least developed countries (LLDCs), and the current leadership will seek assurances that the country continues to enjoy international respect and support. The interim government will maintain Bangladesh's traditional support for the North-South dialogue and the establishment of a New International Economic Order.

Expectations for Cancun

Bangladesh sees the Cancun Summit as part of an ongoing process of global negotiations. Dacca hopes that Cancun may be the first in a regular series of high-level consultations on international economic matters. Officials do not expect the meeting to have a formal agenda nor do they feel it will lead to actual decisions or plans of action. Dacca's representative will follow the prevailing G-77 line on North-South issues at Cancun

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but will probably be less outspoken than Zia on controversial issues. Bangladesh may fear that aid flows will decrease in the wake of Zia's assassination, particularly from non-western (notably Arab) sources. Bangladesh is one of the two LLDCs attending the meeting and probably will stress the particular problems of the poorest countries and their endemic inability to meet basic human needs.

Positions on Specific Issues

Bangladesh has been a consistent and vocal supporter of the Brandt Commission recommendations. Dacca stresses the mutuality of interests involved in building up the LDCs' technological and resources base. Bangladesh would like to see a satisfactory balance between population and natural resources, an international strategy on energy, removal of tariff barriers, and the establishment of an international trade organization.

Food and Population - The representatives will support the recommendations of the G-77 that emphasize the transfer of technological and material resources, the establishment of an effective basis for world food security through food aid and emergency reserves, and the implementation of country strategies for agricultural development.

Trade - Bangladesh is an exporter of raw and processed agricultural commodities and favors programs that will stabilize and expand earnings of these commodities. Bangladesh is the largest exporter of jute and prime mover for an International Jute Organization.

Energy - The late President had publicly called on OPEC nations to decrease the price of oil and offer concessional aid to LDCs to purchase petroleum. With Zia now gone from the podium, the Bangladeshis may temper their previous outspokenness on this issue for fear of offending current or potential aid donors while the country is unsettled.

Aid - Bangladesh can be expected to stress the unique problems of the LLDCs that must import food and require concessional aid, such as poor infrastructure and low absorptive capacities.

Other Issues - The Bangladeshis are likely to seek bilateral meetings to reassure continued economic and political support despite recent political changes.

BRAZIL

Political and Economic Setting

The modest liberalization program begun under former President Ernesto Geisel to evolve a substantially more open and responsive political system for Brazil is continuing under the new President Joao Figueiredo. Since Figueiredo's inauguration in March 1979, liberalization has gained momentum and will reach an important political and psychological milestone with the congressional, state, and municipal elections scheduled for November 1982. Nevertheless, political and economic power will remain highly centralized and the military will stay a prominent, but less visible, political force through the mid-1980s.

Brazil's "economic miracle," which brought per capita income from \$500 in 1970 to \$2,000 today, is becoming more difficult to sustain. Although real GNP growth was 8 percent last year, inflation now exceeds 100 percent, the current account deficit hovers near \$13 billion, a large debt service burden absorbs substantial financial resources, and investor confidence is fragile. GNP growth could fall to 5 percent in 1981 if the government's program to control inflation and correct the country's balance of payments deficit, inaugurated last November, is effectively implemented. Brazil is also the largest oil importer in the Third World, and oil imports account for 80 percent of its total oil consumption.

Global View

Brazil identifies with the Third World and supports LDC positions on North-South issues when they do not conflict with its broader interests. Brazil defines its foreign policy as "responsible pragmatism." This features minimal political involvement in global issues, coupled with the energetic pursuit of Brazil's economic interests, regardless of the ideology of the trading partner. The principal factors governing this policy are the country's heavy dependence on Middle East petroleum and on external markets, technology, and financing to underwrite economic development.

Expectations for Cancun

The Brazilians will come to Cancun with very specific economic concerns that they hope will form the basis for fruitful discussion. President Figueiredo has expressed growing disillusion with the North-South dialogue, which he believes has achieved little progress after more than two decades of discussion. Brazil looks to the United States to provide leadership in the dialogue and believes President Reagan's active participation at Cancun is essential for a worthwhile airing of North-South concern. Based on past performance, Brazil will be inclined not to take the lead in introducing any topics, allowing instead Mexico, the US, and others to set the tone of the

meetings. Nonetheless, Brazil's frustration with the pace of the North-South dialog could lead it to play a more active role in the Cancun discussions than it has hitherto taken in multilateral fora.

Positions on Specific Issues

Food and Population - Brazil has become increasingly concerned about the effect of high population growth on economic development, and despite opposition from the Church has initiated a national program to reduce it.

Trade - As a Newly Industrializing Country that is increasingly dependent on industrial exports, Brazil is concerned about what it sees as growing protectionism in the developed countries against such LDC industrial exports as steel, shoes, and textiles. It would like to see all developed countries recommit themselves to free trade and preferences for LDCs. As the largest exporter of coffee, Brazil is concerned about agricultural commodity preferences and prices.

