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O 091945Z JUN 76 ZYH ZFF4  
FM MUNICH

ON-FILE NSC RELEASE  
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TO THE WHITE HOUSE  
STATE/RCI  
TREASURY DEPT

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T O P S E C R E T 091945Z JUN 76

FROM UNDERSECRETARY OF THE TREASURY YEO  
TO: IMMEDIATE TO KISSINGER, SIMON, SKOWCROFT, SEIDMAN, HORMATS,  
GREENSPAN, SONNENFELD,  
SUBJECT: DEPUTIES MEETING - SECTION III  
NORTH/SOUTH ISSUES: SUMMARY - OUR DISCUSSIONS WERE  
CENTERED IN FOUR AREAS: THE NEED FOR COORDINATION  
AND CONSULTATION OF NORTH POLICY, COMMODITIES, DEBT,  
AND THE IRB. IN GENERAL, THE DISCUSSION LACKED ORIGINALITY  
AND THE VIEWS EXPRESSED WERE THOSE THAT HAD BEEN  
EXPOSED AT UNCTAD. THERE WAS A GENERAL FRUSTRATION  
AT THE LACK OF CONSULTATION AND COORDINATION DISPLAYED  
AT UNCTAD. ON THE PART OF THE EUROPEANS, THE FRUSTRATION  
FOCUSED ON THE GENERAL INABILITY TO COORDINATE WITH US  
AND THE JAPANESE AND ON THE SPECIFIC LACK OF EC COORDINATION.  
WHILE THERE SEEMS TO BE A WILLINGNESS TO ENTERTAIN IDEAS  
TO AFFECT GREATER COORDINATION, THERE IS A SKEPTICISM  
REGARDING THEIR ABILITY TO GET THEIR EC COLLEAGUES  
TO GO ALONG AND THIS CONCERN UNDERLINES THEIR RELUCTANCE  
TO TAKE THE HEAT IF THEY DON'T. THERE IS ALSO KEEN  
AWARENESS OF POLICY DIFFERENCES IN THE COMMODITIES AREA,  
PARTICULARLY VIS A VIS THE FRENCH. FINALLY, THERE IS  
A SENSITIVITY ON THE PART OF THE EUROPEANS THAT ANY  
VISIBLE EFFORT AT CONSULTATIONS BY DEVELOPED COUNTRIES  
WOULD BE INTERPRETED BY THE 77 AS THE BEGINNING OF A  
CONFRONTATION POLICY ON THE PART OF THE DEVELOPED  
COUNTRIES.

IN THE COMMODITIES AREA, THE THINKING LAID DOWN  
WAS ALMOST EXCLUSIVELY A FUNCTION OF UNCTAD WITH THE  
FRENCH HOLDING TO THE POSITION THAT THEY HAD DEFINED  
AT UNCTAD IV AND CLEARLY ENJOYING THE DISCOMFORT  
OF THEIR THREE FRIENDS AND THEIR POSITIONS WHICH MIGHT  
BE RIGHT BUT WHICH THE GERMANS AND THE ENGLISH FIND  
VERY INCONVENIENT. THE FRENCH FORMULATION OF THEIR

\*\*\*\*\* W H S R C O M M E N T \*\*\*\*\*

SKOWCROFT, HYLAND, MCPARLANE, RODMAN, SEIDMAN, HORMATS, CLIFT, GREENSPAN

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POSITION WAS TAILORED TO THE AUDIENCE WITH A CAREFULLY CIRCUMSCRIBED AND QUALIFIED COMMITMENT TO NEGOTIATE ON THE ISSUE OF A COMMON FUND. BUT DE LAROSIERE'S ELEGANT OBSCURITIES FAILED TO CONCEAL THE POLICY DIFFERENCES ALTHOUGH THEY DID TEND TO CONVEY THE IDEA THAT IN PUERTO RICO FRANCE MIGHT OPT TO MINIMIZE THE DIFFERENCES AT LEAST IN THE PUBLIC SENSE.

