

# Free Markets, Human Rights, and Global Power: American Foreign Policy and the North-South Dialogue, 1971-1982

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# Free Markets, Human Rights, and Global Power: American Foreign Policy and the North-South Dialogue, 1971-1982

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# **Free Markets, Human Rights, and Global Power: American Foreign Policy and the North-South Dialogue, 1971-1982**

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Under the banner of a New International Economic Order (NIEO), in the 1970s a coalition of developing countries forced the U.S. and other rich nations to revisit the terms of the post-World War II economic settlement through comprehensive global negotiations. This dissertation argues that this economic showdown reshaped U.S. foreign policy and made global inequality a major threat to American national security. Using newly available sources from presidential libraries, the personal papers of cabinet members and ambassadors, and interviews with former National Security Council officials, it demonstrates how the NIEO and accompanying “North-South dialogue” negotiations became an inflection point for some of the greatest economic, political, and moral crises of the 1970s, including the end of “Golden Age” liberalism and the return of the market, the splintering of the Democratic Party and the building of the Reagan coalition, and the role of human rights in foreign policy. U.S. policy debates and decisions in the North-South dialogue, it concludes, were pivotal moments in the histories of three ideological trends—neoliberalism, neoconservatism, and human rights—that would form the core of America’s post-Cold War foreign policy.

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“In the wider perspective of history, it may well turn out that the long-term significance of the ‘oil crisis’ is the way it has served as a catalyst for the wider and more fundamental confrontation between the poor nations and the rich, which threatens to engulf the world. The issue today is not oil, in any narrow sense, but whether the existing economic system, upon which Western preponderance is based, can withstand the challenge from the Third World. This is the question which OPEC, through the example it has given the underdeveloped nations, has brought to the center of the international stage.”

-Geoffrey Barraclough, 1975

“Philosophy, as the thought of the world, does not appear until reality has completed its formative process, and made itself ready... When philosophy paints its grey in grey, one form of life has become old, and by means of grey it cannot be rejuvenated, but only known. The owl of Minerva, takes its flight only when the shades of night are gathering.”

-G. W. F. Hegel, 1820

## Introduction

On May 22, 1977, Jimmy Carter delivered the first post-election articulation of his foreign policy to the graduating class of Notre Dame University. The speech is memorable for Carter's declaration that human rights are a "fundamental tenet" of U.S. foreign policy. More radical, however, was his insistence that history had proven incorrect the two most consistent elements of postwar American foreign relations: One, "[the] belief that Soviet expansion was almost inevitable but that it must be contained"; and two, "the corresponding belief in the importance of an almost exclusive alliance among non-Communist nations on both sides of the Atlantic." In contrast, Carter depicted a world divided not between a free West and an unfree East, but between a rich North and a poor South. "We know a peaceful world cannot long exist one-third rich and two-thirds hungry," he announced, paraphrasing Abraham Lincoln's famous words on antebellum America.<sup>1</sup>

Carter had good reason to claim a relationship between global inequality and national security. In 1972, crop failures and the depletion of American grain reserves through a deal with the Soviet Union launched the Third World into its most severe food crisis ever. A year later, citing in part rising food prices from developed countries, members of the Organization of Petroleum Exporting Countries (OPEC) quadrupled the price of oil they sold to the West.<sup>2</sup> While Western leaders castigated OPEC for

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<sup>1</sup> Jimmy Carter, Address at Commencement Exercises at the University of Notre Dame, May 22, 1977. <http://www.presidency.ucsb.edu/ws/?pid=7552>.

<sup>2</sup> "Of course [the price of oil] is going to rise," the Shah of Iran told the *New York Times*:  
Certainly! And how! ... However, it's a solution that you in the West have wished upon yourselves. Or if you prefer, a solution wished on you by your ultracivilized industrial society. You've increased the price of wheat you sell us by 300 per cent, and the same for sugar and cement. You've sent petrochemical prices skyrocketing. You buy our crude oil and sell it back to us, refined as petrochemicals, at a hundred times the price you've paid us. You make us pay more, scandalously more, for everything, and it's only fair that,



exacerbating the food crisis, the oil producers' show of strength was a catalyst to an emerging Third World coalition in the UN seeking "economic decolonization" through establishing a "right to development" and other major changes in global economic governance.<sup>3</sup> On May 1, 1974—International Labour Day—they presented their demand for a New International Economic Order (NIEO) that would redistribute both economic resources and political power from the global North—that is, the United States, Western Europe, and Australasia—to the global South—everyone else but the Eastern Bloc. "What we aim," explained Venezuelan President and OPEC leader Carlos Andrés Pérez, "is to take advantage of this opportunity when raw materials, and energy materials primarily, are worth just as much as capital and technology, in order to reach agreements that will ensure fair and lasting balances."<sup>4</sup>

The NIEO largely failed to achieve its objectives.<sup>5</sup> On the contrary, by the beginning of the Latin American debt crisis in 1982, the "North-South dialogue" was over and neoliberalism was becoming the pronounced policy of the advanced industrial countries and the IMF and World Bank. However, in the 1970s the NIEO dominated the

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from now on, you should pay more for oil. ("Price Quadruples for Iran Crude Oil," *New York Times*, December 12, 1973.)

<sup>3</sup> The concept of a "right to development" was developed alongside and was complementary to the "right to self-determination" in Third World activities at the UN during the 1950s. During the 1960s the "Group of 77" developing countries sought to enshrine the right to development in international law, culminating in the NIEO Declaration in May 1974 and Charter of Economic Rights and Duties of States in December. (Daniel J. Whelan, "'Under the Aegis of Man': The Right to Development and the Origins of the New International Economic Order." *Humanity: An International Journal of Human Rights, Humanitarianism, and Development* 6, no. 1 (2015): 93-108.) For an extended discussion of the right to development's relationship to the NIEO, see Christopher Dietrich, *Oil Revolution: Anticolonial Elites, Sovereign Rights, and the Economic Culture of Decolonization* (New York: Cambridge University Press, 2017).

<sup>4</sup> "A Letter from the President of Venezuela to the Chairman of the World Food Conference Meeting in Rome," Caracas, November 5, 1974.

<sup>5</sup> The NIEO did achieve one important concession. In the 1979 Tokyo Round for the General Agreements on Tariffs and Trade (GATT), the "enabling clause" was adopted, allowing developing and least developed countries to discriminate between different categories of trading partners. This was incorporated into the founding of the World Trade Organization.

agenda of international economic relations, playing a central role in how American officials understood the new phenomenon of “global interdependence.”<sup>6</sup> Now-canonical political scientists like Robert W. Cox, Susan Strange, Stephen Krasner, and John Ruggie invented a new subfield, international/global political economy, largely by analyzing the Third World’s unprecedented rise and assertiveness in economic diplomacy at this time, when the West appeared fractured, confused, slow-growing, and broke.<sup>7</sup> Such changes made America’s liberal internationalist establishment especially anxious to form a practicable response to the South’s demands. In one of its first reports, the Trilateral Commission in 1974 analyzed the “explosion in North-South relations” that “[has] gravely strained the fabric of international economic relations” and “raised the most

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<sup>6</sup> Interdependence is a concept from political science that sought to account for the limitations of traditional state power in a world increasingly determined by transnational economic and political relationships. See Richard N. Cooper, *The Economics of Interdependence* (New York: McGraw Hill, 1968) for an early and influential formulation. See also Joseph Nye and Robert Keohane, *Power and Interdependence* (Boston: Little, Brown & Co., 1977).

<sup>7</sup> As Margulis explains:

The conventional story told about the origins of GPE [Global/International Political Economy] is that it emerged in the late 1970s/early 1980s because of a dissatisfaction with International Relations’ (IR) inability to explain the economic dimensions of world politics. In reality, what spurred the development of GPE was not so much a ‘gap’ in the IR literature but instead a reaction to unprecedented changes taking place in the politics of the world economy at the time – the energy crises and Southern assertiveness in the form of the NIEO. In other words, GPE’s appearance as an intellectual project had a lot to do with scholars seeking to come to grips with the world (“Introduction,” in Mataias E. Margulis (ed.), *The Global Political Economy of Raul Prebisch* (London: Routledge, 2017), pp. 9-10))

International political economists were fascinated by the Third World’s new coalitional economic diplomacy and what it portended for world order. See Robert W. Cox and Harold Jacobson, *The Anatomy of Influence: Decision Making in International Organizations* (New Haven: Yale, 1973); Susan Strange, “What is Economic Power, and Who Has It?” *International Journal* 30, no. 2 (1975); G. K. Helleiner, *A World Divided: The Less-Developed Countries in the International Economy* (New York: Cambridge University Press, 1976); and Cox, “The Crisis of World Order and the Problem of International Organization in the 1980s” *International Journal* 35, no. 2. (1980). By the end of the decade enough of a literature had developed for Robert Cox, along with Susan Strange considered the “leader” of GPE/IPE, to write a comprehensive review (“Ideologies and the New International Economic Order: Reflections on Some Recent Literature,” *International Organization* 33, no. 2 (1979)). There was also an important “realist” contribution to the debate, Stephen Krasner’s *Structural Conflict: The Third World against Global Liberalism* (Berkeley: University of California Press 1985). Krasner’s prediction that the North-South conflict would continue more or less along the same lines proved untrue, but his book remains influential in IR studies. A second realist addition is David A. Lake, “Power and the Third World: Toward a Realist Political Economy of North-South Relations,” 31, no. 2 (1987).

troubling questions about the world's ability to manage its interdependence through peaceful cooperation.”<sup>8</sup> In fact, from that organization's founding in 1973 to 1976, 8 out of 12 of its “Trialogue” reports focused on North-South relations. In 1977, World Bank President Robert McNamara called a special commission on the subject led by former German Chancellor Willy Brandt. Their report, with the dire subtitle *A Programme for Survival*, deemed the North-South divide “the great social challenge of our time” and “a mortal danger threatening our children and grandchildren.”<sup>9</sup>

What happened to the North-South dialogue? U.S. policymakers had an obvious interest in defeating the NIEO, or at least rendering it toothless, but perception is reality, and the perception up until 1982 was that the breakdown of the dialogue could sabotage the West's fragile post-1973 economic recovery. More specifically, what was the North-South dialogue's legacy for American foreign policy as it moved out of the crisis-ridden 1970s and into the ascendance of the Reagan years and triumphant globalization of the Bush I/Clinton/Bush II administrations?

