The original documents are located in Box 26, folder "State Department - Questions and Answers re: Kissinger's UN Speech" of the Ron Nessen Papers at the Gerald R. Ford Presidential Library.

THE WHITE HOUSE
WASHINGTON

9/2/75

Ron —

everything you always wanted to know about the U.N. speech — in case you wanted to open a bank or run for Pres. of the I.M.F.!

Margi

QUESTIONS AND ANSWERS

ON PROPOSALS AND POLICIES IN SECRETARY KISSINGER'S SPEECH

TO THE UN SPECIAL SESSION

The questions and answers are organized according to the main sections of the speech:

Economic Security

Accelerating Economic Growth

--Access to Capital Markets
--Technology
--Transnational Enterprises

Trade and Development

Commodities

The Poorest Developing Countries

Political Dimension

A final section of general questions is appended.

ECONOMIC SECURITY

QUESTION: What are the Secretary's proposals to ensure basic economic security for developing countries?

ANSWER: The Secretary called on:

--The industrialized nations to coordinate more effectively to restore and maintain the stable expansion of their economies (Consultations among industrialized countries are addressed to this problem).

--Nations which supply vital products to avoid actions which disrupt that expansion (He looked to the forthcoming dialogue of industrialized, oil producing, and developing nations on the problems of energy, development, raw materials and related financial issues).

--The International Community to undertake a new approach to reduce severe fluctuations in the export earnings of the developing countries (He proposed creation in the International Monetary Fund of a new Development Security Facility to be used to compensate for shortfalls in LDC export earnings).

Producer/Consumer Dialogue

QUESTION: Why has the position of the United States toward the producer/consumer dialogue changed since the April preparatory meeting?

ANSWER: In April, the United States accepted an invitation to attend the Paris meeting to plan for an international conference on energy. We believed such a conference could lead to mutually beneficial and cooperative action by the producers and consumers to deal with the energy crisis. We did not think a single conference to treat all international economic problems would be successful; in fact, we feared that it could degenerate into a sterile rhetorical contest and might produce a confrontational atmosphere. We repeatedly made clear, however, that we were prepared to treat seriously and constructively non-energy issues in other fora.

Since April, we have worked to accommodate the interests of some of the other participants and develop mechanisms by which the dialogue could deal with non-energy as well as energy issues and still avoid the problems that concerned us at the first preparatory meeting. We think the scenario which would accomplish these objectives would be for separate and largely independent commissions to be created to discuss energy, raw materials, development and financial issues. An enlarged international conference of Ministers would formally launch the commissions and receive their reports 12 months later, thereby demonstrating the equal importance all parties attach to the different aspects of the dialogue. As in the past, the United States remains fully committed to a constructive dialogue.

QUESTION: What is the attitude of the United States toward the producer/consumer dialogue?

ANSWER: The United States believes the dialogue will be a test of the ability of all nations -- developed and developing, consumer and producer -- to cooperate to solve our common economic problems. We have worked hard to get the discussions resumed. We believe the other participants share our hopes for the dialogue and will also enter into it in a constructive spirit.

QUESTION: What is the status of the negotiations for the producer/consumer dialogue?

ANSWER: We are nearing agreement on the basic principles which should govern the dialogue between developed and developing nations. There remain a few areas requiring further clarification. We hope that a complete agreement on all the issues can be achieved soon so that the invitations to begin the dialogue can be issued.

New Development Security Facility in the IMF

QUESTION: The Secretary proposed a new development security facility in the IMF to compensate developing countries for shortfalls in their export earnings. In what respects is the proposed new facility a significant increase in compensatory financing available from the IMF?

ANSWER: The new facility would:

--substantially increase the maximum outstanding amount of a country's compensatory drawings from IMF resources with total drawings as much as $2.5 billion per year or even more.

--under certain conditions, increase the amount a country can draw in any given year from 25% to 50% of quota. In addition, under the new facility, a developing country could draw further amounts from the new Trust Fund based on shortfalls in commodity export receipts.

--change the formula for calculating export shortfalls, which would significantly increase the size of compensable shortfalls.

--in addition, the loans the facility makes to the poorest developing countries could, in certain cases, be converted to grants by the new Trust Fund.

QUESTION: Why does the U.S. proposal emphasize overall export earnings rather than income from exporting individual commodities?

ANSWER: For development purposes, stabilization of overall export earnings is more meaningful than stabilizing a narrow portion of a country's export position. Many less developed countries are not dependent on exports of a few commodities. Rather they export a diverse range of goods, including manufactures, whose value can still fluctuate markedly. Our proposal would provide substantial additional compensatory financing for countries experiencing problems because of the concentration of their exports in a few commodities.

QUESTION: What is meant by the scope of the expanded facility being $10 billion?

ANSWER: That is the amount which might be reached if all developing nations drew over a number of years the maximum allowed them, given the upcoming increase in their IMF quotas.

QUESTION: Many of the proposed changes seem to be very technical. Are they really significant?

ANSWER: It is a complicated matter to define access to such a facility in a fair manner. Taken together, however, the changes proposed will make a very significant difference. Since its establishment in 1963, the existing IMF facility has made loans of about $1.3 billion. Now, according to our calculations, that much will be drawn in some years. In a particularly bad year for developing countries' exports they might total $2.5 billion or more.

QUESTION: Will countries who have arbitrarily restricted exports be eligible to use the facility?

ANSWER: No, the facility is intended to be open to IMF members experiencing temporary shortfalls due to circumstances beyond their own control. We will propose some specific conditions to insure that the facility is not abused by countries which impose restraints on the availability for export of products accounting for a significant portion of their total exports.

QUESTION: Are developed countries eligible to use the facility?

ANSWER: The present IMF facility is open to all IMF members. It has traditionally been recognized, however, as of benefit mainly to less developed nations. Only two developed countries, Iceland and New Zealand, have drawn from it to date. We would propose that in the future, developed countries would not be eligible to utilize it. Otherwise, it might be difficult to allow less developed countries to draw the equivalent of most or all of their IMF quotas without endangering the the overall liquidity of the IMF.

QUESTION: How does the formula for calculating shortfalls work and how would the proposals change it?

ANSWER: The facility presently calculates shortfalls in exports from a five year average including the two years before the shortfall year, and the two following years for which forecasts are made. At present, forecasts are arbitrarily limited to a maximum of 10 percent above the average of the two pre-shortfall years. Our proposal would raise this limit from 10 to 20 percent.

QUESTION: What would be the conditions on drawings from the facility?

ANSWER: In order to draw at all, countries would have to demonstrate, as they do at present, that they have a balance of payments need for financing as a result of a temporary export shortfall. Under the proposal, there would also be limitations on annual drawings beyond 25 percent of a country's quota. They would be designed to insure that (a) countries drawing more than 25 percent of quota in a year have relatively large shortfalls, (b) there is every chance of repayment to the Fund within 3-5 years.

QUESTION: Under what conditions and how would loans by the new Facility to the poorest countries be converted to grants?

ANSWER: Within the special IMF Trust Fund (which the United States proposed earlier) provision would be made for the repayment of compensatory drawings in the event the poorest countries are unable to complete repayment within a 5 year period.

QUESTION: What would the terms of drawings from the Facility be?

ANSWER: They are now, and would continue to be under the U.S. proposal, the same as on normal drawings from the Fund (except of course for countries whose drawings were converted to grants).

ACCELERATING ECONOMIC GROWTH: ACCESS TO CAPITAL MARKETS

QUESTION: What are the Secretary's proposals for increasing access by developing countries to international capital markets?

ANSWER: His proposals include:

--continued support for the international financial institutions, including replenishment of the Inter-American Development Bank, negotiations of Asian Development Bank replenishment, and Congressional authorization for the U.S. to join the African Development Fund;

--major expansion of the capital of the International Finance Corporation (IFC);

--a new open-ended multi-billion dollar International Investment Trust under the management of the IFC to invest in debt and equity instruments of developing country enterprises;

--work by the IMF/World Bank Development Committee to develop other measures to assist developing countries access to international capital markets.