ON DEBT, THERE WAS GENERAL SATISFACTION AT THE UNCTAD IV OUTCOME AND LITTLE WILLINGNESS TO EXPLORE NEW IDEAS. THE FRENCH WERE NOT PLEASED WITH OUR SUGGESTION THAT WE SHOULD CONSIDER SANITIZING THE PARIS CLUB OPERATION INCLUDING THE DEVELOPMENT OF PRINCIPLES THAT WOULD APPLY TO INDIVIDUAL RESCHEDULING EXERCISES AND PROCEDURES OF A LIBERAL TYPE.

THERE IS GENERAL SUPPORT FOR THE IDEA THAT THE IRB OUGHT TO BE CONSIDERED CAREFULLY IN THE MONTHS IMMEDIATELY AHEAD. INDEED THERE SEEMS TO BE GENERAL SUPPORT FOR THE IDEA.

WHAT FOLLOWS IS A DESCRIPTION OF INDIVIDUALS COMMENTS:

KARL OTTO POEHL: HE DESCRIBED THE CHANCELLOR BEING EMBARRASSED AT THE UNCTAD IV OUTCOME AND SUBJECT TO CRITICISM IN THE NEWSPAPERS REGARDING THE POOR COORDINATION WITH OTHER DEVELOPED COUNTRIES AND GERMANY'S ISOLATED POSITION. POEHL DESCRIBED NAIROBI AS BEING REALLY DISASTROUS AND ATTEMPTED TO REVIVE INTEREST IN THE OLD STABEX SCHEME. THE GERMANS ARE QUITE AWARE OF THE POTENTIAL COST OF THE COMMON FUND AND THE FACT THAT THEY, THE U.S. AND JAPAN, WOULD PROVIDE THE BULK OF THE FINANCING. IN THE DEBT AREA HE WAS SATISFIED WITH RESULTS AND NOT TERRIBLY RECEPTIVE TO THE IDEA OF TAKING THE INITIATIVE.

SIE DEREK MITCHELL: HE AGREED THAT THE BRITISH WERE APPALLED AT THE OUTCOME AT NAIROBI. HE FELT THAT POLITICALLY THE OLD STABEX SCHEME AND VARIANTS WERE WASHED OUT. HE DESCRIBED US AS BEING HOOKED IN A NUMBER OF AREAS AS A RESULT OF NAIROBI AND Doubted THAT WE COULD BACK DOWN IN PUERTO RICO. HE SUPPORTED THE NOTION OF DEVELOPING A COMMON LINE FOR APPROACH IN OUR DEALINGS WITH DEVELOPING COUNTRIES.

JACQUES DE LAROSIERE: HE SUPPORTED THE IDEA OF ATTEMPTING TO WORK OUT A COMMON UNDERSTANDING WITH SPECIFIC ATTENTION AS TO HOW WE FOLLOW UP NAIROBI IN THE CIEC. HE WAS WILLING TO ACCEPT THAT THE STATEMENT OF PRINCIPLE REGARDING DEBT RESCHEDULING WOULD COME OUT OF THE CIEC FINANCIAL COMMISSION AND FELT THAT THAT WAS THE APPROPRIATE FORUM (BUT THAT THE SUBJECT OUGHT NOT BE DISCUSSED AT THE SUMMIT). HE

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INSISTED THAT THEIR NOTION OF HOW BUFFER STOCKS WOULD WORK HAD BEEN MISREPRESENTED. HE FELT THAT THE PRICES RESULTING FROM THE OPERATION OF BUFFER STOCKS FACILITIES SHOULD BE A FAITHFUL REFLECTION OF THE MARKET AND SIMPLY AVOIDS BRUTAL FALLS AND UPSWINGS IN PRICES.

SPECIAL ITEMS OF NOTE: SCHMIDT AND GISCARD HAVE BEEN DISCUSSING THE QUESTION OF WHETHER THORN IN HIS CAPACITY AS HEAD OF THE EEC SHOULD BE INVITED TO PUERTO RICO. SCHMIDT IS UNDER HEAVY PRESSURE FROM THE DUTCH TO MAKE THIS CONCESSION AND IS INCLINED TO DO SO. GISCARD REPORTEDLY IS NOT IN FAVOR OF THE IDEA.

DE LANGSIERE IS WORKING ON THE SPECIFICS OF A SPECIAL AFRICAN FUND THAT GISCARD PLANS TO PUT ON THE TABLE AT PUERTO RICO. SECTION IV OF THIS MESSAGE TO FOLLOW JUNE 16.

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