



UN Global Negotiations: A Versailles Summit Issue

An Intelligence Memorandum

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An Intelligence Memorandum

*Information available as of 20 May 1982
has been used in the preparation of this report.*

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Summary

UN Global Negotiations on resource transfers to the Third World may emerge as a major topic at the 4-6 June Versailles Summit. The French and Canadian Governments, in particular, indicate that they want to push Global Negotiations as a Summit issue. Italy and Japan have long been seeking ways to improve their economic and political relations with the Third World. Although Great Britain and West Germany see high costs if Global Negotiations were to get out of hand, neither wants to be isolated from the rest of the EC on this highly symbolic issue. Our Summit partners will probably lobby the United States to accept something close to the draft resolution to launch UN Global Negotiations that was presented on 31 March by the Group of 77 (G-77), the LDCs' UN caucus.

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Global Negotiations, if conducted solely on the G-77's terms, threatens the integrity and operation of such specialized economic agencies as the International Monetary Fund (IMF), the World Bank, and the General Agreement on Tariffs and Trade (GATT). Our European and Japanese allies appear willing to accept marginal changes in the IMF and the World Bank as a means of satisfying LDC demands. All the Big Six countries have made it clear, however, that they do not want the IMF and World Bank's weighted voting system, which is their lever of control, to be significantly altered. The Soviet Union, claiming that Third World poverty is the result of capitalism and imperialism, has stayed on the sidelines of this North-South debate. Moreover, the USSR is not a member of the IMF, World Bank, or GATT.

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The Mechanics of Global Negotiations

A UN resolution launching Global Negotiations will create a central conference composed of all General Assembly members. The conference's first order of business will be to establish the procedures, agenda, and time frame for Global Negotiations.

If the preliminary session is successful, most nations envisage Global Negotiations proceeding in three stages. In the first stage, the conference will allocate agenda items to the specialized agencies or to ad hoc forums it chooses to create. In the second stage, the specialized agencies and ad hoc forums will consider the agenda items and make their decisions. The third stage is ill defined. The conference will in some manner assess the decisions made by the specialized agencies and forums.

Decisionmaking throughout Global Negotiations will be by consensus, which in the United Nations means unanimity will be required. Consequently, Global Negotiations will be susceptible to stalemate.

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Global Negotiations is the most recent attempt by such influential LDCs as Algeria, Iraq, Venezuela, and Mexico to garner a larger slice of the world economic pie for the Third World. Although not a high priority issue for LDC governments, nearly all¹ give at least lipservice to the tenets of Global Negotiations, which call for simultaneous negotiations in the United Nations on energy, trade, raw materials, development, and money and finance. The LDCs see this as an opportunity to increase their influence over the UN's specialized agencies in general and the three principal international economic institutions—the World Bank, the International Monetary Fund (IMF), the General Agreement on Tariffs and Trade (GATT)—in particular. Global Negotiations proposes to give the UN General Assembly, where the one state—one vote principle applies and the Third World dominates, more ability to sway the specialized agencies. Nonetheless, Global Negotiations will have no legal authority over the specialized agencies. Any influence it exerts will come through political persuasion.

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G-77 Objectives

G-77 spokesmen have identified several specific reforms they intend to push for in the IMF, the World Bank, and the GATT:

- Permitting the IMF to link creation and allocation of Special Drawing Rights (SDR) to Third World financial needs.
- Increasing the availability of IMF resources to the Third World by relaxing conditionality (the requirement that a government adopt deflationary policies to qualify for a loan).
- Enlarging Third World participation in the staffing, management, and decisionmaking of the IMF and World Bank by modifying the existing system of tying a state's voting power to its financial contribution.
- Creating a World Bank affiliate to provide concessional financing for Third World energy projects.
- Expanding the World Bank's lending capacity by increasing its ratio of loans to capital.
- Making significant tariff reductions on Third World-manufactured exports a top priority for GATT.
- Integrating trade and development policy by increasing coordination between the GATT and the UN Conference on Trade and Development, and eventually fusing the two into an international trade organization.

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¹ The few that do not, such as Hong Kong, Taiwan, and South Korea, have successfully used the existing international economic system to foster their own rapid economic development. These countries are not members of the G-77 caucus.

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Big Six Positions

The Big Six industrial nations, as well as the EC as an institution, are on public record in favor of convening Global Negotiations. French President Mitterrand and Canadian Prime Minister Trudeau philosophically identify with the concept and urged US acceptance of it last year at the Ottawa Summit and the Cancun North-South Summit. Most observers interpret Italy and Japan's public support for Global Negotiations primarily as attempts to protect their valuable export markets in LDCs and to avoid damaging their image as friends of the Third World. British and West German responses to previous discussions about the issues indicate that they fear that Global Negotiations will harm the international economic institutions but do not want to be isolated in the EC. We believe they are willing to support it for political gain in the early stages but may back out later.

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Our Summit partners will probably not bring up the G-77's list of specific reforms at Versailles. Instead, we believe that they will stress the symbolic importance to themselves and the Third World of launching Global Negotiations and urge the United States to support the G-77 draft resolution as a gesture of North-South cooperation. The Big Six countries have not articulated their views on the longer range economic implications of Global Negotiations; however, we believe that they discount any practical effects. Global Negotiations could take three to five years to complete, and our Summit partners know that the required consensus decisionmaking would enable them to stalemate the process at any time. Moreover, they are probably confident that US distaste for Global Negotiations means that we would block any attempt to alter the international economic institutions significantly.