InterAmerican Development Bank

QUESTION: What is the participation of non regional countries in the InterAmerican Bank (IDB)?

ANSWER: It has been a U.S. objective for some time to increase the participation of nations outside the Western Hemisphere in financing development in Latin America, particularly through combining their efforts with those of the regional countries in multilateral institutions such as the IDB. Ten countries from Europe plus Japan and Israel will join the Bank and are to contribute jointly $745 million to the IDB over a three-year period beginning in 1976.

QUESTION: What is the "$6 billion expansion" of IDB resources and what is the U.S. share in the expansion?

ANSWER: The proposed replenishment of the IDB calls for an increase of $5.3 billion in the authorized capital stock of the Bank, and $1 billion in the Fund for Special Operations (FSO), making a total of $6.3 billion to be provided over the next several years. The proposed U.S. share of the capital increase would be $1,650 million, primarily in the form of callable capital, to be subscribed in the period FY 76-79; and $600 million contribution to the FSO to be provided in three annual installments over the period FY 77-79; making a total U.S. contribution of $2,250 million.

The U.S. share of the total replenishment would be 37% compared with 52% in the last replenishment initiated in 1970.

Asian Development Bank

QUESTION: What are we doing for the Asian Development Bank and what negotiations are we agreeing to participate in?

ANSWER: We now have before the Congress requests for $121 million for the Asian Bank's capital and $50 million for its Special (soft-loan) Fund. In his speech the Secretary added that the U.S. will participate in negotiations beginning this fall on replenishment of the Special Fund and, subsequently, of the Bank's ordinary capital.

African Development Fund

QUESTION: What is the African Development Fund?

ANSWER: The African Development Fund was established in June 1973 as the soft-loan affiliate of the African Development Bank. The Fund's memberhsip is composed of developed countries and the African Development Bank, representing the Bank's membership. Donors' contributions, now approaching $150 million, support concessionary financing of projects in developing African countries.

QUESTION: What is the status of U.S. participation in the African Development Fund (AFDF)?

ANSWER: The United States participated in the original meetings of AFDF donors but has not yet contributed to the Fund. Legislation now pending before the Congress would authorize a U.S. contribution. The President has spoken several times in support of our membership in the Fund, and the Administration strongly urges early passage of pending legislation providing for the United States contribution.

Major Expansion of the International Finance Corporation (IFC)

QUESTION: What is the International Finance Corporation?

ANSWER: The International Finance Corporation is the member of the World Bank Group that specializes in mobilizing domestic and foreign capital for productive private investments in developing countries. The IFC, which was established in 1956, supplements the economic development work of the IBRD and the IDA by supplying long-term loans, equity subscriptions, or both, and by investing in private enterprises without government guarantees of repayment.

QUESTION: What is the capital of the IFC?

ANSWER: Present IFC capital subscribed by 99 member countries is about $107 million. The resources available to IFC are supported by earnings of more than $75 million and by the revolving of funds through repayments and sales to others of IFC investments. The Corporation has also borrowed over $200 million from the World Bank for use in its lending operations.

QUESTIONS: How large an increase in the IFC would the U.S. like to see?

ANSWER: We are proposing very major increase of $400-450 million. Both the final size of the replenishment and our share in it would be subject to international negotiations. But we would not consider this four-fold increase in the IFC capital resources excessive in light of the need for the type of assistance the IFC provides.

International Investment Trust

QUESTION: Is this a new proposal? What is its purpose?

ANSWER: Yet, it is a new proposal. Its purpose is to increase the flow of capital from public and private sources to development enterprises in the LDCs.

QUESTION: How will the Trust work?-

ANSWER: The proposed International Investment Trust would be managed by the International Finance Corporation. It would draw its capital from the industrial countries, OPEC countries, developing countries, the IFC and private participation. It would invest in debt and equity instruments of development banks, and of private, public, and mixed enterprises of developing country members. Like any mutual fund, the Trust would seek out the most creditworthy institutions with good reputations. The Trust would pay dividends to its shareholders who would share the risks and profits.

QUESTION: What countries would benefit from the proposed International Investment Trust?

ANSWER: We expect that most investments would be made in the middle-level developing countries most of which are no longer receiving bilateral assistance from us. These are the countries which have to depend on private capital markets for the bulk of their inflows and consequently need this type of assistance.

QUESTION: Investors would have their exposure limited by a $200 million "loss reserve fund" in the International Investment Trust. What is a "loss reserve fund"?

ANSWER: It is a contingency liability fund that could be established by the International Finance Corporation as part of the International Investment Trust. It would be designed to limit Trust Investors' exposure to major losses until such time as the Trust has a substantial, diversified portfolio and has accumulated its own loss reserve from income. The reserve fund would add a new element of protection in additon to the protection inherent in a diversified well-managed portfolio.

QUESTION: Would industrialized, oil producing, and developing nations be likely to contribute to a "loss reserve fund"?

ANSWER: We would expect them to be interested in contributing. A relatively small contribution by these countries to such a fund -- small in relation to the potential share capital of the Investment Trust -- would encourage investors who might otherwise hesitate to participate in a new venture of the kind of purchase shares in the trust.

QUESTION: What would be the nature of the contribution to to the "loss reserve fund"?

ANSWER: The contribution would be similar to "callable capital" in the international financial institutions, in effect, a commitment by the contributing governments to make funds available, up to the limit of their total contributions, only when called by the institution to do so in order to cover some share of any major losses.

QUESTION: Would the U.S. be a direct shareholder in the Trust?

ANSWER: The U.S. Government would not purchase shares in the Trust but would be a participant through its contribution to the significantly expanded IFC resources.

IBRD/IMF Development Committee Work on Access to Private Capital Markets

QUESTION: The Secretary referred to the work of the Development Committee on access to capital markets. What is it doing in this matter?

ANSWER: The Bank/Fund Development Committee established a Working Group on access to capital markets by developing countries at its meeting in June of this year. The task of the Working Group is to explore a) existing restrictions on developing countries' access to foreign capital markets and b) new ways of promoting such access. The United States is one of twelve countries on the Working Group. We place considerable priority on constructive approaches to capital market access for developing countries and hope the Working Group can make a significant contribution.

Latin American Regional Financial Safety Net

QUESTION: In discussing access to capital markets, the

Secretary referred to a "Latin American Safety Net". What is that?

ANSWER: The Economic Commission for Latin America has been considering the idea of a multilateral facility to provide contingency balance of payments financing for Latin American nations. It is sometimes referred to as the "Latin American Safety Net". The ECLA deliberations are still at an early stage, however, and it is not clear what will emerge.

ACCELERATING ECONOMIC GROWTH: TECHNOLOGY

QUESTION: What are the Secretary's proposals for technological transfer and technology institutes?

ANSWER: His proposals include:

--a new broadly based international energy institute to help developing countries plan national energy programs and diversify their energy sources.

--several agricultural technical assistance and research projects, including expanded agricultural research and training through already established regional agricultural research centers; a major new program to involve our land grant universities in providing technical assistance and research in agriculture; and an aid consortium to help developing countries improve their productivity in non-food agricultural products.

--an international industrialization institute to undertake and sponsor research in problems of industrialization in developing countries.

--an international center for the exchange of technological information on on-going research and new findings relevant to the needs of developing countries.

International Energy Institute

QUESTION: What would the proposed International Energy Institute do?

ANSWER: It would develop a program of technical assistance to LDCs in planning national energy programs and diversifying their energy sources. It would adapt techniques for exploiting solar, hydro, geothermal, and other energy sources with the needs of the developing countries in mind. It could operate through a network of regional and functional bodies.