For successive American governments, the NIEO's significance lay less in the threat of it actually being enacted lock stock and barrel, than in its very real and immediate effects on American leadership in a transforming, if not disintegrating, world order. Many of those tasked with formulating U.S. grand strategy feared that if the U.S. did not respond constructively, it would face widespread opposition not only from developing countries, but also from its allies in Western Europe, who were more

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<sup>8</sup> Richard N. Gardner, Saburo Okita, and B. J. Udink, “A Turning Point in North-South Economic Relations: A Report of the Trilateral Task Force on Relations with Developing Countries to the Executive Commission of the Trilateral Commission,” 11. [http://trilateral.org/download/doc/economic\\_relations\\_19741.pdf](http://trilateral.org/download/doc/economic_relations_19741.pdf).

<sup>9</sup> Independent Commission on International Development Issues under the Chairmanship of Willy Brandt, *North-South: A Programme for Survival* (London and Sydney: Pan Am Books, 1980), 7.

politically amenable to some of the NIEO's propositions (as well as more economically vulnerable to the threat of sustained high oil prices). The NIEO convinced realists in the Ford administration and trilateralists in the Carter administration of the necessity of real concessions and intergovernmental cooperation on food, energy, and commodities, but also galvanized neoliberals who sought to return international economics to the "free market." The effort also found sympathy among some American and European proponents of détente and arms control, who saw the Cold War as having had largely destructive consequences for Third World development, but faced opposition from a growing number of U.S. neoconservatives who co-opted human rights language to delegitimize the regimes, and therefore the claims, of the NIEO's Third World proponents. Thus, it is not enough to say that the dialogue failed just because developed countries wanted it to, for that was not consistently and uniformly the case. Its role in this time of global transition and realignment needs explanations, not assumptions.

Using newly available sources from two presidential libraries, the private papers of cabinet members and ambassadors, and interviews with former National Security Council officials, this dissertation shows that both Republican and Democratic administrations took the NIEO challenge seriously, and that they attempted to pacify the countries of the South through new policies on everything from food, technology, and human rights to foreign aid, apartheid, and the Panama Canal. Most important, I argue that the NIEO and North-South dialogue became an inflection point for some of the greatest economic, political, and moral crises of the 1970s, including the end of "Golden Age" liberalism and the return of the market, the splintering of the Democratic Party and the building of the Reagan coalition, and the rise of human rights in U.S. foreign policy

in the wake of the Vietnam War. Policy debates and decisions in the North-South dialogue, I conclude, were pivotal moments in the histories of three ideological trends—neoliberalism, neoconservatism, and human rights—that would form the core of America’s post-Cold War foreign policy.

## Historiography

The historiography of the 1970s has exploded in recent years. Most recent scholarship proposes to understand the 1970s from a perspective of global crisis, focusing mainly on the abrupt breakdown of the postwar order and the struggle in advanced industrial countries to make sense of it all.<sup>10</sup> Some, such as Daniel Sargent and Jeremi Suri, have noted a realization among U.S. policymakers—beginning with Henry Kissinger post-Nixon in particular—that the world was growing more interdependent.<sup>11</sup> Kissinger tried to adapt détente and the Nixon Doctrine to an emerging multipolar world, one in which multilateral engagement would help advanced industrial countries coordinate monetary and energy policies to stabilize the Pax Americana. But he also recognized the potential of the Third World to disrupt transatlantic macroeconomic coordination through the use of the oil weapon. The Carter administration brought its own vision of managing world order that stressed interdependence and multilateral

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<sup>10</sup> Charles Maier, Niall Ferguson et al, *The Shock of the Global: The 1970s in Perspective* (Cambridge: Harvard University Press, 2012) and Thomas Borstelmann, *The 1970s: A New Global History* (Princeton: Princeton University Press, 2012) are two important publications. Other recent titles interpreting the 1970s from a global perspective include Daniel Rodgers, *Age of Fracture* (Cambridge: Harvard University Press, 2011); Mark Mazower, *Governing the World: The History of an Idea* (New York: Penguin, 2012); Samuel Moyn, *The Last Utopia* (Cambridge: Harvard University Press, 2012); Christian Caryl, *Strange Rebels* (New York: Basic Books, 2014); Barbara Zanchetta, *The Transformation of American International Power in the 1970s* (New York: Cambridge University Press, 2014); Daniel Sargent, *A Superpower Transformed: The Remaking of American Foreign Relations in the 1970s* (New York: Oxford University Press, 2015); James Cronin, *Global Rules: America, Britain, and a Disordered World* (New Haven: Yale University Press, 2015).

<sup>11</sup> See Jeremi Suri, *Henry Kissinger and the American Century* (Cambridge: Harvard University Press, 2009) and Sargent, *A Superpower Transformed*.

cooperation but also human rights, creating unexpected difficulties in both its Soviet and Third World policies.<sup>12</sup> Both Sargent and Suri emphasize that new visions of world order were being offered at top levels of U.S. policy, visions which were “caught between an emerging global order and an enduring Cold War” that sat uneasily in a time of transition and confusion.<sup>13</sup>

The importance of the NIEO for American foreign policy in this period of transition and confusion has been noted, but most discussions have focused on the announcement of the NIEO itself rather than the subsequent economic negotiations.<sup>14</sup> In his essential contribution to the “global Cold War,” Odd Arne Westad notes that the NIEO “can be seen as a sign of the increasing lack of political identification among Third World countries,” but offers little additional analysis.<sup>15</sup> His 2017 update, *The Cold War: A Global History*, gives the NIEO scarcely more space, concluding that “overall the

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<sup>12</sup> Barbara Zanchetta writes of the effects of global interdependence on the Carter administration’s thinking toward the Third World, where “the United States had to be more accommodating toward the demands of these countries for greater access to the world’s resources and a large role in the global economic system.” However, she does not discuss the context of this thinking, which came out of Carter’s foreign policy team at the Trilateral Commission observing the Ford administration struggling to strike a balance between transatlantic cooperation and Southern demands. See Zanchetta, *Transformation*, 197.

<sup>13</sup> Sargent, *A Superpower Transformed*, p. 295.

<sup>14</sup> See the special issue on the NIEO in *Humanity: An International Journal of Human Rights, Humanitarianism, and Development* 6, no. 1 (2015): 1. For other recent works addressing the NIEO, see Giuliano Garavini, *After Empires: European Integration, Decolonization, and the Challenge from the Global South 1957-1986* (Oxford: Oxford University Press, 2012); Daniel Sargent, *A Superpower Transformed: The Remaking of American Foreign Relations in the 1970s* (New York: Oxford University Press, 2015); and Christopher Dietrich, ‘Oil Power and Economic Theologies: The United States and the Third World in the Wake of the Energy Crisis’, *Diplomatic History* (2016) 40 (3). Both Garavini and Sargent stress the NIEO’s link to the global energy crisis, though Garavini’s analysis centers more on the NIEO’s catalyzing effect on European integration than on its impact for U.S. foreign policy. Like Sargent, Dietrich’s article emphasizes the NIEO’s transformative role during the Ford Administration, especially for Secretary of State Henry Kissinger. In a recently published book, Dietrich does address the Carter Administration’s response to the North-South dialogue, including its ‘basic needs’ strategy, but this is not the book’s focus and comes in the conclusion. (See Dietrich, *Oil Revolution: Anticolonial Elites, Sovereign Rights, and the Economic Culture of Decolonization* (New York: Cambridge University Press, 2017), 307-310.)