Energy - Brazil would like to see Cancun address energy issues because of its own dependence on petroleum imports and its efforts to develop alternative energy sources in order to cut import costs. Brazil is acutely aware of OPEC sensitivities to energy discussions.

International Monetary System - Brazil would like the IMF and IBRD to make more loans available for economic development projects. It may also call upon the OPEC nations to increase direct investment instead of recycling petrodollars through private or multilateral lending institutions. Brazil is against "graduation," which would restrict concessional funds for more developed LDCs.

Global Negotiations - Brazil publicly supports the Group of 77 position on global negotiation but has privately sympathized with US intentions to guarantee the integrity of the UN specialized agencies and the international financial institutions.

CHINA

Political and Economic Setting

Since the death of Mao Zedong in 1976, China's leaders have struggled among themselves to secure succession arrangements that will bring stability to Chinese political life. Major progress has been made on this score, although it has sometimes been halting and subject to sharp conflict. Most recently, Deng Xiaoping and his allies won an important victory over rivals who take a more orthodox ideological approach to politics and the economy than do Deng's reformers. In a key move, a protege of Deng, Hu Yaobang, assumed the Party chairmanship in June, displacing Hua Guofeng.

China is proud of its self-reliance, despite its outward reach for Western technical and economic assistance in the past two years. It believes that Third World countries should become more self-reliant in order to reduce the dominance of the industrialized nations in the world economic order.

China's economic difficulties are in large part due to attempts to slow down and "readjust" the economy. Its economic planners want to reduce investment, increase consumption, and shift the pattern of industrial growth and investment toward agriculture, light industry, and energy. The economy grew 7.2 percent last year, but slower growth, inflation, unemployment, and increasingly serious energy shortages will test the Chinese leadership in 1981.

Global View

Although China is more industrialized than most developing countries, it is decades behind the advanced nations. It identifies with the large number of Third World nations that have struggled to escape the political and economic domination of the industrialized nations. To enable Third World countries to become more self-reliant, Beijing believes the Third World must receive more open-handed assistance from the developed nations, and that the international economic system must be remodeled to provide greater benefits to Third World producers of raw materials and light industrial goods. Beijing thus associates itself with the demands of the less developed countries for global negotiations and a "new international economic order."

The Chinese, however, are concerned that confrontation between the industrialized and developing nations over economic issues provides the Soviet Union with political opportunities. Even though it is critical of US and Western policies, China seeks to avoid discrediting the US among Third World leaders who might otherwise ally themselves more closely with Moscow. Beijing therefore, is likely to emerge as a voice of moderation, urging the industrialized nations to make greater concessions and

the LDCs to make more reasonable demands. Furthermore, China criticizes the USSR as a niggardly aid-donor, interested solely in exploiting and dominating the developing countries.

Expectations for Cancun

The Chinese view the North-South Summit in Cancun as an opportunity to enhance their position among the Third World nations. The Chinese believe that movement toward an accommodation between Western and Third World views on global economic issues would have a beneficial impact on Third World willingness to band together with the US, Western Europe, and Japan, along with China, to oppose Soviet expansionism. At Cancun, China is likely to direct the brunt of its criticism at the USSR, and, except for rhetorical flourishes, to be somewhat softer on the Western industrial democracies.

China regards its attendance at Cancun -- its first participation in an international economic summit -- as evidence of its acceptance by industrialized and developing countries alike as a major participant in discussions of important international issues.

Positions on Specific Issues

Food and Population - China regards population planning as essential for modernization and is seriously trying to limit the eventual size of its population to 1.2 billion.

Trade - China believes that the developed nations should grant the LDCs better trade terms and abandon protectionism. It favors strengthening the common fund and international commodities programs.

International Monetary System - China thinks the international exchange rate system should be reformed because the current system of floating rates is unfavorable to the less developed countries.

It also supports measures that ease debt servicing and give special treatment to the least developed nations and those in the most serious economic difficulties. In extreme cases, China wants the developed nations to cancel the debts of some least developed countries.

Other Issues - China will urge North-South cooperation as a potent deterrent of Soviet expansionism. Beijing believes the developed nations should be more liberal in transferring technology.

GUYANA

Domestic Political/Economic Conditions:

President Forbes Burnham is a shrewd political manipulator who has dominated Guyanese politics since he and his Afro-Guyanese People's National Party wrested power from Cheddi Jagan's East Indian People's Progressive Party in 1964. While Burnham claims to espouse an orthodox socialist ideology, his policies are better described as opportunistically leftist. The two major opposition parties are further to the left on the political spectrum than Burnham, and are unable to challenge his tight political hold over the country. The government intimidates the opposition by force, through the denial of newsprint for their publications, cooption, and, more subtly, by infiltrating their ranks to maintain close surveillance of their activities. Burnham retains the trappings of democracy -- elected officials and a full legislature -- but has blatantly rigged the balloting in national elections.