QUESTION: What is the status of this proposal?

ANSWER: We plan to put the proposal forward for consideration by the developed countries (in the International Energy Association) and on the agenda of the forthcoming consumer/producer dialogue on energy.

QUESTION: How large will it be and what will be the U.S. contribution?

ANSWER: No specific size has been determined. The institute will be financed within the framework of the bilateral aid program.

'Expanded Agricultural Research and Training

QUESTION: What is involved in our commitment to expand the training and research capacity of regional centers in the food production and nutrition fields?

ANSWER: Contributions to international centers through the Consultative Group on International Agricultural Research have grown from $14 million in 1972 to $48 million (1975) with the U.S. share remaining at about 25%. The international part of the system should continue to grow over the coming years, as the nine centers reach full effectiveness.

The nine centers are: International Rice Research Institute (IRRI); International Maize and Wheat Improvement Center (CIMMYT); International Institute of Tropical Agriculture (IITA); International Center of Tropical Agriculture (CIAT); International Crops Research Institute for the Semi-Arid Tropics (ICRISAT); International Potato Center (CIP); International Laboratory for Research on Animal Diseases (ILRAD); International Livestock Centre for Africa (ILCA); and International Center for Agricultural Research in Dry Areas (ICARDA).

Now we and other donors can do much more both through the international centers and through other agricultural development institutions, such as our USDA and our land grant universities, to build the research systems in the developing countries and the extension systems for adapting research results to local conditions and communicating them effectively to the individual farmer, especially the small farmer.

The administration's proposals for FY 1976 now before the Congress contain about $74 million for these purposes. These figures include our CGIAR contribution. Other donors are also expected to give agricultural research, including application on the farm, comparable priority.

Technical Assistance and Research in Agriculture by U.S. Universities

QUESTION: What is the major new program to enable our universities to expand their technical assistance and research in the agricultural field?

ANSWER: A major component of our expanded training and research program in food production and nutrition is that proposed by Congressman Findley and Senator Humphrey and introduced in the House as H.R. Bill 9005, Title XII Amendment to the Foreign Assistance Act. This Amendment would enable our land-grant universities to link more broadly and systematically with developing-country scientists and counterpart institutions and use their agricultural expertise and research capacity. This legislation would establish new authorities and machineries for U.S. universities to carry out research in and for developing countries, and to upgrade the research, training, and extension capabilities in those countries.

QUESTION: What will be the effect of this Amendment on American Farmers?

ANSWER: The basic objective of this Amendment is to improve food production in the LDC's. Their food crops and soils, while differing in some respect of detail, are common to those of the U.S. Food crops, such as wheat, corn, sorghum, barley, rice, etc. are common to the U.S. and LDC's. Diseases and insects which destroy food crops in the LDC's can also destroy the same crops in the U.S. Techniques for improving production of a food crop in the LDC's can benefit production of the same crop in the U.S. Genetic traits developed to resist a crop disease in the LDC's will be useful in controlling the disease in the U.S. as was the case in the recent corn blight outbreak.

QUESTION: How will research under this program affect food prices in the LDC's and the U.S.?

ANSWER: The underlying purpose of agricultural research is to improve the efficiency of agricultural production, and thereby to reduce the cost of production to farmers. Such reductions in cost of production are in turn reflected in lower food prices to consumers in LDC's and in the U.S.

Aid Consortium on Non-Food Agricultural Products

QUESTION: What would be involved in the proposed aid consortium on natural products such as timber, cotton, jute, and natural rubber?

ANSWER: If other countries agree, the proposed aid consortium could be modelled on the already successful

Consultative Group on International Agricultural Research, which focuses largely on problems of edible crops and livestock. Thus, an organization of public and private donors could provide capital and core support adequate for program flexibility and continuity, while an advisory committee of distinguished experts from developed and developing countries could provide technical guidance for program development. Such an umbrella organization could involve research institutes already operating in a number of importing countries together with existing or to-be-established counterparts in producing countries. Research would be addressed not only to problems of production but also to problems of utilization.

QUESTION: How will this program be financed?

ANSWER: It would be appropriate for financing by the International Fund for Agricultural Development when the fund is established.

Guidelines on Transfer of Technology

QUESTION: Where is the U.S. participating in formulation of transfer-of-technology guidelines?

ANSWER: The U.S. has been working in the UNCTAD Committee on Transfer of Technology and also in the OECD Committee on Science and Technology to draw up guidelines for the transfer of technology. These guidelines especially concern relations between transnational enterprises as suppliers of technology and host countries as recipients. At the next meeting of the UNCTAD Committee this November, an outline of such guidelines is scheduled to be drafted and discussed.

International Industrialization Institute

QUESTION: What is the concept of an International Industrialization Institute?

ANSWER: In 1973 an international panel of experts from industrializing and industrialized countries, convened by the National Academy of Sciences and National Academy of Engineering, unanimously recommended the establishment of a private International Industrialization Institute to coordinate and conduct research on a range of problems associated with industrialization. Ongoing consultations seek to determine whether there is sufficient support for this concept, especially among developing countries. If this interest does exist, the United States is prepared to participate constructively in a pre-founders' meeting to take place perhaps this year.

International Center for Exchange of Technological Information

QUESTION: What do we have in mind in considering an "international center for the exchange of technological information?"

ANSWER: The need for adaptable technology is so great and the resources devoted to its development so limited that duplication of effort is prohibitively costly. Yet many developing-country scientists and engineers and their research institutions are isolated from their counterparts in other developing countries as well as in the industrialized world. We are willing to help fund a center for information exchange in order to overcome this communication problem and thereby increase the effectiveness of world-wide technological research.

ACCELERATING ECONOMIC GROWTH: TRANSNATIONAL ENTERPRISES

QUESTION: What proposals did the Secretary make to encourage the flow of direct investment, especially investment by transnational enterprises?

ANSWER: The Secretary's proposals include:

--the development of a balanced code of principles to guide enterprises and governments in their mutual relations;

--the development, enforcement and coordination of laws regarding restrictive business practices, whether of transnational enterprises or governments;

--the harmonization of tax treatment of foreign investment;

--the employment of factfinding and arbitration procedures;

--a multilateral insurance program for foreign private investors which includes participation by developing countries;

--bilateral, intergovernmental consultations to identify and resolve investment disputes.

Code of Conduct for Transnational Enterprises

QUESTION: The U.S. proposes to work within the UN Commission on International Corporations and other bodies to help develop a body of basic, balanced principles to guide enterprises and governments in their mutual relations. What is the UN Commission on Transnational Corporations?

ANSWER: The UN Commission on TNCs is composed of delegates representing 48 member countries, broadly representative of both the developed and developing world and including the United States, set up under ECOSOC auspices to act as a focal point within the UN system on issues relating to multinational enterprises. The Commission held its first meeting in March of this year and is scheduled to meet again early next year to complete the preparation of its work program for submission to ECOSOC. The work of the Commission is supported by an information and research center which has been established within the UN Secretariat.

QUESTION: Will not many of the proposed guidelines put forward in the Secretary's speech be unacceptable to the developing countries and thus serve to heighten north/south tensions?

ANSWER: The subject of private foreign investment, and the transnational company in particular, is a highly emotional issue. Countries want foreign investment for the benefits it brings but they fear it because it is foreign. It may be difficult to agree on basic guidelines, but it is necessary to try. The multinational corporations are, and can continue to be, a major source of capital, technology, managing and marketing skills in the developing countries. Balanced guidelines for these enterprises and governments in their mutual relations, reached by consensus, could help to ensure the continued flow of these resources to the developing countries.

QUESTION: The Latin American countries adhere to the Calvo doctrine which holds that host government law is final with regard to investment disputes. Isn't there an irreconcilable conflict here?