<sup>15</sup> Odd Arne Westad, *The Global Cold War: Third World Interventions and the Making of Our Times* (Cambridge: Cambridge University Press, 2005), 334.

immediate results [of the NIEO] were negative,” and that “[by] focusing on economic demands, the ailing Third World coalition blew itself apart.”<sup>16</sup> Mark Mazower, on the other hand, gives more weight to the NIEO’s challenge for U.S. foreign policy, when he writes, “The terrifying worry to Washington [with the NIEO] was that differing European and American responses to this demand might break up the politico-economic alliance upon which the postwar revival of capitalism and the emergence of the United States as a global power had been based.”<sup>17</sup> Yet, Mazower then turns to “the real New International Economic Order,” that is, the neoliberal order that destroyed any hopes in the Global South for the NIEO. He and others have focused on the great financialization of the world economy that occurred following the transition from fixed to floating exchange rates in the early 1970s, as well as the process of “petrodollar recycling” that contributed to the Latin American debt crisis beginning in Mexico in 1982. But it was in the early years of the Carter Administration that North and South actually debated whether or not the South’s rising debt levels represented an imminent problem. The Carter Administration insisted that they did not, but many in the G-77 said they did, and proposals abounded in the late 1970s for debt rescheduling and representation in “creditors club” deliberations in Washington, London, and Paris. The U.S.’s successful blocking of these proposals is just one example of how U.S. policy toward the North-South dialogue really did matter for the post-Bretton Woods global order.

This dissertation also seeks to account for the NIEO’s role in the neoliberal turn in the North, where it has mostly been ignored. Stedman Jones’s influential text on the rise of neoliberalism, which stresses transatlantic intellectual and political connections, argues

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<sup>16</sup> Odd Arne Westad, *The Cold War: A World History* (New York: Basic Books, 2017), 393.

<sup>17</sup> Mazower, *Governing the World*, p. 345.

that “the trend toward a new macroeconomic strategy was actually firmly bipartisan in the 1970s.”<sup>18</sup> However, this ignores an important debate about the role of the state in international economic affairs in the Ford and Carter administrations, in which free-market ideologues were positioned as combative outsiders trying to change a still-dominant consensus around global economic management. Monica Prasad rejects the idea of a monolithic neoliberalism by emphasizing the differing experiences of Britain, France, Germany, and the U.S., but excludes the *global* discussion the NIEO prompted within the North about what, if anything, should replace the Bretton Woods rules for international trade and finance.<sup>19</sup> Finally, Daniel Rodgers reflects perhaps the most common understanding: that the 1970s was a battle of ideas between Keynesians, who lacked explanations and effective policy responses for stagflation, and monetarists, who proposed to have both.<sup>20</sup> In this account there is no international dimension to the return to the free market until the 1980s.<sup>21</sup> Including the NIEO in the story of neoliberalism’s rise in the North adds a new perspective that moves beyond intellectual and political histories to show that neoliberalism had global origins and consequences years before it became global consensus.

Not much was certain about international economic governance in the period between the end of the Bretton Woods system in the early 1970s and the spread and consolidation of neoliberalism during the 1980s. From the perspective of most Western policymakers, the future of global economic relations was likely to involve more, and

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<sup>18</sup> Stedman Jones, *Masters of the Universe* (Princeton: Princeton University Press, 2012), p. 216.

<sup>19</sup> Monica Prasad, *The Politics of Free Markets: The Rise of Neoliberal Economic Policies in Britain, France, Germany, and the United States* (London: The University of Chicago Press, 2008).

<sup>20</sup> Rodgers, *Age of Fracture*.

<sup>21</sup> This excludes the case of Pinochet’s Chile, which is often cited in popular discussions of neoliberalism and U.S. foreign policy. Naomi Klein’s *The Shock Doctrine* (New York: Picador, 2008) is one such account.



more dramatic, government intervention. As Harold Wilson put it at the 1975 G-7 summit, at the height of the NIEO controversy, the question for the assembled leaders was whether developing countries would follow OPEC's example by producing more "phosphate-pecs, bauxite-pecs, banana-pecs, and others," or drop their appeals for radical structural reform in exchange for a Keynesian "Marshall Plan-type initiative" that would stimulate the economies of both North and South.<sup>22</sup> These and many other examples show that the New International Economic Order has a role in the neoliberal turn that deserve a serious explanation now, just as it was given serious attention by policymakers then.

## **Chapter Outline**

In Chapter 1, "Free Markets and the 'Food Weapon,' 1972-75," I introduce the South's call on May 1, 1974—International Labour Day— at the United Nations for a New International Economic Order, in the midst of interdependent food, energy, and monetary crises. Fearing the further loss of American legitimacy in the Third World and the powerful new alliance between OPEC and the developing world, U.S. Secretary of State Henry Kissinger mobilized the Ford Administration's first response. In June, Kissinger announced his intention to convene a World Food Conference, in order to communicate both American concern for developing countries' food needs—by proposing an International Fund for Agricultural Development—and OPEC's responsibility for the global food crisis. However, his use of the "food weapon" backfired. Developing countries stuck to their structural critique of international

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<sup>22</sup> Gerald Ford Presidential Library, Memorandum of Conversation, Rambouillet Summit, December 2, 1975. <http://www.fordlibrarymuseum.gov/library/document/0314/1553299.pdf>.

economic relations and stood behind OPEC leaders like Venezuela and Algeria, who promised their own new food and development programs. Kissinger's proposals also suffered from internal opposition, as free-market reformers like Treasury Secretary William Simon and Secretary of Agriculture Earl Butz charged Kissinger with acquiescing to the Third World's demands for global market intervention and sabotaging their own deregulatory crusade at home.

While the U.S. remained divided over its policy response to the NIEO, its closest allies in Europe were converging. Chapter 2, "The NIEO and the Birth of the G-7, 1972-76," argues that the NIEO both exposed deep divisions in the transatlantic alliance while ultimately prompting its renewal in the semi-institutional "Group of 6" (or "7") club. Kissinger, the architect of the new partnership, promoted economic managerialism among the North and economic concessions to the South as a way to break the "unholy alliance" between oil-importing developing nations and OPEC and to prevent both from striking separate deals with the European Community. While never absolute, this move toward transatlantic unity in the emerging "North-South dialogue" negotiations stalled further divergence in the North's economic policies, after over a decade of troubling drift, while serving to weaken the resolve of the OPEC-"No-PEC" alliance and thus the South's negotiating power.

Chapter 3, "'The United States Goes into Opposition': Neoconservatives and the NIEO at the United Nations, 1974-76," examines the NIEO's impact on the early neoconservative movement. While Ford Administration officials like William Simon and Alan Greenspan saw the NIEO in terms of economic ideologies, a growing number of "new conservatives" believed the North-South divide represented a fateful struggle

between American liberalism and its anti-liberal Third World detractors. Their first victory came in Ford's appointment of self-described "right wing liberal" Daniel Patrick Moynihan as UN Ambassador. His call for the US to "go into opposition" against the postcolonial UN majority won him wide support at home, but left the US isolated from its transatlantic partners. His firing by Kissinger after just eight months on the job reflected the Secretary of State's commitment to his own approach of conciliatory rhetoric and limited compromise. The chapter concludes with Kissinger's May 1976 charm offensive in Africa, which he had never visited in any official capacity. There, aping the language of his hosts, Kissinger declared his support for "liberation on two scales," and in an opening speech to the meeting of the United Nations Conference for Trade and Development (UNCTAD), announced his government's commitment to negotiating a Common Fund for Commodities, a key plank of the NIEO platform.

Chapter 4, "Interdependence, Development, and Jimmy Carter, 1972-76," explains how Jimmy Carter went from being a little-known southern governor to US President. It focuses on two important influences on his approach to foreign affairs, the Trilateral Commission, led by his future National Security Advisor Zbigniew Brzezinski, and the Overseas Development Council, an influential Washington-based development think tank that provided Carter with a number of new hires. The Trilateral Commission's idea of an "interdependent" world divided not between East and West but North and South was the starting point for Carter's post-Cold War foreign policy, while the Overseas Development Council's promotion of the "basic human needs" model of development became a major part of his administration's approach to human rights.

Chapter 5, “Debt, Development, and Human Rights: The Dialogue in Latin America, 1974-81,” considers the NIEO’s impact on the Carter Administration’s policy toward Latin America. While remembered today for its censures of Southern Cone dictators, the administration intended its human rights policy to act as a positive incentive as well. State Department officials believed that including basic needs in its definition of human rights would encourage regional cooperation on development and moderate the North-South dialogue. However, key Latin American leaders became frustrated with Carter’s evasive stance on structural North-South issues like trade and debt. Many developing countries would pay a huge price for the lack of action on debt: the 1982 debt crisis, known in Latin America as the “lost decade of development.”

Chapter 6 examines the Carter Administration’s efforts to transform the North-South dialogue from within. By 1978 US officials conceded that “political” successes like the Panama Canal and human rights had not lessened Southern support for the NIEO in North-South negotiations. At Secretary of State Cyrus Vance’s urging, US policy for North-South negotiations came to focus on two “practical” development strategies: basic needs and “appropriate technology” (AT) transfer. The US found some support for these policies at UNCTAD V and the UN Conference on Science and Technology for Development (UNCSTD), where the ODC’s influential Board Chairman Fr. Theodore Hesburgh, Notre Dame University President and Carter’s personal friend, headed the American delegation. Against Hesburgh’s advice, Carter and Secretary of State Cyrus Vance refused to cede control over any new domestic or international development fund to Third World-dominated bodies. However, due to unexpected international and domestic pressures, the administration also failed to secure Congressional funding for its

own basic needs and appropriate technology counter-initiatives, reducing its contribution to UNCTAD V and UNCSTD—the final two negotiating sessions of the North-South dialogue—to near zero.