Despite the continued poor performance of the largely state owned economy in 1980, its structure and management seem unlikely to be changed much, if at all, in 1981. Real GNP declined slightly last year and GNP per capita is only \$875. High oil import prices and relatively stagnant production of bauxite, sugar, and rice will contribute to further deterioration in 1981. Even though the government has acceded to such IMF requirements as devaluation and budgetary belt-tightening, these limited steps will be insufficient to achieve economic stability. The government still seems to believe that incentive programs, exhortations to the workers to produce, ad hoc and piecemeal fiscal and monetary policies, and massive capital inflows from somewhere will bring about economic improvement in 1981.

Global Perspectives

Guyana is a member of the Nonaligned Movement, identifies closely with other socialist nations, and takes a hard-line Third World stance on political and economic issues. Burnham has attempted to cultivate strong ties with the radical Arab states with the intention of securing funds to help Guyana out of its economic mire. Thus, for instance, he stridently opposes pro-Israel initiatives in international forums. Despite his racist policies at home -- Afro-Guyanese compose a smaller percentage of the population than Indo-Guyanese, but they dominate the government -- he has taken strong stands against South Africa and apartheid and maintains close ties with the black African states. Burnham considers himself a senior statesman in the English-speaking Caribbean, but is strongly criticized by most other regional leaders.

Despite Burnham's Marxist rhetoric and radical ties, he has found that the socialist countries do not come forth with

substantial amounts of assistance and periodically courts the West for aid and investment.

Expectations for Cancun

Although Guyana has not yet formulated its positions for either the August or October meetings at Cancun, it likely will focus on issues of development assistance, monetary and fiscal matters, energy and trade. Guyana can be expected to espouse at least some Group of 77 positions on economic issues. There are indications that it looks upon the Cancun Summit as a means of engaging in a constructive multilateral dialogue and will therefore adopt a fairly moderate stance. Guyana considers the preparatory talks for the now-suspended global negotiations to be very important and hopes that those negotiations can resume after the Cancun Summit. It is also possible, however, that President Burnham's despair over the lack of concrete, positive results will make him choose a more radical approach to maintain his credibility with radical Third World leaders.

Positions on Specific Issues

Trade - Guyana, a major bauxite producer, will likely also support commodity arrangements among producers or between producers and consumers that would guarantee export earnings.

Global Negotiations - Guyana is not a major participant in North-South discussions, and generally sides with the more radical LDCs, which advocate sweeping reform of the existing global order.

Other Issues - Guyana is embroiled in a border dispute with Venezuela, which claims about five-eighths of Guyana's territory. The dispute recently has become a highly public and emotional issue with both countries. In developing its policy for the Summit, Guyana certainly will factor in how the positions it adopts could affect its territorial dispute, even though it will probably not formally bring the squabble up at the Summit.

INDIA

Political and Economic Setting

Despite Indira Gandhi's triumphal return as Prime Minister in early 1980, her program to provide "government that works" has met with little success. After consolidating her political base in the states as well as at the national level, she has not aggressively pushed programs to revive the stagnant economy, relieve agrarian discontent, or cool communal passions. Her domestic political position, nevertheless, is secure because the fragmented opposition cannot offer a viable alternative.

Following a disastrous drought in 1979, the Indian economy has rebounded, but only up to its traditional lackluster performance. Per capita GNP of \$270 is likely to grow by less than 2 percent annually in real terms over the next several years. Even though India has erased the image of perpetual famine, weather causes wide variations in food production. Widespread poverty leaves one-third of the over 700 million population malnourished. Industry remains hobbled by severe shortages of electric power and rail services, and by pervasive government controls. India must import 60 percent of its oil needs, which cost over \$7 billion last year, almost 60 percent of its goods and services export earnings. India has recently reopened its oilfields to foreign companies to boost oil exploration and development. Other LDCs are India's fastest growing markets for exports of machinery, textiles, and agricultural products. Indian construction workers in other countries, especially in the Middle East, are important but unreliable sources of foreign exchange.

Global View

India sees itself as a leader of the developing world and a chief spokesman for LDC interests in international forums. India's global aspirations are bolstered by its size, economic strength, military capabilities, and technological advancement. Prime Minister Gandhi, in particular, values India's influence in the Third World and regards it as an important means by which India will be recognized by the industrialized states as a major international actor in its own right. India is a principal founding member of the nonaligned movement (NAM). Indian credentials in the NAM, however, have been tarnished by New Delhi's close relationship with the Soviet Union, its initial tacit support of the Soviet invasion of Afghanistan, and its ill-conceived recognition of the Vietnamese-backed regime in Kampuchea.

Mrs. Gandhi is strongly critical of the industrialized countries for failing to implement the LDCs' demands for a "new international economic order." India, however, will continue to work within and rely upon the Western economic system for the bulk of its external economic resources. Despite its close ties

with Moscow, India's principal trading partners are the United States, Western Europe, and Japan. New Delhi is tied tightly to Western financial institutions through its dealings with the World Bank, the International Monetary Fund, and private foreign banks. India will continue to look toward the West for technology and know-how, which it considers superior to that offered by the Eastern bloc.