ANSWER: There is a difference of view between the United States and many Latin American countries on the requirements of international law respecting treatment of foreign investors. This is a longstanding difference which reflects very fundamental positions on both sides. It would not be realistic nor is it necessary to resolve this issue in order to develop a useful balanced basic code for government enterprise relations.

QUESTION: Would the guidelines be voluntary or binding on the transnational corporations?

ANSWER: We believe the guidelines must be indicative rather than mandatory. The primary responsibility for regulating the activities of TNE's must remain with the governments of the countries in which they operate -- and msut be exercised in accordance with international law. An internationally agreed set of guidelines, however, would be important in setting a more certain context in which governments and enterprises have a clearer understanding of the expectations each has regarding the other's behavior.

Harmonizaton of Tax Treatment

QUESTION: What role do tax treaties have in the harmonization of the treatment of foreign investment?

ANSWER: Tax treaties provide for arrangements to avoid double taxation and, in general, make the tax aspects of foreign investment more certain and predictable. Tax considerations are important elements in investment decisions and the provision of a more certain and stable tax environment through an expanded network of tax treaties can have a significant positive impact on investment flows.

QUESTION: How would tax treaties mitigate transfer price problems?

ANSWER: Tax treaties generally provide for the exchange under specified conditions of information between the taxing authorities of the countries which are parties to the agreement. This can be quite useful in identifying any improper manipulations of transfer prices or other tax abuses, should there be such.

QUESTION: How many tax treaties do we currently have?

ANSWER: We currently have twenty-two tax treaties of which about one-half are with developing countries. We have indicated our willingness to negotiate additional treaties with countries that are interested in doing so.

Investment Dispute Settlement

QUESTION: What is the International Center for Settlement of Investment Disputes (ICSID)?

ANSWER: ICSID, a member of the World Bank Group, is the major existing international institution designed specifically for settlement of investment disputes. Its facilities are flexible, enconpassing both arbitration and conciliation. ICSID presently has 71 signatories, about two-thirds of which are developing countries. The US signed the ICSID Convention in August 1965 and it entered into force the following year.

QUESTION: What is US policy on international arbitration?

ANSWER: We see agreement in advance on dispute settlement mechanisms and their subsequent use, if necessary, as a desirable means of resolving and depoliticizing disagreements between foreign investors and host governments.

Multilateral Investment Insurance

QUESTION: The Secretary referred to a multilateral insurance program for foreign private investors. Has not the World Bank considered and rejected proposals for such a program?

ANSWER: The World Bank did consider in great detail a proposal for an International Investment Insurance Agency during the early 1970's, but the proposal did not go forward. There is a growing recognition of the need for encouraging foreign investment in developing countries that welcome it and seek increased private capital from abroad as a significant part of their development plans.

TRADE AND DEVELOPMENT

Question: What are the Secretary's proposals to make the trading system better serve the interests of development?

Answer: The Secretary proposed:

-- A fundamental improvement in the relationship of the developing countries to the world trading system (this would involve various forms of preferential treatment for the trade of developing countries; the preferences would be phased out gradually as the developing countries progress).

-- Trading opportunities for the developing countries in the manufacturing sector (the U.S. generalized system of preferences will go into effect on January 1, 1976).

-- Encouragement to the processing of their raw materials in the developing countries (the U.S. will make a special effort in the multilateral trade negotiations to reduce tariff barriers on processed goods).

-- The reciprocal exchange of commitments in the multilateral trade negotiations on access to supply and the negotiation of improved rules governing the use of export restraints.

-- Adaptation of the rules on non-tariff barriers to the situation of developing countries.

-- Early agreement on reducing barriers to tropical products that are the major source of LDC earnings.

Changes in World Trading System

Question: The Secretary suggests that there should be a fundamental change in the world trading system to provide various forms of preferential treatment for developing countries. But he adds that this treatment should gradually be modified for a particular LDC as it attains higher levels of development until it reaches equality of treatment with industrialized countries. Is this a new idea?

Answer: The idea is not new but we have not previously enunciated it as US policy. Its purpose is to make clear that while the US fully supports the idea of "special and differential treatment" of developing countries in the international trading structure in the interest of their development, we believe specific proposals of this kind should have built-in mechanisms to assure the gradual assumption by the developing countries of full obligations as their economies develop.

Question: What kinds of preferential and special treatment does the Secretary have in mind?

Answer: These include:

-- Tariff preferences for the exports by developing countries of manufactured goods (and some other products) under the generalized system of preferences (GSP) that will become operative on January 1, 1976.

-- Provision for special treatment of developing countries under rules on non-tariff barriers that will be negotiated in the multilateral trade negotiations. Special treatment may be feasible in such matters as countervailing duties and subsidies, and government procurement.

-- Requests for reciprocity from developing countries in ways that will be consistent with their individual development, financial, and trade needs.

Generalized System of Preferences (GSP)

Question: What is the current status of the program for generalized tariff preferences for developing countries?

Answer: The generalized system of preferences was authorized by the Trade Act of 1974. We have announced the countries designated as beneficiaries as well as those currently under consideration for such designation. We have also proposed a list of products to be accorded preferential tariff treatment, and public hearings were held regarding this list both by the US International Trade Commission and the Administration. Later in the year we will have a firm program including a final list of products and implementing regulations. There will be a Presidential proclamation on these matters. We expect to begin to operate this system on January 1, 1976.

Question: How will the generalized system of preferences work when implemented?

Answer: All preferential tariffs on products included in the system are set at zero for exports from eligible developing countries. Should a beneficiary country become "competitive" in a particular product, it would no longer require preferential treatment on that product. A country is presumed to be competitive in a product when its exports of that product to the US exceed a ceiling initially of $25 million or 50% of total US imports of that product in a calendar year.

Question: Can you elaborate on the Secretary's statement regarding consultations and practical assistance to enable beneficiary countries to utilize the generalized system of preferences?

Answer: If our system is to be effective, government officials, producers and exporters in the beneficiary developing countries must be made aware of the program and understand its provisions. We plan to disseminate information regarding our GSP in international forums such as UNCTAD, the GATT/UNCTAD-sponsored International Trade Center in Geneva, and the OECD; through bilateral consultations; and through regional consultations in organizations such as the OAS. Additionally, our Embassies will disseminate detailed information on the program.

Question: What is the status of the Green amendment, which would permit the President to waive the provision of the Trade Act of 1974 that excludes OPEC countries from the benefits of GSP for those OPEC countries which did not participate in the oil embargo?

Answer: Senior Administration officials have testified in support of this amendment which remains in Committee in the House. We continue to support the amendment but recognize that a rise in oil prices by OPEC would jeopardize the chances of its passage.

Tariff Escalation

Question: What is the "tariff escalation" which disadvantages developing countries? Do US tariff rates "escalate"?

Answer: The structure of tariffs of many countries is such that there are low or no duties on raw materials and higher duties on the products processed from those raw materials. This provides a disincentive for the processing to be undertaken at the source of the raw material. US average tariff rates -- including only dutiable products -- are 4.4% for non-agricultural primary products and 9.5% for semi-finished goods, including goods made from imported primary products.

We are prepared to join with other developed countries to make a special effort in the MTN to reduce these barriers on an MFN basis.

Question: What concessions would the US seek from LDCs in exchange for US agreement to cut tariffs on processed goods of interest to them?

Answer: We cannot prejudge the outcome of negotiations with specific countries and on specific items. However, there are many areas in which developing countries can make contributions to the negotiations consistent with their development status. They could agree not to withhold or interfere with the normal supply of the materials they process, and join us in negotiating arrangements to maintain the flow of raw materials in world trade without creating artificial scarcities to force up prices. They could also adopt less burdensome customs procedures and licensing requirements. Reductions in high tariffs in developing countries would in many cases not only constitute a form of reciprocity but also benefit the efficiency of the economy of the developing countries concerned.