By the beginning of the 1980s a new consensus had emerged in the major developed countries around international economic governance and development. In one way the US turned inward, raising interest rates dramatically to counter inflation and introducing tariffs on cheap foreign imports to protect American industries. However, it also introduced a new international financial policy. The Reagan administration returned the US to the IMF and the World Bank with a new vigor and new missions. The World Bank ended its involvement in global economic reform and instead turned to smaller-scale anti-poverty projects and human capital development. But it was at the IMF where neoliberalism's policy trifecta—privatization, liberalization, and fiscal discipline—became dogma as the “Washington consensus.” These efforts were first concentrated on the poor but influential Latin American countries to which Western banks had loaned the petrodollars sent to them by OPEC following the first oil crisis. The Atlantic alliance was strengthened around these and other changes occurring during the political and economic crises of the 1970s. What resulted was the reconstruction of an essentially Anglo-American market-based world system that had very little to do with the New International Economic Order—the political, economic, and intellectual defeat of which enabled the new system's development and spread.

## Chapter 1: A Carrot or a Stick? Free Markets and the ‘Food Weapon’, 1972-75

### Introduction

This chapter details the first phase of the United States’ response to the “Group of 77” developing countries’ call for a New International Economic Order (NIEO) and the resulting North-South dialogue. The G-77 announced the NIEO at the United Nations on May 1, 1974, in the midst of interdependent food, energy, and monetary crises stemming from the breakdown of the postwar economic architecture designed and maintained by the developed countries. Despite the heterogeneity of the developing countries’ coalition, the NIEO “Programme of Action” received a standing ovation in the General Assembly, which passed the resolution with 120 votes for, 6 votes against, and 10 abstentions.<sup>23</sup> “What we aim,” Venezuela’s President Carlos Andrés Pérez explained at the World Food Conference a few months later, “is to take advantage of this opportunity when raw materials, and energy materials primarily, are worth just as much as capital and technology, in order to reach agreements that will ensure fair and lasting balances.”<sup>24</sup>

As Secretary of State and National Security Adviser to Richard Nixon and Gerald Ford, Henry Kissinger took the lead in forming the U.S. government’s response. While a new class of pro-market, anti-state economists in the U.S. Treasury, Council of Economic Advisors, and Federal Reserve believed the NIEO should be firmly and openly opposed, Kissinger sought to engage the G-77 in a variety of old and new international forums. Two lines of reasoning lay behind this decision.

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<sup>23</sup> Pushpa Thambipillai, Jayaratnam Saravanamutt, *ASEAN Negotiations: Two Insights* (Institute of Southeast Asian Studies), 31.

<sup>24</sup> “A Letter from the President of Venezuela to the Chairman of the World Food Conference Meeting in Rome,” Caracas, November 5, 1974.

First, Kissinger feared the consequences of Third World economic solidarity during the 1973 oil crisis. Two OPEC members, Algeria and Venezuela, organized support for the NIEO amongst members of the Non-Aligned Movement and G-77, and both pledged financial support for oil-importing developing countries to maintain diplomatic and economic unity. OPEC's success in exercising control over the price of oil served as a powerful example to other developing countries, giving credibility to past proposals from the United Nations Conference on Trade and Development (UNCTAD) for new international arrangements for the supply of other commodities upon which developed countries depended.<sup>25</sup> Thus, Kissinger advocated a strategy of selective engagement and concessions, with the intention of splitting the (mostly poorer) oil-importing developing countries from their suddenly rich OPEC brethren. A flexible and progressive response to some of the developing countries' demands, he believed, would reveal this inherent contradiction of interests while demonstrating that developing countries had a lot more to gain by cooperating with Washington than Algiers.

Second, the North-South dialogue was happening regardless of whether or not the U.S. was engaged. The European Community (EC) was even more dependent on foreign oil and other commodities than the U.S. Following the 1973 Arab-Israeli War, Britain, France, and West Germany began negotiating separate oil deals with several OPEC producers, and the Lomé Convention between the EC and 71 Africa, Latin American, and Caribbean countries promised new trade preferences at America's expense. Nor were several social democratic governments opposed in principle to some of the NIEO's measures, themselves advocating heavily statist policies for their own countries.

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<sup>25</sup> John Toye and Richard Toye, *The UN and Global Political Economy: Trade, Finance, and Development* (Bloomington: Indiana University Press, 2004), 232.

Kissinger not unreasonably believed that a policy of inflexible opposition—especially one based in the free-market dogma of Ford’s economic advisors—would find no support in the Europe while widening the present fracture in transatlantic relations, at their most critical juncture since World War II.

Kissinger’s North-South strategy was informed not by a sense of sympathy but by his sense of history. He believed that the interconnected oil, monetary, and fiscal crises of the early 1970s were evidence of the relative decline of U.S. power and the negative consequences of unilateral action. This is the basic premise of his understanding of interdependence. Failing to engage the NIEO’s supporters would further alienate important Third World countries to the advantage of the Soviet Union, while bolstering their support for OPEC’s showdown with the West over oil prices. Failing to secure European support for a common response from the developed countries would have effects on a number of other important foreign policy concerns, such as support for NATO and détente, as well as the coordination of a common macroeconomic response to the global economic slump. Therefore, in the final two years of his government career, Kissinger dedicated an unprecedented amount of diplomatic energy and resources to managing the North-South divide.

Kissinger’s first initiative was to call for a World Food Conference, held in Rome in November 1974. There, he announced America’s commitment to increased food aid, technology transfer, cuts in developed country tariffs, and the creation of an international food bank under the auspices of the World Bank. On this last proposal he faced particular opposition from Earl Butz, the influential Secretary of Agriculture who tied his own free-market revolution in U.S. food production to increased global demand for American



farmers' products. These disagreements over what Kissinger labeled economic "theology" had significant consequences for the Ford Administration's ability to form a coherent North-South strategy, both within the cabinet and with its allies in Western Europe.<sup>26</sup>

### **Causes of the 1972-74 World Food Crisis**

As the 1973 oil crisis rocked the economies of the industrial world, the developing countries were undergoing a crisis far more profound in human costs. The 1960s were a decade of promise in food production, due to advances in agricultural technology in the North and agricultural modernization in the South. This "Green Revolution" meant that from 1960 to 1972 global production of grains, the main food supply for most of the world, increased almost every year, saving millions from hunger but also dramatically reducing crop diversity and increasing dependence on fossil fuels.<sup>27</sup>

Rising incomes and populations in developing countries buffeted global demand for grains. Not only did more people need to be fed—as poor people become richer, they tend to eat more dairy, poultry, and meat, which require large amounts of grain to raise.<sup>28</sup> Yet while incomes rose across the world, developing countries took a decreasing part of a growing pie. Their share of world trade declined from 31 percent in 1950, to 21.4 percent in 1960, to just 17.2 percent in 1970, by which time the three largest economies—the U.S., West Germany, and Japan—together accounted for more than a third.<sup>29</sup>

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<sup>26</sup> For "theology," see *Foreign Relations of the United States, 1969–1976* (hereafter *FRUS*), Vol. XXXI, Foreign Economic Policy, 1969-76, doc. 114.

<sup>27</sup> Dale E. Hathaway, "The World Food Crisis—Periodic or Perpetual?" International Food Policy Research Group (Washington, D.C., 1975): 67

<sup>28</sup> Hathaway, *Ibid*, 68.

<sup>29</sup> Figures from Samuel S. Kim, *China, the United Nations, and World Order* (Princeton: Princeton University Press, 1979), 243-44, and Tamim Bayoumi, "Changing Patterns of International Trade," a report

Overall growth in food supply and world trade masked these asymmetries, but they had serious consequences. Because the demand for food is highly inelastic, even small decreases in food supply can result in large price increases. This effect is exacerbated in poor countries, where most grain produced is used for immediate consumption—feeding family and livestock—rather than sold.<sup>30</sup> Nor was the Green Revolution performing as well as its supporters had promised. “Agricultural output has grown so slowly [in developing countries],” the Council of Economic Advisers explained in 1967, “that food output per person in many countries is below pre-World War II levels.” At the same time, “over half” of their annual GDP growth—which at 4.5 percent was just shy of the UN’s target for the “Development Decade”—“has been needed just to maintain their low level of living.”<sup>31</sup>

The “surplus psychology” for food supply was supported by American agriculture and trade policy. Due to generous farm subsidies implemented during the Great Depression, by the mid-1960s the U.S. had become the world’s leading exporter of grain. In response the U.S. government promoted cheap wheat exports and increased food aid, and what was not sold, was stockpiled. But mounting federal deficits in the late 1960s led to political attacks on the cost of stockpiling. President Nixon complained the U.S. was paying the large majority of a scheme to stabilize world food prices, while the EC discriminated against American food exports through the Common Agricultural Policy.<sup>32</sup> The Nixon Administration concluded that reducing stockpiles and holding back

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prepared by the Strategy, Policy, and Review department of the International Monetary Fund, 8 (<https://www.imf.org/external/np/pp/eng/2011/061511.pdf>).

<sup>30</sup> Hathaway, 68-69.

<sup>31</sup> [http://www.presidency.ucsb.edu/economic\\_reports/1967.pdf](http://www.presidency.ucsb.edu/economic_reports/1967.pdf), 173.