Expectations for Cancun

India's major objective at Cancun is to strengthen its tarnished image of leadership in the Group of 77. Therefore, it is likely to eschew confrontational tactics that could risk the Summit's failure. India, which once encouraged the formation of economic negotiating blocs in the Third World, has been disappointed by the politicization of the North-South dialogue and hopes that the Cancun meeting will be useful. Mrs. Gandhi has privately stressed to President Reagan the constructive role the US can play and that close cooperation between India and the US would be more productive than leaving the Summit proceeding to chance.

India believes that the United States and other industrialized countries do not recognize the political importance attached to the North-South dialogue by developing countries. New Delhi believes that Cancun participants can avoid discussing the details of international institutions and instead focus upon global economic problems, including those that can be tackled by increased production and resource transfers.

Positions of Specific Issues

Trade - India is concerned about growing protectionism in the developed countries against Third World industrial exports such as steel products and textiles.

Aid - India has emphasized the need for external financing but favors increased multilateral lending with few conditions instead of bilateral or private investment, which it sees as too manipulative. It favors increased development financing on concessional terms.

Global Negotiations - India will be pushing for the opening of global negotiations.

International Monetary System - India may want to bring up restructuring of the international monetary system.

Other Issues - India will want to discuss resource and technology transfer, increased international food security, and the Common Fund.

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IVORY COAST

Political and Economic Setting

Ivory Coast has been led since independence from France in 1960 by President Felix Houphouet-Boigny, the founder and leader of the country's only political party. Houphouet's moderate and pragmatic policies have fostered a combination of political stability and economic prosperity unparalleled in the region. His foreign policy is pro-Western and he generally supports US positions in international forums. Ivory Coast believes that the US must oppose Soviet expansionism, especially in Africa. Houphouet was reelected to another five-year term last year.

Houphouet, unlike many of his neighbors, has used Western free-market development strategies with spectacular results unmatched by any other black African nation. Ivory Coast is the world's leading producer of cocoa and ranks third in coffee production. Ivory Coast has the highest per capita GNP (\$1,300) and the least-skewed income distribution in sub-Saharan Africa. The country currently has some serious economic problems, however, because very low world coffee and cocoa prices have reduced export revenues. The IMF has designed an austerity program to try to bring the burgeoning international payments deficit -- as well as Abidjan's government spending spree -- back in line. The long-term outlook is more favorable, as Ivory Coast will be an oil exporter in the mid-1980s.

Global View

Ivory Coast probably has a more western oriented point of view than most other African LDCs. While the Ivory Coast's economy is based on a free-market philosophy, its foreign policy initiatives in the North-South dialogue have focused on the one issue that most directly affects the country's interests -- prices for its primary agricultural exports. In 1980, Ivory Coast devoted a great deal of its time and diplomatic energy to an unsuccessful effort to organize cocoa producers into a cartel to ensure a stable and, in Ivorian eyes, a fair price for cocoa. Ivory Coast's efforts flowed from its interests not only as a pro-Western producer of basic agricultural commodities but also from Houphouet's world view, which interlinks North-South and East-West issues. Houphouet has repeatedly said that the greatest danger to the West in the Third World is not direct military intervention by communist states, but rather the failure of the West to do enough to reduce the economic misery that predisposes people to try communism in desperation. Instead of aid, Ivory Coast wants what it considers remunerative prices for its agricultural products.

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Expectations for Cancun

Ivory Coast probably views the Cancun meeting as an opportunity to conduct bilateral economic discussions with the major OECD participants, especially the US. Houphouet has consistently downplayed the utility of multilateral economic discussions and points to the lack of meaningful progress in the North-South dialogue as proof that only bilateral arrangements yield concrete results. Houphouet, who normally shuns multilateral summit meetings of any sort, has agreed to attend the October meeting because President Reagan will attend; otherwise a lower-level delegation would have been appointed. Ivory Coast, therefore, will likely be fairly silent participants in the group discussions and concentrate instead on bilateral approaches toward its major trading partners, especially the United States, France, and West Germany.

Positions on Specific Issues

Trade - Ivory Coast will stress the need for agricultural commodity preferences and price supports.

Other Issues - Ivorians are likely to seek a bilateral meeting with the President to raise their concern over Soviet expansion in Africa and US refusal to enter into a commodity agreement on cocoa.

MEXICO

Political and Economic Setting

With less than a year until the presidential elections next July, the focus of Mexican politics is on the selection of the ruling party's candidate. President Jose Lopez Portillo has kept political discontent well within the established system through various measures such as electoral reform. Voter apathy remains a major concern, however, and the regime faces potentially destabilizing economic conditions. Notwithstanding these challenges, which could worsen as economic growth slackens, the short and intermediate range threat to regime stability is low.

The soft oil market is compounding Mexico's mounting and potentially serious financial troubles. Even if Lopez Portillo makes the price adjustments needed to restore oil export volume to 1.5 million b/d, the current account deficit this year will reach nearly \$10 billion. Although reduced oil earnings are a contributing factor, an overheated economy and extraordinarily rapid import growth are mainly responsible for the size of the deficit. Last year real GNP grew over 7 percent. Given the likelihood of a continued slack oil market, Mexico City will have to act sooner rather than later to slow import demand. Accomplishing this, however, will almost certainly require some degree of economic austerity -- perhaps a lot -- since imports consist mainly of raw materials and capital goods.