Question: In the trade negotiations the US proposes to negotiate rules governing the use of export restraints much along the lines of existing rules that govern import restraints. Is the US prepared to limit the use of export controls in periods of shortage?

Answer: We have stated our willingness in principle to make and to request specific supply access commitments as part of the reciprocal exchange of concessions which will be taking place in a number of different ways within the MTN framework. We have further stated our interest in negotiating rules governing export restrictions. In recent years countries have resorted to export controls for various reasons including short supply, foreign policy, or to encourage local processing. Their injured trading partners have had no recourse under existing trade rules. The absence of agreed rules governing export restrictions is a serious deficiency of the trading system that needs remedying.

Trade in Tropical Products

Question: The US supports early agreement in the MTN on tropical products. What are the products that are considered "tropical products" in the MTN?

Answer: As a general definition, we would consider as "tropical" those items which can only be produced in a tropical climate, and not in the countries of the temperate zone. Examples of such products are coffee, cocoa, tea, bananas, spices, tropical fruit, etc. We would also expect to include in this definition the close derivatives of these raw products (such as cocoa butter and powder). However, this definition would not extend to finished manufactured products which are fabricated from these items (for example, automobile tires made from natural rubber).

Question: Is there a list of the tropical products on which the US is ready to make concession?

Answer: No. The Multilateral Trade Negotiations have not yet reached the point of discussing specific products. At this point we are analyzing the requests made to us by the LDC's. We expect to hold both bilateral and multilateral discussions with the requesting countries before making a final decision on the US offer.

Question: Don't most tropical products enter the US market duty-free?

Answer: It is true that many tropical products have low or zero duty; coffee beans, fresh bananas, cocoa beans are examples of duty-free tropical items of great importance to LDC trade. However, there are a significant number of dutiable items; these tend to be products which have some degree of processing. For example, cocoa enters duty-free but cocoa cake and cocoa butter are dutiable. Similarly, fresh bananas have no tariffs but dried or otherwise prepared bananas are subject to duty. Consequently, removal or reduction of these tariffs should be beneficial to LDCs, not only in terms of a general impetus to trade but also in stimulating a greater degree of local processing in the LDCs.

Question: Aren't most processed or semi-processed tropical products already duty-free under the US Generalized System of Preferences (GSP)?

Answer: Yes, many such items are expected to be included in the GSP. However, the GSP is a temporary (ten-year) program which is subject to certain constraints (i.e. the "competitive need" formula). MFN reductions would still be valuable to LDCs, since such concessions would be permanent and bound under GATT rules, which means they could not be withdrawn except through granting interested suppliers appropriate compensation.

COMMODITIES

QUESTION: What are the Secretary's proposals for action on commodities?

ANSWER: His proposals include:

--an international system of grain reserves to provide reasonable stability in the availability of food in commercial markets;

--a consumer-producer group for every key raw material, to discuss how to promote the efficiency, growth, and stability of its market, with priority for the establishment of a consumer-producer group on copper;

--US membership in the International Tin Agreement, subject to ratification by the Congress;

--active US participation in the current Coffee Agreement negotiations, and in the forthcoming negotiations on cocoa and sugar, with a view to joining them if the agreements are satisfactory;

--expanded investment in natural resource development to ensure a reliable and growing supply of critical raw materials, with a major role for the World Bank Group in this effort;

--US contribution to the UN Revolving Fund for Natural Resources Exploration which is designed to help the developing countries locate and evaluate their mineral and other natural resources.

International System of Grain Reserves

QUESTION: One of the principles laid down by the Secretary to govern an international grain reserves system is assured access to supply for participants. What does assured access mean and how would this differ from treatment for non-participants?

ANSWER: First, we see a food reserve agreement as providing a context in which coordinated action by the principal producing and consuming countries could be taken to maximize world food availability when the supply situation becomes tight.

Secondly, in serious shortage situations participants would have assured access to reserve stocks; non-participants would have no such assurance. In the extreme event that a series of world crop disasters reduced total food availability below current world needs, participants complying with the terms of a reserves agreement would be given access to the available supply.

QUESTION: Would we expect to get more and better crop production information from the Soviet Union under the provisions of a reserves agreement to which it was a party?

ANSWER: Yes, we would expect that parties to a reserves agreement would provide the best available information about their own grain production.

QUESTION: How would the special help for LDCs to hold reserves be given?

ANSWER: We recognize that food deficit developing countries participating in a reserves agreement may need assistance in meeting reserve targets. Food aid would be one means for providing reserve commodities on concessional terms; direct financial assistance by non-food exporting developed countries would be another. These, and perhaps other approaches to this problem, will need to be considered in negotiating an agreement.

QUESTION: What are the principles in the US approach to food security which Secretary Kissinger has said could apply to other commodities?

ANSWER: For many commodities, an effort aimed at increasing assurance of the availability of supply would need to address the issue of stockholding in some way. In considering a stocks solution to the problem of supply stabilization, the questions of the conditions under which stocks would be acquired and released, arrangements for holding stocks and preferential treatment for participants in a stocks arrangement would need to be considered. These are the questions which have been addressed in the US approach to food security. Of course, the specific resolution of these questions could differ markedly from case to case.

Buffer Stocks

QUESTION: The Secretary endorsed stocking arrangements as the most effective technique to moderate commodity market instability. Do we favor buffer stocks for all commodities?

ANSWER: No, we recognize that each commodity has its own particular characteristics and problems peculiar to it. For some commodities, the dominant problem is not instability but competition from synthetics. For others, it may be declining or sluggish secular demand. For yet others it may be over-production as new suppliers come onto the market. The remedies for these problems would not be buffer stocks but other measures including diversification, improved productivity to enable producers to compete on a price and quality basis, etc. Moreover, some commodities, such as bananas cannot be stored.

However, as a general matter we believe buffer stock arrangements have important advantages over other commodity stabilization arrangements. They do not constrain production but smooth it, so that capacity need not be idle when demand is depressed or overtaxed when demand peaks. They permit lower-cost producers to expand output and the pattern of production to shift in response to changing costs. They do, however, involve substantial initial investment costs which may or may not yield a financial return over operating costs.

Tin Agreement

QUESTION: The Secretary announced US intention to join the International Tin Agreement, subject to Congressional consultations and Senate ratification. What is the status of that Agreement.

ANSWER: A new International Tin Agreement -- the fifth such agreement -- was negotiated this year and will be open for signature until April 30, 1976. The new agreement follows closely on the lines of the present agreement. It provides for buffer stock operations to maintain tin prices within a given range. Membership of the present agreement includes 6 developing producing countries: Malaysia, Thailand, Indonesia, Bolivia, Nigeria and Zaire; plus Australia. Except for the U.S., all important consumers of tin (22 in number) are presently members of the agreement, including the USSR. All attended the negotiating conference and are expected to sign the agreement along with the producers.

QUESTION: Why has the U.S. not been a member of the present Tin Agreement or of its predecessors?

ANSWER: Although the U.S. participated in the negotiation of the Tin Agreements, it has never joined the agreement, in major part because of the opposition of the U.S. tin consuming industries.

QUESTION: Why is the U.S. prepared to join the new Tin Agreement?

ANSWER: We believe the several successive Tin Agreements are a good example of effective producer/consumer cooperation which has endured for nearly 20 years. U.S. participation would strengthen this cooperation.

The Tin Agreement through its buffer stock influences the price of tin on the world market. U.S. consumers must pay the international market price of tin whether or not we participate in the agreement. Membership would give the U.S. an important voice in decisions of the Tin Council.

Our willingness to join the Tin Agreement now demonstrates that our policy of examining commodity arrangements on a case-by-case basis is a positive policy and not a dodge. We believe there is a good case for a buffer stock agreement to stabilize the tin market, and we think the International Tin Agreement can help to do this.

QUESTION: Will the United States contribute to the financing of a tin buffer stock?