<sup>32</sup> Jennifer Clapp, *Food* (Cambridge, U.K.: Polity, 2011) right before link to figure 2.1 (get physical copy)

production would help American farmers by increasing world prices, and from mid-1970 to mid-1972, the U.S. reduced its production of wheat by one-third, bringing down its share of global production from 15 percent to 10 percent.<sup>33</sup>

In June 1971, the Nixon Administration moved to liberalize trade with the Soviet Union, Eastern Europe, and China. In addition to improving East-West relations, this served the dual purpose of raising farm incomes in time for the 1972 elections and clearing out US stockpiles. In what one journalist dubbed the “Great Grain Robbery,” the Soviet Union alone absorbed about half of U.S. carryover stocks in 1972 and more than one-quarter of total 1972 production.<sup>34</sup> In 1961, world food reserves—held mostly by the U.S.—could sustain 105 days’ supply of world needs; by 1974, those reserves could sustain only 33 days.<sup>35</sup> The combination of lowered production and the deliberate liquidation of American stockpiles made the U.S., and thus the world, ill prepared for any sudden shocks.<sup>36</sup>

The first shock came on August 15, 1971, when the Nixon Administration ended the Bretton Woods Gold Exchange Standard by allowing the dollar to float. The structural causes and effects of this event are complex, but the general story is fairly straightforward. At the Bretton Woods Conference in 1944, the U.S. set up the dollar as the world’s reserve currency under a system of fixed exchange rates (with some adjustments), with the dollar pegged to the price of gold. Other major currencies were

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<sup>33</sup> Martha M. Hamilton, *The Great American Grain Robbery and Other Stories* (Washington, D.C.: Agribusiness Accountability Project, 1972), 313.

<sup>34</sup> Hamilton, *Ibid*, 313.

<sup>35</sup> Jyoti Shankar Singh, *A New International Economic Order: Toward a Fair Redistribution of the World's Resources* (New York: Praeger, 1977), 57.

<sup>36</sup> Derek Headey and Fan Shengen, *Reflections on the Global Food Crisis: How Did It Happen? How Has It Hurt? And How Can We Prevent the Next One?* (Washington, D.C.: International Food Policy Research Institute, 2010), 81-84.

then pegged to the dollar. Postwar reconstruction flooded the world with much-needed dollars, and since the U.S. owned over half of the world's gold stock, the system seemed trustworthy. As Germany and Japan recovered, however, the U.S. share of world economic output declined, from 35 percent in 1950 to 27 percent in 1969.<sup>37</sup> At the same time, spending on foreign aid, the Vietnam War, and increased foreign investment sent more dollars abroad at the same time that the world was demanding fewer of them.

Some countries still played ball, choosing to take more dollars instead of forcing the leader of the world's monetary system to devalue. But the writing was on the wall—countries like West Germany and France proved unwilling to permit more and more inflation to support the lifestyles of American citizens or the quagmire in Vietnam, and traders in foreign exchange markets, believing the dollar to be overvalued, began to sell them rapidly. In May, 1971, West Germany left the Bretton Woods system; in July, Switzerland and France asked for over \$140 million in gold. “I don’t give a shit about the lira,” Nixon insisted in June, and he asked his advisers to come up with a policy that would boost the domestic economy in time for the 1972 elections.<sup>38</sup> John Connolly, his new non-economist Treasury Secretary, was entrusted with pulling together the views of Federal Reserve Chairman Arthur Burns, Undersecretary for International Monetary Affairs Paul Volcker, and Office of Management and Budget Director George Schultz. The Administration’s “New Economic Policy,” announced August 15, was the

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<sup>37</sup> Roger Lowenstein, “The Nixon Shock,” *Bloomberg*, August 4, 2011, <http://www.bloomberg.com/bw/magazine/the-nixon-shock-08042011.html>.

<sup>38</sup> “Transcript of A Recording of a Meeting between the President and H. R. Haldeman in the Oval Office on June 23, 1972.” (<https://www.nixonlibrary.gov/forresearchers/find/tapes/watergate/wsp/741-002.pdf>).

suspension of the dollar's convertibility into gold, a 90 day wage and price freeze, a 10 percent cut in foreign aid, and a 10 percent import surcharge.<sup>39</sup>

The dollar's devaluation might have helped poor countries buy more American grain, and indeed, Nixon intended to increase agricultural exports to balance U.S. accounts, a strategy pursued even more aggressively by Secretary of Agriculture Earl Butz following the 1972 elections. However, the grain agreements with Communist countries depleted the majority of the American surplus at the same time as a series of bad weather events limited production in other important producers, such as Australia, Argentina, India, and Peru.<sup>40</sup>

The devaluation also set off a series of events in international energy markets with serious consequences for food prices. Throughout the 1950s, several Middle Eastern oil producers charged Western governments with colluding with multinational oil companies (MOCs) to keep prices artificially low. Following the Anglo-Iranian Oil Company's refusal to cooperate on a new agreement with the Iranian government, Prime Minister Mohammed Mossadegh nationalized the country's oil industry. The Anglo-American coup that ousted Mossadegh from power in 1953 served as a powerful example of the limitations of the Third World's economic and political sovereignty into the postwar era.

Determined to increase their share of profits from the MOCs exploiting their reserves, in 1960 the governments of Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela met in Baghdad to announce the formation of the Organization of Oil Exporting Petroleum Countries (OPEC). Through most of the 1960s OPEC was essentially an

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<sup>39</sup> Richard Nixon, "Address to the Nation Outlining a New Economic Policy: The Challenge of Peace," August 15, 1971 (<http://www.presidency.ucsb.edu/ws/?pid=3115>).

<sup>40</sup> Derek Headey and Fan Shengen, "Reflections on the Global Food Crisis" (International Food Policy Research Institute: 2010), 85.

informal bargaining group, confining its activities to negotiating better profit-sharing agreements with MOCs. But since oil was priced in dollars, the U.S. devaluation caused a major drop in OPEC members' real revenues—at the same time that prices were rising for just about everything else.

At first OPEC pledged to price a barrel of oil against gold to maintain price stability, to little apparent effect. But on October 17, 1973, citing the U.S. decision to resupply the Israeli military during the Arab-Israeli War, OPEC members announced that they would stop oil exports to the U.S. and other supporters of Israel, including the Netherlands, Portugal, and South Africa. At the same time, OPEC leaders claimed that the war was merely the spark. “Of course [the price of oil] is going to rise,” the Shah of Iran told reporters in November:

Certainly! And how! ... However, it's a solution that you in the West have wished upon yourselves. Or if you prefer, a solution wished on you by your ultracivilized industrial society. You've increased the price of wheat you sell us by 300 per cent, and the same for sugar and cement. You've sent petrochemical prices skyrocketing. You buy our crude oil and sell it back to us, refined as petrochemicals, at a hundred times the price you've paid us. You make us pay more, scandalously more, for everything, and it's only fair that, from now on, you should pay more for oil.<sup>41</sup>

The U.S. decision to resupply Israel “at most played the role of a catalyst,” Algeria's Minister of Oil insisted, “in taking a decision which was already well prepared and well justified on the economic level.”<sup>42</sup> Regardless, by the end of the embargo in March 1974, the price of oil had quadrupled from about \$3 per barrel to \$12.

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<sup>41</sup> William D. Smith, “Price Quadruples for Iran Crude Oil,” *New York Times*, December 12, 1973.

<sup>42</sup> ; Vijay Prashad, *The Poorer Nations: A Possible History* (London: Verso, 2012), 19.

The 1971 devaluation had already increased the price of grain by as much as 15 percent; after the 1972 wheat sale to the Soviet Union, grain prices quadrupled.<sup>43</sup> Better harvests and weather in early 1973 were promising, but the oil shock dashed any hope of falling food prices. The growth of U.S. agriculture was in large part the result of new fuel-intensive farming practices; the same was true for the more modest gains in food production made by developing countries. The U.S. and EC responded by restricting food exports to control domestic prices, but poor countries had no such defense against skyrocketing prices for the petroleum-based inputs upon which the Green Revolution depended.

“The developing countries, buffeted by high fuel prices, fertilizer shortages, and inadequate grain supplies, were frightened and rightfully so,” the director of the International Food Policy Research Institute explained.<sup>44</sup> India, which had come close to self-sufficiency in 1971, faced inadequate rains in 1972, and once oil prices shot up the following year, self-sufficiency was out of the question.<sup>45</sup> So was much of the content of its development plans, as the Indian government ran through its foreign exchange to attempt to meet domestic food demand with high-priced imports. Bangladesh faced even worse problems in 1973, but the U.S. was unwilling to release food aid until the country ceased jute exports to Cuba.<sup>46</sup> Western intellectuals pondered the morality of inaction, but offered little. Some even came down on the side of inaction in order to wean off chronically dependent countries like Bangladesh. “Cruel as it may sound,” the President

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<sup>43</sup> Eckart Woertz, *Oil for Food: The Global Food Crisis and the Middle East* (Oxford: Oxford University Press, 2013), 87; Prashad, *The Poorer Nations*, 18.

<sup>44</sup> Hathaway, “The World Food Crisis,” 69.

<sup>45</sup> Singh, *A New International Economic Order*, 58.

<sup>46</sup> Devinder Sharma, “Famine as Commerce,” *India Together*, August 2002, <http://indiatogether.org/agriculture/opinions/dsharma/faminecommerce.htm>.

of the National Academy of Sciences explained, “if the developed and affluent nations do not intend the colossal, all-out effort commensurate with this task, then it may be wiser to let nature take its course.”<sup>47</sup> In other words, produce, pay, or perish.