Global View

Mexico has been an active member, but not a leader, of the Third World in North-South discussions. Although Mexico aspires to leadership, it has been somewhat hamstrung by its indecision over whether to lead in a Third World or in a global context. Mexico shares the frustration of the Group of 77 over the lack of progress in launching the Global Negotiations and at the general inertia of the North-South dialogue.

Lopez Portillo has been pushing his "world energy plan" despite the lack of enthusiasm shown by the Group of 77 and the OPEC countries. It is an all-encompassing scheme dealing with exploitation of energy resources, national energy plans, assistance for oil-importing LDCs, transfer of energy technology, and the creation of an international energy institute.

Expectations for Cancun

Mexico's objective at the August meeting will be to ensure a smooth-running, informal summit -- an exchange of ideas with no pretensions of negotiations. Mexico has circulated informally a 29-page "Framework for Discussions" that outlines the major issues of international economic cooperation for development, but which also suggests corrective measures that echo Group of 77

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demands. Nonetheless, Lopez Portillo likely will be able to resist pressures from more radical participants, such as Algeria, for a rigid agenda and more formal discussions. He hopes the October meeting will give impetus to the North-South dialogue, strengthen Mexico's credentials as a world leader, and endorse the launching of the Global Negotiations.

Positions on Specific Issues

Food and Population - Mexico places a high priority on the role of population policies within national development strategies.

Trade - Mexico has been active in promoting the need for trade preferences and increasing foreign investment in LDC's.

Energy - Lopez Portillo will want to have his world energy plan at least discussed and preferably endorsed.

Global Negotiations - Mexico would like to get a commitment to launch global negotiations and to spur the North-South dialogue in general.

NIGERIA

Political and Economic Setting

Nigeria's twenty-one month old civilian government is currently facing several tests of its strength, both politically and economically. On the international front, the longstanding border dispute with Cameroon has heated up substantially in recent months and President Shagari is under intense domestic pressure to act forcibly. He has also been faced recently with rioting in two northern states, which has stemmed from political rivalries. With local and general elections scheduled between now and 1983, more such incidents can be expected. Shagari may risk being the victim of a military coup or being dumped as the ruling party's presidential candidate for the 1983 elections if he cannot prove his ability to more effectively manage Nigeria's affairs.

The current world oil glut has temporarily reduced export revenues and, if prolonged, may force Nigeria to borrow from multilateral or private lending institutions and curtail economic development and industrialization. Growth in real GNP was 7 percent in 1980 and projected to be 6.5 percent in 1981. Lagos will have to adopt strict import controls and cut back on development projects if export earnings continue to falter much beyond the end of this year. Nigeria needs to shift more investment into commodity-producing sectors -- especially into long-neglected agriculture -- to reduce its overwhelming dependence on limited oil resources and to sustain growth over the longer term.

Global View

Nigeria has taken a strong interest in the North-South dialogue to support its claim to a leading role in African affairs and to champion the elimination of white minority rule in southern Africa. Lagos thus tries to be the spokesman for Black Africa's economic interests. Nigeria strongly desires to stay in step with other developing countries and gives relatively uncritical support to the Third World consensus on major North-South economic issues. Nigeria can do so because, as a major oil producer, it stands to gain or lose relatively little from most specific proposals. Nigeria generally favors moderation and practical results to sterile confrontation; but it is not above using rhetorical criticism of the West to deflect pressure by poorer African states for concessionary oil price relief and other economic aid. Nigeria is skeptical over prospects for major Western economic concessions to the Third World.

Expectations for Cancun

Nigeria's objectives for the Summit will be to reinforce its image as a regional leader. Although Lagos may have little concrete to gain from the discussions, it can be expected to look

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after the interests of its poorer neighbors by urging increased assistance and cooperation from the industrialized countries. By bolstering its credentials as an LDC leader, Nigeria may be able to counter criticism of OPEC's lack of commitment to Third World economic development.

Positions on Specific Issues

Food and Population - Nigeria is interested in increasing the influx of Western agricultural technology to Africa.

Trade - Nigeria favors export stabilization programs for primary products.

Energy - Nigeria will try to soft pedal its failure to provide petroleum to developing nations at concessional prices.

Other Issues - Nigeria may well voice concern over the direction of US southern Africa policy and its perception that African racial concerns are taking second place to US concern with countering Communist influence in Africa. Because of the world oil glut and consequent shortfalls in Nigerian oil production and revenues, Nigerian delegates will seek increased American private investment in Nigeria particularly in the agricultural sector.

THE PHILIPPINES

Political and Economic Setting

Ferdinand Marcos was elected to a six-year term as president on June 16, following the lifting of martial law last January. He has preserved most of his martial law powers despite this democratic veneer. Marcos faces no serious political challenge, although his maneuvering to retain power caused the previously-divided moderate opposition to unite. Armed opposition to the government, while active, poses no serious threat; but the challenge of the Communist New People's Army could grow more serious in the future. Under an experienced, ruthless, and young leadership, it is expanding in some rural areas.