ANSWER: The Tin Agreement does not require consumer members to contribute to the financing of the buffer stock. Such contributions are compulsory for producer members only, although consumer members may make voluntary contributions if they so desire. During the negotiation of the Fifth Tin Agreement, the issue of compulsory consumer (as well as producer) financing of the buffer stock was the subject of intensive and prolonged discussion. The U.S., together with most other consuming countries, opposed compulsory financing of the buffer stock, and pointed out the obstacles this would pose to possible U.S. participation in the agreement.

QUESTION: Do you expect industry support or opposition?

ANSWER: The U.S. tin consuming industries have generally not favored U.S. participation in the tin agreement. We are continuing our consultations with them and hope they will recognize (1) that their economic interests will not be adversely affected and (2) that there are significant political benefits to be gained.

QUESTION: The Secretary said we will retain the right to sell from our strategic stockpiles. Isn't this contrary to the spirit and letter of the Agreement?

ANSWER: We would have no obligation under the Tin Agreement to refrain from sales from our stockpile. We have disposed of part of our excess tin stockpile in recent years and will continue to do so after we sign the Tin Agreement. However, as a matter of law and policy, we do not dispose of any stockpiled materials in a manner that would disrupt the commodity market or without consulting with other affected countries.

International Coffee Agreement

QUESTION: When are the coffee negotiations expected to resume and conclude?

ANSWER: Coffee negotiations are scheduled to resume at the International Coffee Organization in London either the last week of October or the first week of November for three weeks. We are hopeful a new International Coffee Agreement can be concluded at that meeting. We had agreement, in principle, on major issues at the most recent meeting which ended in July. At that time the major problem was the producing countries' difficulty in reaching agreement among themselves on the division of basic market shares for export quotas. If producers work this problem out prior to the next meeting, as we believe they will, we see few obstacles to successful conclusion of the negotiations.

QUESTION: What effect has the Brazilian frost and higher coffee prices had on U.S. attitudes toward a new International Coffee Agreement?

ANSWER: None thus far. If anything, the outlook for close supply/demand balance for the next several years reinforces the need for dialogue and cooperation between producers and consumers. We recognize that coffee prices will be somewhat higher than in the past as the market reacts to the supply outlook. However, we think both producers and consumers have an interest in avoiding, to the extent possible, a situation where prices rise so high as to permanently discourage coffee consumption, and later drop so low as to discourage maintenance of normal production. Most producing countries share our view, we believe, and we should be able to reach a reasonable and mutually beneficial arrangement.

IMF Buffer Stock Financing Facility

QUESTION: The Secretary said the U.S. supports liberalization of the IMF facility for buffer stock financing "without encumbering other drawing rights"... What does this mean?

ANSWER: Under the IMF's buffer stock facility, members of the IMF that are in balance of payments need may draw from the Fund for the purpose of financing their contributions to qualified international buffer stocks. At the present time, drawings on the buffer stock facility reduce a member's "gold tranche" position, which is treated as part of a country's monetary reserves since it can be drawn automatically. The liberalization the Secretary referred to would make it possible for a member to draw on the facility without in any way affecting its automatic drawing rights in the IMF, that is, its gold tranche.

The Executive Directors of the Fund have agreed to an amendment to this effect as part of the general amendments which are now being negotiated.

World Bank Group Investment in the Mineral Sector

QUESTION: Why has the World Bank not been active in this sector previously?

ANSWER: The World Bank has financed programs in the mineral sector in the past. Recent developments, however, demonstrate a need for very large future investment in minerals production while at the same time the security of private investment in many countries is of increased concern to investors. We believe that the World Bank Group, working in concert with private capital, will be better able to ensure that adequate investment, both private and public, occurs in this sector.

QUESTION: Why should that U.S. Government support this program which causes the minerals sector to be socialized?

ANSWER: We do not believe Wrold Bank Group financing in the minerals sector will encourage it to be socialized. In the bulk of cases where private or public financing can do the job, the World Bank would not be involved at all. But there will be others where lack of financing could endanger timely development of mineral resources in some developing countries. We believe that the World Bank should in such cases so structure its financing as to ensure, and provide enhanced stability for, maximum opportunities for private participation.

QUESTION: How much has the World Bank Group committed to the minerals sector?

ANSWER: Before 1973, total Bank Group commitments in the sector amounted to less than $750 million, roughly 2% of IBRD/IDA commitments and 10% of IFC commitments. In 1973 the Bank Board of Directors agreed to an expansion to the level of $100-120 million per year during 1975-79. Developments since have confirmed that the Bank Group could usefully increase substantially this target level of financing for the minerals sector.

UN Revolving Fund for Natural Resources Exploration

QUESTION: What is the UN Revolving Fund for Natural Resources Exploration to which the U.S. plans to contribute?

ANSWER: The revolving fund became operational in June of this year in response to an earlier UN General Assembly resolution. Its purpose is to help LDCs explore their natural resources, using such techniques as field reconnaissance teams. The fund will explore for natural resources in approximately 40 developing countries over the next 5 years, concentrating in this period almost exclusively on locating and evaluating solid minerals.

QUESTION: How does the fund revolve?

ANSWER: When a possible deposit is found by a fund team, and exploited, the host country is required to repay to the fund 2% of the gross value of the mineral ore mined over a period of 15 years.

QUESTION: Are other countries contributing to the fund?

ANSWER: Japan has already contributed $5 million and the Netherlands' first contribution in 1974 totaled $400,000. The Governments of Belgium, Canada, France and the UK have expressed interest, formally or informally, in supporting this new fund.

QUESTION: Are international metal corporations opposed to this new fund?

ANSWER: The fund should increase the world's knowledge of the location and magnitude of many hard metals. In the long run the fund should expand the option open to international corporations for follow-on exploitation of hard mineral resources. Private mineral survey firms are expected to play an important role in the fund field exploitation program.

QUESTION: How will the United States contribute to the Fund?

ANSWER: The United States will contribute as part of its annual contributions for international organizations and programs.

The Poorest Developing Countries

Question: What are the Secretary's proposals for h[illegible]ing the poorest developing countries?

Answer: The Secretary called for preference to the needs of these countries for elemental economic security and immediate relief of suffering by such measures as:

-- The establishment of a Trust Fund in the IMF to provide up to $2 billion annually for emergency relief.

-- Conversion to grants, under certain conditions, of the loans of the poorest LDCs from the new Development Security Facility in the IMF.

-- Provision in the budget for increased food aid, including almost 6 million tons of food grains in this fiscal year.

-- A major international effort to reduce post-harvest food losses.

-- A new approach to basic health services at the community level, combining medical treatment, family planning, and nutritional information.

Further, the Secretary called for preference to the needs of the poorest developing countries for future economic growth, through such measures as:

-- Concentrating U.S. development assistance on the poorest developing countries (more than 70% of U.S.

development assistance will be devoted to the poorest countries).

-- Substantial replenishment of the International Development Association (the U.S. will join other contributors in a substantial replenishment, provided that the oil exporting countries make a similar contribution).

-- The early establishment of the new International Fund for Agricultural Development to increase the ability of the poorest countries to feed their people. (The U.S. will seek authorization from the Congress for a direct contribution of $200 million to the Fund, on the assumption that others will add their support for a combined goal of at least $1 billion. The U.S. will also double its bilateral agricultural assistance if the Congress approves).

Question: The Secretary talked of the poorest LDCs. Who are they?

Answer: A common and frequently cited income figure for the poorest LDCs is $200 per capita GNP. About 41 World Bank members had a per capita GNP of $200 or less in 1972. Their total population is more than 1.1 billion. About 25 countries in Africa are on that list.

Question: Who are the "most seriously affected" LDCs?

Answer: In mid-1974 the UN prepared the MSA list of nations "most severely affected" by the current economic crisis.