### **Food for Oil: Kissinger’s Strategy**

It was Richard Nixon who first alerted Kissinger to the problems the world food situation posed for U.S. foreign policy. On September 5, 1973, he told Kissinger that he was “concerned about the foreign policy repercussions arising from the various problems associated with the international agricultural situation.” Not only had U.S. agricultural policy “long been a source of irritation in our relations with Europe,” Nixon explained, referring to disputes over the EC’s Common Agricultural Policy, but “the recent emergency of protein and grain shortages has brought a new dimension... causing problems for many developing countries and for us in our relations with them.”<sup>48</sup> He asked the NSC to produce a study on the issue, and in response it endorsed the idea of a “world food security system” involving an “international food stockpile agreement” that would “ensure that in times of shortage, those with the least ability to pay would not be the first to suffer.”<sup>49</sup>

On September 23, 1973, Nixon promoted his National Security Adviser, Henry Kissinger, to Secretary of State (Kissinger then held both positions). Introducing himself as “the world’s most junior Foreign Minister,” the following day Kissinger announced to

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<sup>47</sup> Wade Greene, “Triage: Who shall be fed? Who shall starve?” *The New York Times Magazine*, January 5, 1975, 44.

<sup>48</sup> *FRUS, 1969-76*, Volume E-14, Part 1, Documents on the United Nations, 1973-1976, Document 129. <https://history.state.gov/historicaldocuments/frus1969-76vol14p1/d129>.

<sup>49</sup> *FRUS, 1969-1976*, Volume XXXI, Document 252, <https://history.state.gov/historicaldocuments/frus1969-76vol31/d252>.



the UN General Assembly his proposal for a world food conference, to be held in November 1974 under the auspices of the UN's Food and Agriculture Organization.<sup>50</sup> "We will participate without preconditions, with a conciliatory attitude and a cooperative commitment," he insisted. "We ask only that others adopt the same approach." In a tentative recognition of the Third World's larger complaints against the global economic system, Kissinger promised in the next sentence to "examine seriously" the Charter of Economic Rights and Duties of States, proposed by Mexican President Luiz Echeverria at the April-May 1972 session of the Third World-dominated UN Conference on Trade and Development.<sup>51</sup>

In October, the oil crisis hit; less than half a year later, the NIEO was announced with OPEC members Algeria and Venezuela as its most vocal backers. Just as Nixon didn't "give a shit about the lira," nor did Kissinger, as he put it, "give a damn about Bangladesh on humanitarian grounds. *I want it [food] for foreign policy.*" The U.S. had for decades used the give and take of guns to the Third World for foreign policy objectives, but now, Kissinger wanted to use the give and take of butter to pressure OPEC into settling the oil question. "This is one of the few weapons we have to deal with oil prices," he insisted to newly-installed President Gerald Ford in September 1974. The U.S. could point out that OPEC's actions hit poor countries disproportionately, but many Third World leaders took a longer view, agreeing with Algeria and Venezuela that the

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<sup>50</sup> The idea actually originated with Sartaj Aziz, a Pakistani economist and UN Food and Agriculture Organization official who suggested the idea to Hubert Humphrey, who then passed on the idea to Kissinger. According to McDonald, "Kissinger's nomination as secretary of state had encountered a great deal of opposition in the Senate, and it was reported that Humphrey agreed to withdraw his objections to Kissinger's nomination if he agreed to support the idea of an international conference hosted by the United Nations" (Bryan McDonald, *Food Power: The Rise and Fall of the Postwar American Food System* (New York: Oxford University Press, 2016), 182-83

<sup>51</sup> *FRUS, 1969-1976*, Volume XXXVIII, Part I, doc. 17, <https://history.state.gov/historicaldocuments/frus1969-76v38p1/d17>.

industrial countries had initiated the crisis through decades of unequal economic relations and finding inspiration in the example of a group of commodity producers standing up to rich consumers. “The President is scolding everyone at the United Nations for being miserly on energy, and the less we say we’ll do on food, the less effect it has,” Kissinger explained to Secretary Butz and Alan Greenspan. “We are trying to tell the Third World they must be cooperative, and in turn we will try to cooperate.”<sup>52</sup>

### **Earl Butz, American Farmers, and the “Food Weapon”**

Kissinger’s proposals for intergovernmental cooperation on food aligned him more with the American liberal establishment than with other Ford cabinet members. “An internationally agreed system of food reserves is now in the self-interest of all nations,” former USAID employee and Overseas Development Council director James P. Grant told Congress in 1973.<sup>53</sup> In June 1974 George McGovern chaired hearings of the Senate Select Committee on Nutrition on global food issues, at which he too called for an international system of food reserves; five months later, McGovern, Richard Clark, and Hubert Humphrey joined Kissinger and Butz as “unofficial” members of the U.S. delegation at the World Food Conference.<sup>54</sup>

Kissinger’s biggest challenge before the conference was internal. Ford’s economic advisors opposed Kissinger on both ideological and bureaucratic grounds. But while the Treasury or Council of Economic Advisors was not directly responsible to any

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<sup>52</sup> *FRUS 1973-76*, Vol. XXXI, Foreign Economic Policy, Doc. 266.  
<http://www.fordlibrarymuseum.gov/library/document/0314/1552792.pdf>. My emphasis.

<sup>53</sup> Collected Papers of Fr. Theodore Hesburgh (CPHS), Archives of the University of Notre Dame. Box 93, folder 17. Letter, James P. Grant to Members of the ODC Board of Directors, “ODC Treatment of Interdependence Themes: Energy and Food,” August 7, 1973.

<sup>54</sup> The hearing’s conclusions were reprinted in the *New York Times* on September 10, 1974, p. 7.

one constituency, the Secretary of Agriculture was. Earl Butz was the most consequential USDA head since Henry Wallace in the 1930s—in fact, his mission was to dismantle the system of price supports enacted during the New Deal to stabilize farm incomes.<sup>55</sup> Like Kissinger, Butz saw a major role for food in American foreign policy, and his disruptive approach to American agricultural production threatened Kissinger’s entire North-South strategy.

Earl Lauer Butz was born on his family’s small farm in Albion, Indiana in 1908. After graduating first in his high school class—out of just seven other students—he excelled in agricultural studies at Purdue, earning a B.S. in 1932 and Ph.D. in Agricultural Economics in 1937. Following stints as an Assistant Secretary of Agriculture and U.S. delegate to the Food and Agriculture Organization during the Eisenhower Administration, Butz returned to Purdue and joined the boards of several American agricultural conglomerates.<sup>56</sup> Seen by Nixon as a free market reformer and a friend of industry, he left Purdue in 1971 to head up the USDA.

Butz was a controversial choice for Secretary. The first red flag for farmers was his service under (and outspoken praise for) Ezra Taft Benson, “the most hated agriculture secretary ever” due to his strong antipathy toward New Deal reforms.<sup>57</sup> The second was his close ties to large American agribusiness conglomerates like Ralston-Purina, where Butz’s predecessor, Clifford M. Hardin, had already lined up a vice

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<sup>55</sup> Under this system, the government would pay some farmers to keep land fallow, and would also buy farmers’ excess grain. By buying and storing grain during times of surplus, releasing grain during droughts, and paying farmers to not plant too much, the U.S. government could manage supply so that prices did not go too high, thereby hurting consumers, or too low, thereby hurting producers, while also ensuring that land would be kept productive in the long-term.

<sup>56</sup> Tom Philpott, “A reflection on the lasting legacy of 1970s USDA Secretary Earl Butz,” *Grist*, February 8, 2008, <http://grist.org/article/the-butz-stops-here/>.

<sup>57</sup> Earl Butz Papers (EBP), Purdue University Library, Album of News Clippings, Binder 1, 1971, Bill Peterson, “Earl Butz: Controversial Hoosier,” *Louisville Times*, June 9, 1974.

presidency at the time of his resignation. “He [Butz] is the worst possible choice I could imagine,” the head of the National Farmers Organization stated, “one of those land-grant college educators who was supposed to assist all farmers in America, but who identified with giant agri-business corporations.”<sup>58</sup> During his confirmation hearings a coalition of liberal northern Democrats, conservative southern Democrats, and farm belt Republicans grilled Butz on his past statements predicting the end of the family farm and urging small farmers to “adapt or die” through “vertical integration.”<sup>59</sup>

Not everyone in the Farm Belt opposed Butz’s nomination. “The family farm has been in desperate straits for many years,” the Salt Lake City *Tribune* explained in his defense. “Rising costs and declining farm prices have combined to clamp the small farmer in an increasingly untenable price squeeze.”<sup>60</sup> Halfway through the hearings the American Farm Bureau Federation, which claimed to represent 2 million “member families,” became the first farm group to endorse Butz.<sup>61</sup> Still, his 51-44 approval in the Senate came only after making one promise: Butz pledged, in writing, to take immediate action to increase farm incomes by raising corn prices. “You said you wanted an aggressive, articulate Secretary of Agriculture,” he insisted at his swearing-in. “You’ve got one. It may be that I’m more vigorous than you want.”<sup>62</sup>

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<sup>58</sup> EBP, Album of News Clippings, Binder 1, 1971, Garnett D. Horner, “Nixon Won’t Abolish Agriculture Department,” *Indianapolis Star*, November 11, 1974.