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Tactical Maneuvering Over Resolutions

The United States tabled its resolution on Global Negotiations in December 1981. The G-77 took four months to respond with a draft of its own that it believed would be acceptable both to LDC radicals, such as Algeria and Iraq, and to Western Europe, Japan, and the United States. In talks among themselves, G-77 leaders are realistic enough to realize that Global Negotiations would be useless without the participation of the United States. The 31 March draft resolution—the fifth text considered since last November—still fails, however, to capture US concerns even though our European allies support it. Reports of discussions during the past several months in the United Nations and between G-77 and industrial country representatives over the various texts have revealed six major areas of dispute between the United States and G-77 positions:

- The preamble of the G-77 draft poses one of the major philosophical stumblingblocks. It reads "in accordance with UN Resolution 34/138," whereas the US text only "notes" the resolution. The United Nations

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issued Resolution 34/138 in 1979 in its first unsuccessful attempt to launch Global Negotiations. It calls for "restructuring of international economic relations on the basis of principles of justice and equality." G-77 representatives evidently think that citing the resolution in strong terms will help legitimize its far-reaching demands in Global Negotiations.

- The G-77 draft calls for a conference to establish the procedures, agenda, and timing of Global Negotiations in a "preliminary phase" rather than in a "preliminary conference" that the United States proposed. The G-77 believes that "phase" connotes that Global Negotiations is actually under way rather than simply in preparation. The United States has long maintained that a preparatory session is necessary *before* Global Negotiations can begin.
- The G-77 draft deletes most of the language in the US text that specifically protected the specialized agencies. Neither, however, does it contain language reflecting the G-77's own desire that the central conference have primacy over the specialized agencies because the G-77 knew that the United States and other industrial nations would veto it. Instead, the draft defers the issue of the specialized agencies to discussion in the "preliminary phase." The G-77 probably hopes that the United States will be more willing to proceed with Global Negotiations once discussions are actually under way.
- The draft empowers the conference to attach objectives to the agenda items in the first stage. The G-77 could thereby try to determine the outcome of negotiations at the start.
- The US text allowed ad hoc forums only when an agenda item had no corresponding specialized agency. Some OPEC members feared that the conference would focus on an energy forum at which industrial nations and energy-poor LDCs would press "surplus" OPEC members for concessions. Therefore, they inserted language into the G-77 draft that allows the conference to create Third World-dominated ad hoc forums even if they are redundant with the specialized agencies. The United States feels that this could circumvent US attempts to protect the specialized agencies.
- In the third stage of the Negotiations the G-77 wants the conference to reconsider the decisions made by the specialized agencies and combine the elements it favors into a final package agreement. Hence, the G-77 draft calls for negotiations to be "coherent and integrated." This would damage the integrity of the specialized agencies.

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Outlook

If the United Nations launches Global Negotiations, the industrial nations will find it difficult to negotiate with the G-77. The group encompasses states of widely different development levels and political and social systems which bring very different expectations to Global Negotiations. For example, industrializing LDCs such as Brazil and Mexico will want GATT to make it easier for them to export manufactures to OECD markets. The largely undeveloped countries of Sub-Saharan Africa have little access to private capital markets and are anxious for the World Bank and the IMF to increase their lendable resources. Affluent OPEC members, such as Saudi Arabia, want international mechanisms for protecting their financial assets from inflation and foreign confiscation. [redacted]

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If its past record is an accurate indication, the G-77 will probably try to satisfy all these factions by simply consolidating their diverse interests into a single negotiating position. The likely result would be an all-or-nothing package of inflexible demands. Moreover, according to an external research project done for the Department of State, most Third World governments see Global Negotiations essentially as a political exercise and will probably give wide negotiating latitude to their UN representatives, who are more ideological than their counterparts at home. Hence, compromise between industrial and developing countries will be difficult to engineer. [redacted]

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We believe that if Global Negotiations is launched, support among the foreign industrial countries for the G-77 will largely depend on the degree of change demanded in the international economic institutions. In the initial stage the G-77 is likely to call for structural reform of the Bank, the IMF, and the GATT. The G-77 will urge the Big Six (and the EC) to accept its proposals and ask them to lobby the United States to do the same. [redacted]

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Our Summit partners are willing, to varying degrees, to go along with some changes in the specialized agencies. All of the Big Six countries have publicly supported creating a World Bank energy affiliate. Embassy cables indicate that all but Japan and Great Britain support increasing the Bank's loans-to-capital ratio, creation of an SDR link, and relaxed IMF conditionality. None of the countries, however, wants the weighted voting structures in the Bank and the IMF to be significantly altered. They consider weighted voting in those economic institutions to be their lever of control in Global Negotiations. [redacted]

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The Big Six countries will probably not be forthcoming on changing GATT. They all face the prospect of a protracted period of sluggish growth and, aside from Japan, high unemployment. None of them has demonstrated any serious interest in opening their markets further to Third World-manufactured exports or a willingness to grant new trade preferences.



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