The criteria used in this selection were: per capita income of $400 or less in 1971; and a projected basic external payment deficit (current account deficit less medium or long term inflows) in 1974 or 1975 equivalent to five percent or more of estimated imports. The list originally cited 32 nations; early in 1975 Rwanda was added; by mid-1975 nine other nations were added.

Broadly speaking, the MSA list came into being as the UN and the development community recognized that the impact of increased prices of energy, fertilizer, food and other commodities posed extraordinary problems for some LDCs.

IMF Trust Fund

Question: What is the proposed Trust Fund?

Answer: The U.S. proposed late in 1974 an IMF-administered Trust Fund to give highly concessional balance of payments assistance to the poorest countries hardest hit by increased prices of oil and other factors. Resources for the proposed Trust Fund would come both from contributions made by oil producing states and from the use of a portion of the IMF's gold holdings. The latter feature would be consistent with the general objective of phasing gold out of the center of the monetary system.

Question: What is the present status of the Trust Fund proposal?

Answer: There now seems to be widespread international support for it. At the June meeting of the IMF/IBRD Development Committee, there was agreement that the Executive Board of the Fund should work out the details. It would be easier to implement the Trust Fund after amendment of certain of the IMF Articles of agreement relating to gold. This is not absolutely necessary, however. In view of the urgent financing needs of the poorest countries, the U.S. will press for early action to set up the Trust Fund even before the amendments in question are finally agreed.

Question: What sort of resources would the Trust Fund have available?

Answer: Over the next several years at least, we would hope it would have up to $2 billion a year available for concessionary loans to the poorest countries.

Question: What sort of role is envisaged for the Trust Fund in the area of export earnings stabilization?

Answer: It is proposed that the normal resources of the Trust Fund be used to convert into grants the loans which the IMF Compensatory Financing Facility makes to the poorest countries (in cases where repayment would jeopardize their development prospects). These countries could also receive concessional loans from the Trust Fund to compensate for shortfalls in their export earnings from selected commodities.

Food Aid

Question: The Secretary said our food aid budget provides for almost 6 million tons of food grains in this fiscal year. Does this statement take recent price increases into account?

Answer: Our estimate of almost 6 million tons is based on price estimates made after the August 11 crop report, although these are still subject to change. While some prices estimates have gone up in the past month, others are unchanged or lower than when the budget level was set last winter.

Question: What is the dollar value of the FY-76 food aid budget and how does it compare with last year's?

Answer: Total commodity expenditures in FY-75 were about $1.2 billion. This year's budget for commodities, although slightly lower ($1.17 billion), is intended to purchase more commodities than last year.

Question: What countries will receive US food aid in FY-76?

Answer: Some 80 countries will receive Title II donations through the programs of voluntary agencies or the World Food Program. Title I (concessional sale) allocations are not yet final although we have initiated negotiations with a number of countries on FY-76 programs.

Post-Harvest Food Losses

Question: The United States proposes that FAO, in conjunction with UNDP and the World Bank, set a goal of reducing post-harvest food losses by 50 percent over the next ten years, and develop programs to carry out this objective. What is the magnitude of the potential food savings in the developing countries if a coordinated drive, such as suggested by Secretary Kissinger, can be mounted to reduce post-harvest losses?

Answer: While estimates of post-harvest losses vary, some experts maintain that on a worldwide average basis they are about equivalent to the current level of global food aid. The World Food Conference Secretariat, for instance, put losses due to inadequate storage, transportation and pest control in developing countries at 5-10 percent of production for cereal crops and higher for other crops. In addition to quantitative losses, improperly stored food deteriorates qualitatively in terms of vitamin and protein content.

In order to provide more detailed information on the scope and magnitude of the problem in the developing countries, the National Academy of Sciences of the United States is undertaking a special study which is expected to be completed in 1976.

Low Cost Health Delivery Systems

Question: The Secretary endorsed the integrated delivery of basic health services at the community level as a promising approach to the problems of health and family planning in the poorest countries. How would it work?

Answer: Developing countries cannot imitate the medical practices and organization of the more developed countries since they can neither afford nor staff such a sophisticated public health and medical structure. As a result, the rural poor receive little or no service and the urban centers are overtaxed.

The integrated approach relies primarily on paramedical personnel who concentrate on simple curative care and preventive approaches to the major public health hazards and nutritional deficiencies of the people concerned.

Question: What is the role of the WHO in this area?

Answer: In May 1975 the World Health Assembly passed a resolution emphasizing the importance of low cost health delivery systems and the necessity for giving this activity high priority. WHO and AID have met together with many other agencies and governments interested in health services to the LDCs to discuss the integrated program, to plan together, and exchange information for the active and vigorous promotion of this concept.

International Development Association

Question: To whom does IDA lend and on what terms?

Answer: IDA credits are extended to the world's poorest countries, i.e., those with per capita GNP under $375, on very concessional terms. Repayment is made over fifty years including ten years grace with a carrying charge of 3/4 of one percent. The impoverished countries desperately need the World Bank's technical expertise but would be unable to pay normal IBRD terms for loans. Thus IDA which offers the Bank's expertise on soft terms is one of the most effective channels of economic assistance to these developing countries.

Question: Why do we need to consider a new replenishment of IDA when the U.S. has not made its first contribution to the last replenishment?

Answer: The U.S. is beginning its contributions to the last replenishment of IDA one year later than all the other major donors and is spreading its contribution over 4 years instead of 3 years as most other donors are. IDA is committing funds as though we were following the normal schedule. Consequently all funds will be committed by July 1977.

If the IDA is to continue its activities beyond that date, a new replenishment agreement will have to be in place by then. That means not only an international agreement but authorization and appropriations by legislatures as well. To accomplish that the Bank believes we must begin discussions in November 1975.

International Fund for Agricultural Development

Question: The President will seek authorization for a direct contribution of $200 million to the International Fund for Agricultural Development. What is the origin of the Fund? What is its present status?

Answer: Originally, the Fund was a major proposal made by the LDCs including OPEC members at the World Food Conference. The Fund was to be designed to mobilize additional external resources to help finance projects in developing countries primarily for agricultural production.

An Ad Hoc Working Group composed of interested countries has already met twice to discuss possible Articles of Agreement. The suggested size of the Fund is $1.25 billion annually. Technical points such as membership requirements, lending criteria, allocation of voting power, relations with existing institutions all have yet to be settled. The prospects for making further progress on the Articles at the next meeting in Geneva are favorable given the spirit of good will which prevailed at the earlier meetings.

If the Fund is established on a sound financial basis, it should attract substantial support from the traditional donors of assistance as well as from OPEC countries and will make a major contribution to expanding agricultural production in the developing world. Our offer of a direct U.S. contribution to a soundly structured fund is intended to advance the negotiations and encourage commitments to contribute from others.

<u>POLITICAL DIMENSION</u>

QUESTION: The Secretary said the voting power of the OPEC countries will more than double in the World Bank and IMF. How will this affect U.S. influence and voting power in these bodies?

ANSWER: Total quotas in the <u>IMF</u> will be increased by approximately one-third. The share of members in the total will, however, differ from their present shares. The quota share of the major oil exporting countries will be doubled, approximately from 5 to 10 percent. At the same time, the combined quota share of the non-oil exporting LDCs will be held constant. Therefore, the corresponding reduction in quota shares, and in voting shares, will be shared among the developed countries, including the United States.

The <u>World Bank</u> has proposed that the oil exporting countries voting strength would increase to 15% of the total. The industrial countries and the other developing country members both absorb part of the resultant decrease. In the Bank's proposal the U.S. share would decline from 22.63% to 20.72%. No general agreement has yet been reached on this proposal.

The U.S. will continue to have by far the largest quota and voting share, and will, therefore, continue to have a major voice in IMF and IBRD matters.