The Philippines faces several years of worrisome economic problems such as widening current account deficits, rapidly growing debt service payments, and inflation that erodes the value of its impressive export drive. Nonetheless, the economy should continue to grow by some 5 percent annually, and per capita GNP is \$760 and rising. Still, Marcos' opposition is in part fueled by the wide income disparities that exist throughout the economy and the failure of the bulk of the population to benefit substantially from economic development.

Global View

The Philippines generally sees itself as playing a moderating role in the Group of 77, tempering the more extreme positions of the radical countries, and, with its ASEAN partners, encouraging negotiations and compromise instead of confrontation with the industrialized nations. It subscribes to the basic objectives of the South to remedy supposed inequities in the operation of the global economic system through a "new international economic order." Politically, the Philippines emphasizes its "special relationship" with the United States but will not blindly or automatically align itself with the United States. Marcos, as the only Southeast Asian chief of state at Cancun, is likely to view himself, in part, as a representative of ASEAN countries.

Expectations for Cancun

The Philippines expects that little will come out of Cancun. Manila will seek to enhance its international prestige in Southeast Asian and to a limited extent further its Third World credentials.

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Positions on Specific Issues

Food and Population - The Philippines is interested in expanding food aid and security schemes. Since family planning programs are important in ASEAN country development strategies, the Philippines may raise the need for increased international population assistance.

Trade - The Philippines is concerned about wide swings in revenues from primary commodity exports and may want to discuss schemes to keep prices from falling, such as commodity agreements.

Energy - Marcos will want to explore agreements for secure oil supply and predictable prices.

Aid - Marcos probably is interested in discussing the ways in which multinational corporations and OPEC countries can contribute money and technology for specific Third World projects, bypassing the World Bank and other multilateral development banks and their stringent conditions for development loans.

International Monetary System - Because of its high debt repayment burden, the Philippines may seek support for expanding the role of the IMF to provide balance-of-payments assistance, and for extending payback terms.

Other Issues - The Philippines may informally bring up questions on the Law of the Sea because of concern of the archipelagic ASEAN states for a speedy and successful conclusion to the Third UN Conference on the Law of the Sea, which will reconvene in August. The Philippines has offered to become the headquarters of the Common Fund, the UN commodity scheme, and is anxious to launch the Fund.

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SAUDI ARABIA

Political and Economic Setting

The outlook for stability in Saudi Arabia is reasonably good over the next two years. Although the seizure of the Grand Mosque in Mecca in November 1979 shocked the Saudis, it did not undermine the cohesion or confidence of the leadership. It had some salutary effects by forcing Saudi leaders to address political and security problems they had ignored. Since the incident, Saudi leaders have tried to strengthen the traditional religious and tribal underpinnings of the regime, mute anxiety over the pace of modernization, and improve the internal security forces.

Saudi Arabia currently produces about 40 percent of OPEC's oil output and provides around 90 percent of US oil imports. Despite per capita GNP of \$15,000, Saudi Arabia remains an underdeveloped country. The Saudis have promoted rapid economic development for a decade. Government expenditures for the Saudis' 1981-85 planning period are slated to be \$450 billion mostly for economic development. These efforts largely depend on imported technology and foreign skilled manpower for implementation.

Global View

Saudi Arabia regards itself as a member in good standing of the Third World and a cautious supporter of the G-77 position in favor of a greater role for developing countries in the international economy. At the same time, the Saudis guard their leadership in OPEC and strive for a greater role in the World Bank and the IMF. Saudi Arabia is aware that its close economic ties with Western industrial nations often are criticized by LDCs. The Saudis contend that their actions within OPEC and its investment policies benefit not only the West but the global economy.

Saudi Arabia has established its credentials as an aid donor -- particularly to Islamic states -- and supports LDC demands for increased financial assistance as well as greater representation and decisionmaking power in multilateral financial institutions. Saudi Arabia would prefer to coordinate its aid efforts with OPEC and OECD countries and established institutions, such as the IMF or World Bank. The Saudis are sensitive to discussions that focus on recycling of petrodollars to LDCs and are unwilling to assume the risk of lending directly to LDCs.

Expectations for Cancun

Saudi Arabia's main objectives will be to minimize its exposure to and defend itself from Western and Third World censure. Saudi Arabia will probably deflect criticism by

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contending that OPEC actions respond to the international economic system imposed by the industrialized countries. Their representatives will also contrast Saudi and OPEC aid records with those of OECD countries and point out Saudi efforts to achieve oil price unity and a long term price formula.

The Saudis are concerned that the LDCs will come to Cancun less prepared than the industrialized countries. Therefore, they have sought US views on Cancun and will likely remain in touch with US officials. Prince Saud will probably go to a late-July caucus in New York of LDC foreign ministers attending the preparatory meeting in Mexico.