<sup>59</sup> EBP, Album of News Clippings, Binder 1, 1971, Nick Kotz, “Butz An Agribusiness Man,” and “Butz Denies That He Favors Corporate Over Family Farm,” *Washington Post*, November 1971 (no date available).

<sup>60</sup> EBP, “Is Butz That Bad?” Salt Lake City *Tribune*, November 21, 1971.

<sup>61</sup> EBP, Album of News Clippings, Binder 1, 1971, “Farm Group Backs Butz,” Chicago *Tribune*, November 20, 1971

<sup>62</sup> EBP, Album of News Clippings, Binder 1, 1971, Nick Kotz, “Butz Approved, 51-44, After Price Promise,” *Washington Post*, December 3, 1971.

Butz moved fast. Less than 24 hours after taking office he announced that the USDA would begin buying up corn in the open market “to firm up farm prices,” thereby encouraging farmers to take advantage of a 1970 Farm Bill provision that removed many restrictions on planting quotas.<sup>63</sup> Butz was eager to defend higher domestic food prices, telling consumers that in food, you’ve never had it so good: Americans were eating more calories, and more red meat, from a smaller percentage of their incomes than ever before, he told *U.S. News and World Report* in a lengthy interview.<sup>64</sup>

Despite the religious fervor with which he condemned government spending and “handouts”—his negative comments on the widely popular food stamp program also dogged him during his confirmation—in practice Butz was no budget puritan. He earned the ire of Treasury Secretary George Schultz for siphoning a total of \$700 million in “miscellaneous raids on the Treasury” for the corn buyback and other programs, but since “there is no one on the White House staff who knows much about agriculture,” the *New York Times Magazine* reported, “he is relatively free of second-guessing.”<sup>65</sup> Nixon wanted to win the Farm Belt in 1972, and with Butz’s support—farm incomes for 1972 were a record \$19.2 billion—he overwhelmingly did.<sup>66</sup>

Unlike his predecessors, Butz had no plans to sit on that surplus until a shortage struck. He instructed farmers to unleash their productive potential by planting corn and soybeans “fencerow to fencerow,” assuring them that world markets would absorb what

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<sup>63</sup> EBP, Album of News Clippings, Binder 2, 1972, Ralph D. Wennblom, “The Battle Over Butz,” *Farm Journal*, January 1972.

<sup>64</sup> EBP, Album of News Clippings, Binder 3, 1972, “Interview with the Secretary of Agriculture: Why Food Prices Are Up,” *U.S. News and World Report*, April 10, 1972.

<sup>65</sup> EBP, Album of News Clippings, Binder 3, 1972, Julius Duschka, “Up, Up, Up—Butz Makes Hay Down On the Farm,” *New York Times Magazine*, April 16, 1972.

<sup>66</sup> EBP, Album of News Clippings, Binder 5, 1973, “Corn Has a Bright Future in Agriculture,” *1973 Corn Annual*.

domestic markets could not. The 1971 Soviet wheat deal was the first move, accounting for one-third of the overall increase in agricultural exports in 1972; exports also increased substantially to Eastern Europe, Latin America, Japan, and, for the first time in two decades, China.<sup>67</sup> In April 1973, Butz announced to Nixon “[with] a great deal of pleasure... the virtual liquidation of farm products from the Commodity Credit Corporation,” the lynchpin of the New Deal system of managed farm prices. “This marks the first time in more than two decades that American agriculture can enjoy a market as free from the stifling effects of government stocks as it now can.”<sup>68</sup>

This was only the beginning of the American farmer’s new frontier. “This is a ‘hinge point’ in history,” Butz told an audience in Chicago. “Agriculture is taking a dominant position in America’s export trade.” Indeed, American exports were down across the map *except* in agriculture, which Butz positioned as the cure for the U.S. payments deficit. “That \$11 billion [in farm exports for FY 1972] is roughly equivalent to the total value of all our exports of industrial machinery last year,” he explained. “It is more than three times our total chemical exports—and four times the total exports of all U.S. consumer goods.” The result, he predicted, would be a virtuous circle between a hungry world, a cash-strapped U.S. government, and American farmers with the “daring” and “imagination” to expand their farms and, maybe, get rich in the process: “Agriculture is already making a major contribution to America’s trade balance. We have the potential

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<sup>67</sup> EBP, Album of News Clippings, Binder 5, 1973, “Corn Has a Bright Future in Agriculture,” *1973 Corn Annual*.

<sup>68</sup> EBP, Box 16 – Correspondence, 1971-1975, Folder 3. Secretary Butz, 1973, Letter, Butz to Nixon, April 27, 1973.

to do even better. Overseas markets are growing. We can supply those markets, increase our exports, and strengthen our farm income.”<sup>69</sup>

Butz was also quick to stress a second foreign policy benefit of his radical market reforms. “We are learning in this country, perhaps belatedly,” he told a Washington, D.C. audience, “how to use food as a positive factor in world diplomacy.” This would not be like the “so-called ‘Food for Peace’ program” of the 1950s and ‘60s, he insisted, in which the American surplus was simply given away to improve America’s image in the Third World. Instead, Butz cited the role of food exports in opening China, achieving détente with the Soviet Union, and reaching “peace and reconciliation” in Vietnam and the Middle East as proof that “food has become a major force for [international] negotiations.” America’s “food power” was indeed “a major weapon.”<sup>70</sup>

The question in the middle of 1974 was how that weapon would be used toward OPEC and the Third World: Was it a carrot, or was it a stick? Kissinger’s proposal for a World Food Conference and promise to negotiate some sort of international reserve system indicated a more cooperative approach, but Butz was adamant that the U.S. avoid anything that might suggest a return to government intervention at home or new system of intergovernmental management abroad.<sup>71</sup> “On food aid and stockpiling, a debate is developing,” Butz explained to Nixon on May 28, just weeks after the NIEO’s

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<sup>69</sup> EBP, Box 8, Statements & Speeches, 1973-74, Folder 1. Statements & Speeches, Jan 12, 1973-May 31, 1973, “Agriculture’s Potential in World Trade,” Address by Earl Butz to the 26<sup>th</sup> World Trade Conference, Chicago, Illinois, March 8, 1973.

<sup>70</sup> EBP, Box 8, Statements & Speeches, 1973-74, Folder 4. Statements & Speeches, March 12, 1974-June 26, 1974, “Food Power—A Major Weapon,” Address by Earl Butz to The Advertising Council, Mayflower Hotel, Washington, D.C., June 24, 1974.

<sup>71</sup> Thomas Enders told Kissinger, “This is a major element in the politics of one of the farm groups, the American Farm Bureau. And they are adamantly against government-held stocks, and return to the former system. This is what Butz is responding to.” *FRUS*, Vol. XXXI, doc. 263, <https://history.state.gov/historicaldocuments/frus1969-76v31/d263>.

announcement. “[Senator Hubert] Humphrey and his friends think we should have a large Government food reserve. I disagree. We are out of the food reserve business and I think we should stay out. We carried the world food reserve and everyone got soft—they didn’t have to plan. We need food reserves, but they can be carried by private industry and foreign governments.”<sup>72</sup>

Kissinger’s National Security Council was “doubtful” that “such privately held stocks could be counted upon” in a crisis, nor could “private trade... be expected to incur the heavy carrying charges (interest and storage) for the stocks required to meet a contingency which occurs only once in six years or so.”<sup>73</sup> Government-held stocks were a necessary part of any proposal—at least one that would be taken seriously by developing countries. “What we need at this stage, and through the World Food Conference,” Undersecretary of State for Economic Affairs Thomas Enders told Kissinger, “is an agreement to a target level of stocks, and that afterwards, if Butz and others are still resisting, then we will need a presidential decision to overrule him on government-held stocks.” Kissinger would not fall on his sword at the conference because of Butz’s ideological opposition; anyway, he insisted, “I am perfectly willing to take it to the President.”<sup>74</sup>

Further, as Kissinger knew well, a weapon’s destructive potential and its actual diplomatic power were often widely mismatched. In late 1973 the White House rejected Butz’s suggestion for a food embargo against OPEC members; as a State Department official remarked, food power was “power over people who are hungry—people we don’t

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<sup>72</sup> *FRUS*, Vol. XXXI, doc. 259, <https://history.state.gov/historicaldocuments/frus1969-76v31/d259>.

<sup>73</sup> *FRUS*, Vol. XXXI, doc. 252, <https://history.state.gov/historicaldocuments/frus1969-76v31/d252>.

<sup>74</sup> *FRUS*, Vol. XXXI, doc. 263, <https://history.state.gov/historicaldocuments/frus1969-76v31/d263>.



want to push around anyway.”<sup>75</sup> In other words, for Kissinger, the “food weapon” was a scalpel; for Butz, it was more like a cudgel. “There is some leverage in the plight of the underfed peoples of the world,” Enders added, “But that is not going to swing it.... We have got to do something ourselves.”<sup>76</sup>

### **Kissinger vs. the Economic Policy Board, Part I**

Gerald Ford’s chief economic advisors were no less skeptical of Kissinger’s approach to the World Food Conference. Most of the opposition was ideological, but a great deal, too, had to do with the way Kissinger systematically excluded them from the making of foreign economic policy.