QUESTION: Does the United States endorse the recommendations of the Group of Experts on the Structure of the United Nations System?

ANSWER: The United States does endorse the report of the Group of Experts as a point of departure for the work of the intergovernmental committee on United Nations restructuring. We believe the complex report to be a very imaginative and helpful study of UN system structure problems. We are not prepared to endorse, or oppose, specific recommendations until all recommendations and their implications can be studied fully in an intergovernmental committee.

QUESTION: How should the General Assembly fit into the framework of global economic institutions?

ANSWER: We believe the basic responsibilities of the General Assembly are to observe and keep under review the state of international cooperation and to draw the attention of member states to conditions requiring international cooperation in the solution of problems rather than to actually fashion the necessary remedies, negotiate the required commitments or administer those processes that might be brought into being.

QUESTION: What is the attitude of the developing countries toward restructuring the UN?

ANSWER: We assume that this issue is of great interest to the developing countries and we look forward to hearing their views. Like ourselves, they have been studying the issues and have not yet commented extensively.

QUESTION: How would the United States strengthen the leadership in the central UN secretariat and the entire UN system for development and economic cooperation?

ANSWER: The United States believes that the most important way to provide such strengthened leaderhsip would be to reorganize the Department of Economic and Social Affairs within the United Nations itself so that it is more heavily oriented toward serving in a headquarters staff capacity and is less burdened with operational activities. We have not decided whether the new position of Director General for Development and International Economic Cooperation, as recommended by the Group of Experts, would be the best way to do this.

QUESTION: Why should there be a rationalization of the UN's fragmented development assistance programs?

ANSWER: As noted in the report of the Group of Experts on the Structure of the United Nations System, the UN system is more a product of historical circumstance than of rational design. The United States believes that it is time for the various separate UN development assistance programs to be review as a whole in order to assess how they can be interrelated to assure maximum productivity. Whether such a review would call for their full consolidation into a single new agency, as recommended by the Group of Experts, is a most important question that needs careful study.

QUESTION: How would the United States improve consultative procedures to ensure agreement among member governments with a particular interest in a subject under consideration?

ANSWER: The United States is very interested in developing the recommendation of the Group of Experts for a new consultative procedures in the United Nations. This recommendation calls for forming small negotiating groups composed of those member governments with a particular interest in a subject being considered and having these groups operate on the basis of unanimity with the assistance of a full-time chairman. The success of these small negotiating groups, of course, would depend upon the understandings under which they would operate and the kind of subjects on which consultations would take place.

QUESTION: Why does the Economic and Social Council need streamlining?

ANSWER: The present Economic and Social Council is burdened with reviewing the numerous reports of its excessive subsidiary machinery. The result is that the Council often ends up reviewing once again the whole range of questions discussed in its subsidiary bodies, is over-whelmed with documentation, and is unable to find time for meaningful consideration of the many items crowded into its agenda. The United States is interested in considering the recommendations of the Group of Experts that call for eliminating many of the Council's subsidiary bodies and extending the meeting periods of the Council so that it can more fully review on its own and at its higher level the many importnat topics brought before it.

QUESTION: Why does the United States want a mechanism for the independent evaluation of UN system program implementation?

ANSWER: The United States long has been aware of the need to improve the capability of the UN system to review and evaluate its activities and programs. This continuing concern has sharpened as the role of the UN system in development and international economic cooperation has become more important. An improved evaluation capability would serve the interests of the developing countries because it should increase the output of the UN development system and it would also serve the interests of the developed countries because they would get better value for their contributions.

GENERAL QUESTIONS

QUESTION: Is the Secretary's speech designed as a substitute or as a competitor for the New International Economic Order of the LDCs?

ANSWER: We are not anxious to enter into any competitions with other broad schemes or philosophies. The Secretary's speech consists of a series of proposals we believe to be practical. They should be considered on their merits and not in competition with the NIEO.

QUESTION: Does the United States continue to reject the NIEO?

ANSWER: We have not accepted the NIEO in part because it contains some concepts and proposals with which we basically disagree. There is, of course, much in it which we do not disagree with. However, it is our intention to get beyond the stage of arguing over specific provisions of the NIEO and into the stage of working out concrete measures which both the developing and developed worlds can benefit from.

QUESTION: Do you have any information whether the LDCs are planning to continue their confrontational approach based on the New International Economic Order?

ANSWER: (Based on info as of 8/25) We are sure there will be various views within the developing world. However, since Secretary Kissinger has begun to indicate a new U.S. approach to North-South economic problems, particularly through his Kansas City and OECD speeches, we have been encouraged that there have been some growing signs of greater interest by many LDCs in trying to develop the approach of building on common interests. We naturally hope that this will be the general approach of the LDCs at this Session.

QUESTION: Doesn't the U.S. program outlined by Secretary Kissinger represent a capitulation to LDC-Group of 77 demands -- aren't you really admitting that confrontation with the U.S. pays?

ANSWER: We believe that the Secretary's speech -- rather than endorsing confrontation -- puts a premium on cooperative effort and negotiation. In addition, it is clear from the Secretary's speech that the approach and the proposals which he has put forth will have major benefits for both the developing and the industrial worlds. Therefore, we believe these have basic merit in and of themselves.

QUESTION: What kind of outcome do you expect from the Seventh Special Session?

ANSWER: Our objective in laying before the Session a series of specific and meaningful proposals is to engage in a constructive dialogue leading to practical solutions to world economic problems. We do not anticipate that the Special Session itself will be the forum to achieve these specific results. We hope, however, that the Session will focus on endorsement of practical goals and projects, referring implementation to specialized bodies.

QUESTION: Granted that some of the U.S. proposals seem forthcoming and innovative, aren't they really designed to preserve the present international economic system?

ANSWER: As the Secretary said, we don't want to get into an argument over whether we are improving the old system or making a new system. We obviously can't simply scrap the existing system. However, it is also obviously subject to change. The Secretary's statement represents major suggestions as to how the system can be improved to benefit both developing and developed countries.

QUESTION: How does this forthcoming presentation square with the new tough line towards the LDCs advocated by Amb. Moynihan in his Commentary article?

ANSWER: Amb. Moynihan advocated that we talk more frankly and realistically with the developing countries. The speech does that. Amb. Moynihan has not, however, advocated, and the U.S. has never adopted a position of failing to respond to the need for practical and realistic solutions to important problems. In fact, Amb. Moynihan's Commentary article does advocate that the UN concentrate more on realistic approaches to problems. The Secretary's presentation does this.

QUESTION: What do you intend to do if the less developed countries reject your proposals and continue to push for adoption of their more radical agenda?

ANSWER: We think our proposals represent a serious effort to meet specific needs of the less developed nations across a broad spectrum. We hope they will receive a serious hearing and will form the basis of a genuine dialogue leading toward specific agreements. This is the essence of negotiation. We would be disappointed if this does not happen. However, in any event, we intend to pursue what we believe to be a constructive approach.

QUESTION: Can it really be expected that the pattern of confrontation between developing countries and the industrialized countries can be changed in this two-week session?

ANSWER: We do not expect a revolutionary change all at once. We hope it will be possible to begin to turn away from past patterns of confrontation towards concentration on specific projects of cooperation. That is why our presentation stresses practical steps that can be taken.

QUESTION: Have we consulted our friends in the industrialized world on the Secretary's approach and the specific proposals?

ANSWER: Throughout the last year there have been a long series of discussions, both bilateral and multilateral in the OECD, about the 7th Special Session. We have exchanged views extensively with our friends about ideas which the Secretary put forward.

QUESTION: What is the viewpoint of the other industrialized countries?

ANSWER: They will, of course, make known their own reactions. However, we have felt that the other developed countries share with us a general desire to put our relations with the developing countries on a better plane and to begin to concentrate more on practical steps which can be taken to meet many of the points put forward by developing countries.