The Saudis likely hope the US will try to bridge the extreme positions of the LDCs and the industrialized countries. The Saudis have emphasized that it is politically difficult to have a special relation with the US if our actions are continually perceived as inconsistent with the goals of the overwhelming majority of LDCs.

Positions on Specific Issues

Energy - The Saudi position on the World Bank Energy Affiliate to assist LDC energy developments is not yet firm. Most recently, Saudi Arabia rebuffed an attempt by Canadian Prime Minister Trudeau to get Saudi support for it.

Aid - Saudi Arabia may focus on the decline of the OECD share of GNP allocated to aid. The Saudis may also be critical that most of the aid is tied to procurement from OECD countries and that less than half of OECD aid goes to poorer LDCs. They will contrast this with much better Saudi and OPEC records. They may raise proposals to increase IMF assistance to LDCs and LLDCs.

International Monetary System - The Saudis will emphasize that the burden of financing and servicing the deficits of developing countries has been aggravated by inflation and high interest rates in the Western world.

Other Issues - Crown Prince Fahd and Foreign Minister Prince Saud will almost certainly expect separate consultations with President Reagan and Secretary Haig, even though both may visit Washington soon. Prince Saud's visit is likely to occur soon after the August preparatory meeting. Depending on progress on the F-15/AVACS package in Congress, Crown Prince Fahd may visit shortly before or after the Cancun Summit. Saudi Arabia has always given strong rhetorical support to greater technology transfer from industrial states to LDCs as a major tool of rapid development.

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TANZANIA

Political and Economic Setting

Tanzania's deteriorating economy has presented President Nyerere with the strongest test to date of his political leadership. Tanzania cites a host of external factors, including rising oil and other import prices, export market fluctuations, and two years of drought, for its ills. But mismanagement of parastatal organizations, corruption, low productivity, and the burden of providing security in Uganda have also had a deleterious effect on the economy and have led to unprecedented public criticism of Nyerere. Although Tanzania has taken some recent steps to introduce more incentives into its economic system, Nyerere remains committed to socialism.

Tanzania's economy expanded at best 3 percent in 1980 and growth could be even slower in 1981. This performance is substantially below the 4- to 6-percent gains in the mid-1970s and reflects a combination of bad weather and years of chronic mismanagement. Per capita GNP is only \$260. Since agriculture provides over half of GNP and prices for Tanzania's agricultural exports are low, the economy is not expected to improve. The war in Uganda has already put a tremendous strain on Tanzania's economy, but the demobilization of troops coming back from Uganda could worsen the economic unrest and lead to violence.

Global View

Despite its small and weak economy, Tanzania has long played an important and vocal role in North-South issues. Tanzania's influence on Third World positions derives principally from President Nyerere's personal stature and from the steady commitment of his government to nonaligned and socialist ideals. Foreign Minister Salim also played an important role in the North-South debates during his term as Tanzania's permanent representative at the UN. Tanzania advocates a radical restructuring of the present international economic order, which it considers unfair and exploitive of the poor. Tanzania believes that LDCs have a "right" to get support from international financial institutions, and that such support should not require politically-painful domestic measures.

Tanzania's leadership believes that the West, especially the US, will reform only under constant pressure and embarrassment from the Third World. Tanzania, therefore, advocates strong Third World unity and aims at internationally organized mechanisms for transferring wealth to poorer countries and for insuring "fair" trade values and market access for Third World products. Tanzanian leaders realize, however, that their goals will not be realized in a combative atmosphere. Tanzania's frustration is also directed at OPEC and the Soviet Union, which it regards as parsimonious with economic assistance. Tanzania

argues, for example, that OPEC should at least provide compensation to cover the LDCs' oil cost increases since 1973.

Expectations for Cancun

Tanzania looks forward to the Cancun Summit as yet another opportunity to expound its views and those of the Group of 77. Since Nyerere places importance on the Summit appearing as a success, he will probably be willing to avoid confrontation while he rejects the notion that by first allowing the developed countries to solve their economic woes the Third World will come to profit. He is susceptible to arguments that stress the need for common approaches and cooperation. This may include population issues.

Positions on Specific Issues

Trade - Nyerere supports G-77 demands for preferential tariffs on developed country imports from the LDCs.

Aid - Tanzania wants increased financial commitments from industrialized countries with fewer conditions attached. Tanzania has been especially critical of the Soviet Union and OPEC, which it feels are especially inattentive to the ambitions of the LDCs.

International Monetary System - Nyerere will likely stress the need for restructured international organizations in order to ensure the continued flow of development assistance.

Other Issues - If the Tanzanians request meetings with senior US officials, they are likely to thank the US for recent food assistance and lobby for continuing US aid, question US southern African policy, particularly regarding Namibia, raise their problems with IMF stringency, and push for Foreign Minister Salim's candidacy as UN Secretary General.

VENEZUELA

Political and Economic Setting

President Herrera's economic and political problems will intensify in the remaining three years of his term. He likely will continue to muddle through by adjusting government policies in response to greater pressures but is unlikely to change substantially his progressive style of government or use the full powers of his office to solve vexing problems.

Discontent with the performance of 22 years of civilian governments has led some Venezuelans to believe that a military leader could do a better job. As an institution, however, the military is not sufficiently alarmed about current trends to want to return to power. It would do so only if the government were unable to suppress widespread disorder or to avert an especially disastrous economic recession.

Venezuela's economy has languished for the past two years. Real GNP growth was less than 1 percent in 1980. Especially with the soft oil market, President Herrera will be unable to implement any policies to spur growth to the official target of nearly 6 percent this year. Even though Venezuela is the wealthiest country in Latin America and per capita income is over \$4,000, a large income gap between the rich and the poor is becoming politically troublesome.

Global View

Venezuela has consistently been a leader of the G-77 on North-South issues and currently chairs the G-77 at the UN in New York. Venezuela has long believed that the international trading system is biased in favor of the industrialized countries and has attempted to improve its terms of trade by barter-type arrangements. Venezuela has also expressed its belief in the need for international monetary reform but has never advanced any proposals in the area.

Venezuela has sought to strengthen economic cooperation among LDCs and spearheaded the drive for the recent "South-South" meeting held in Caracas, which pushed for the creation of a G-77 secretariat. Venezuela has consistently pressed its fellow OPEC members to expand development assistance to other Third World countries. Along with Mexico, Caracas has created an oil facility to annually provide some \$700 million to energy-poor nations of the Caribbean basin.

Expectations for Cancun

Venezuela believes that the Summit could bring a new impetus to the UN Global Negotiations and will doubtless push this theme. Given its recent South-South emphasis, Venezuela also will likely stress the need for cooperation among the LDCs. In

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order to minimize frictions, Caracas will seek to deflect any criticism of OPEC by either LDCs or the industrialized states by pointing toward opportunities for cooperation between non-oil and oil-producing LDCs. Venezuela will likely try to dissuade Cancun participants from focusing on divisive energy-related topics and encourage discussion of broader trade and capital flow problems instead.

Positions on Specific Issues

Energy - Venezuela has consistently argued that energy should be considered as only one element of larger trade and capital flow problems and not as a separate issue.

Global Negotiations - Venezuela will likely stress the need for LDC cooperation, especially between non-oil and oil producing LDCs.

Other Issues - Venezuelan representatives will certainly resist any discussion of their border dispute with Guyana. Caracas was relieved that the issue was not raised during the Economic Cooperation among Developing Countries conference in May.

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YUGOSLAVIA

Political and Economic Setting

The Yugoslav leadership has successfully weathered its first year without Tito despite a laundry list of problems. These include rumblings of nationalism among Kosovo's ethnic Albanians, pressures from intellectuals and some party leaders to liberalize, and an economy beset by high inflation, declining living standards, imbalanced trade, low productivity, and chronic unemployment. The collective leadership system, in which top party and state posts are annually rotated among representatives of the country's republics and provinces, has functioned smoothly. Belgrade has followed its traditional foreign policy objective of preserving its independence through continued involvement in the nonaligned movement, stability and balance in dealing with Moscow and Washington, and as good relations as possible with its neighbors.

Yugoslavia's most severe economic problem at this time is accelerating inflation, which reached an annual rate of roughly 50 percent in May 1981. Despite government efforts to curb imports and boost exports, Yugoslavia's trade balance worsened during the first five months of 1981, causing Belgrade to seek out new loans from Western and Arab banks to finance its current account deficit for the remainder of 1981. In 1980, Yugoslavia imported three-quarters of its total petroleum consumption. Any future OPEC price increases will upset Yugoslavia's import target for the year and increase inflationary pressures. Political contention among competing republics over appropriate prices, control measures, investment priorities, and foreign trade policies hinders the government's ability to implement effective adjustment programs.

Global View

Yugoslavia was one of the original founders of the non-aligned movement and has traditionally been active in promoting economic development free from formal alliance with either superpower. Yugoslavia sees itself as a natural intermediary in global affairs because of its unique geopolitical and economic situation -- neither East nor West; neither a fully industrialized nation nor an LDC. Therefore, Belgrade usually plays a moderating role in multilateral discussions, promoting cooperation and compromise instead of confrontation that polarizes discussions.

Expectations for Cancun

The Yugoslavs view the Cancun Summit as a non-binding, informal meeting aimed at improving international economic cooperation. They see themselves as a key intermediary for the developing countries, although Yugoslavia is not technically an LDC. Belgrade's highest priority at the Summit will be to keep

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global negotiations alive. The Yugoslavs feel that these negotiations are both politically and economically important to the developing countries. They view a more positive approach by the US and OPEC on global negotiations as key to the successful resumption of the talks. They hope that the Western nations attending the Ottawa Summit this month will emerge willing to reopen negotiations in the UN forum. The Yugoslavs will probably concentrate their efforts on energy and monetary issues, feeling that once common language on these subjects is found, remaining differences will be easily overcome.

Positions on Specific Issues

Global Negotiations - Yugoslavia is a strong supporter of the UN Global Negotiations proposal. Yugoslavia sees its role as a moderator and bridge between North and South and also between East and West.