Economic policy in the Ford Administration was formed through the Economic Policy Board (EPB), a cabinet-level body established shortly after Ford took office. Treasury Secretary William Simon was Chairman and the day-to-day activities were handled by Ford’s influential Assistant for Economic Affairs, William Seidman. The EPB included all members of the cabinet except the Attorney General and Secretary of Defense, with an executive committee composed of Simon, Seidman, CEA Chairman Alan Greenspan, OMB Director Roy Ash, and, for a few months, Butz.

According to Roger Porter, the EPB’s Executive Secretary, the State Department downplayed the EPB’s importance for two reasons. First, as Secretary of State, Kissinger already had daily access to Ford to communicate his policy preferences and concerns, and their “memcons” make clear that Ford respected and trusted his advice. (It is also worth noting that their relationship benefitted from Ford’s lack of insecurity around Kissinger,

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<sup>75</sup> McDonald, *Food Power*, 188.

<sup>76</sup> <https://history.state.gov/historicaldocuments/frus1969-76v31/d263>.

in sharp contrast to Richard Nixon.<sup>77</sup>) Second, the State Department believed that its views would not receive a fair hearing under Simon, whose disagreements with Kissinger over foreign economic policy were well known. The famously impatient Secretary of State preferred instead to make policy on his own and let others catch up.<sup>78</sup>

One month before the World Food Conference convened in Rome, Kissinger shared a draft of his keynote address with the EPB. The opposition was unanimous. Simon, Seidman, Greenspan, and Ash all objected to Kissinger's insistence on including specific aid commitments, arguing instead that the U.S. should speak only broadly about its responsibility for ending the food crisis. "The tone emphasizes much too much of what we will do for others," Seidman stated, "and not really enough of what they must do for us."<sup>79</sup>

This kind of tone was exactly what Kissinger wanted to avoid. "The speech [alone] is not going to do the job," he explained. "Can we really say that 'all countries have responsibilities,' when we know that Bangladesh and the Sahel can't do anything, and that some others can do greater and still others lesser?" Such rhetoric would be roundly mocked by the Third World, negating the whole point of American leadership at the conference. "We should set forth a philosophy, try to convince people, not give an

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<sup>77</sup> Regarding his first meeting with Ford, Kissinger said, "When I left his office after an hour and a half, I suddenly realized that for the first time in years after a Presidential meeting I was free of tension... No single conversation with Nixon ever encapsulated the totality of his purposes. It was exciting but also draining, even slightly menacing. With Ford, one knew that there were no hidden designs, no morbid suspicions, no complexes..." (Kissinger quoted in David Milne, *Worldmaking: The Art and Science of American Diplomacy* (New York: Farrar, Straus and Giroux, 2015), 379.

<sup>78</sup> Roger B. Porter, *Presidential Decision Making: The Economic Policy Board* (Cambridge: Cambridge University Press, 1980), 49.

<sup>79</sup> Gerald Ford Presidential Library, National Security Adviser, Presidential Subject File, Box 6, Food/Food Aid/World Food Conference (1), "Overall Agency Observations," undated.

old-maidish lecture to others about what they should do,” Kissinger insisted, not for the last time. “We should be less schoolmasterish.”<sup>80</sup>

Recognizing the EPB’s opposition to his approach, Kissinger instructed State Department officials not to worry about “sell[ing] it within the Government,” as “the same people will oppose it with the same arguments.” However, his own staff was by no means united. Thomas Enders was concerned that a public presentation of Kissinger’s international food bank proposal would “draw fire” from “the LDCs who will think that we are attempting to promote an OPEC for food.” Kissinger did not necessarily think this was a bad thing, as long as the threat was perceived as towards OPEC and not the South in general: “What we would be saying [to OPEC] is that if you cooperate [on oil], we won't have to talk about food.”<sup>81</sup>

Ford’s economic advisors objected to more than just Kissinger’s insistence on numbers. “All too frequently,” the Treasury Department complained, high food prices were used “as a way of justifying, and among some developing countries excusing, the oil price increase.” Did not Kissinger’s plans for an international system of reserves to regulate supply and prices to some extent endorse this logic? The Shah’s analogy—“If the price of wheat can triple in one year, why shouldn’t the price of oil be allowed to triple?”—was somewhat misleading, given the effects of natural phenomena like weather and poor crops on global food supply. But Treasury’s argument ignored several important decisions—such as the 1971 devaluation; the 1972 grain sales to the Soviet Union; the

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<sup>80</sup> *FRUS 1969-76*, Volume E-14, Part 1, Doc. 147. <https://history.state.gov/historicaldocuments/frus1969-76ve14p1/d147>.

<sup>81</sup> *FRUS 1969-76*, Volume E-14, Part 1, Doc. 147. <https://history.state.gov/historicaldocuments/frus1969-76ve14p1/d147>.

1973 decision to restrict food exports; and the lack of a meaningful response to famines in South Asia and Africa—implicating American policy in the food crisis.

Regardless of the economics, developing countries continued to see OPEC's actions as a legitimate response to decades of selfish and unfair treatment by the industrial countries. Algeria and Venezuela's self-appointed leadership of the NIEO, announced barely a month after Arab states ended their embargo against the U.S., suggested the emergence of a new political economy for the energy and food crises defined primarily in North-South terms. Both the U.S. and OPEC had promised to aid oil-importing developing countries hurt by higher energy and food prices, but the World Food Conference was an opportunity for the U.S. to take the lead. The NSC explained:

State believes that without a commitment to increase the quantity of food aid, our position at the [World Food] Conference will look hollow. Reflecting Secretary Kissinger's very strong view, State argued that the US must demonstrate its willingness to use its food resources constructively if its position in trying to get OPEC countries to use oil responsibly is to have any credibility. It emphasized that our food aid commitment will be seen as a major test of America's willingness to resolve the global food crisis.

In other words, credibility on food would translate into credibility on oil; OPEC, not the U.S., would be seen as the inflexible one, prolonging the Third World's food and energy deficits to line their own pockets.

To do this, the U.S. had to give more than vague promises of future support. "Announcement of the target is necessary," the State Department insisted. Not only could an aid target "get the Europeans, Japanese, and others to assume a significant share of the burden for stockpiling food for emergencies, thereby relieving us of part of the cost and responsibility." Simply repeating Ford's commitment at the 1973 UN General Assembly to "increase spending" on food—as recommended by the EPB—would leave the U.S. in

an even worse position than before the Conference: “It would not be credible for the U.S. to have called a major conference, spent a year preparing for it, and now have no view on what reserve target would be necessary to provide for food security.”<sup>82</sup>

### **The 1974 World Food Conference**

When the delegates convened in Rome in November 1974, the politics of the food crisis had changed significantly since Kissinger first called for the conference 14 months prior. The various representative bodies of the South—the Non-Aligned Movement, the G-77 countries in UNCTAD, and the more activist wing of OPEC—had since heightened their calls for change in the structure of global trade, finance, and development. The specter of the NIEO loomed large over the conference, which involved an issue of life or death for many of the countries represented.

Kissinger insisted to Butz before the conference that his goal was “to give a speech that has a philosophy in it.” Just what was that philosophy? It was not, as Kissinger put it once again, “the protestant missionary approach,” where the U.S. would simply lecture the world’s poor on what they must do to solve their food problems. Kissinger called the EPB’s approach to the NIEO “economic theology,” but he was also preaching his own new faith: the gospel of interdependence. For him, both ordinary Americans and Ford’s economic advisers were unaware of the *political* links that U.S. leadership of the global economy required. Nearly every speech Kissinger gave in his time as Secretary of State emphasizes this point, and he gave so many speeches on the subject—nearly two a month in just over two years—because he believed that the U.S.

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<sup>82</sup> GFPL, Files of the National Security Adviser, Presidential Subject File, Box 6, Food/Food Aid/World Food Conference (3), Scowcroft to the President, “Results of Meeting to Review Issues in World Food Conference Speech,” November 2, 1974.

had not come to terms with changes in global political economy since the oil shock and NIEO. “I am trying to force into national awareness the need to strengthen bonds between us and the developing countries,” Kissinger explained to Butz about one of his recent foreign policy speeches. When Butz offered to help with the “philosophy” part of his address, Kissinger demurred. “I have no problem with the technical part [of your recommendations],” he told Butz. What Kissinger wanted to achieve went beyond economic policy: “What I want to do is convince the political leadership of these countries that we mean it when we call for cooperation.”<sup>83</sup>

As much as Kissinger talked about a philosophy, it was circumstance—the oil shock and the NIEO—that led him to this emphasis, and to his perceived imperative to show developing countries that the U.S. was listening. His goals for the conference were to avoid admitting U.S. responsibility for the food and energy crises while at the same time implying OPEC’s guilt. Coming out first with a major international proposal for food would put OPEC on the defensive, he hoped, exposing the true fragility of the developing countries’ coalition.

“In the past 30 years the world came to assume that a stable economic system and spreading prosperity would continue indefinitely,” Kissinger began, addressing over 1,000 delegates from 100 countries. “Surpluses of fuel, food, and raw materials were considered a burden rather than a blessing.” The postwar decades gave way to “rising expectations” around the world, but the events of the last few years showed that “the same interdependence that brought common advance now threatens us with common decline.” In explaining those events, Kissinger took direct aim at OPEC, citing “a

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<sup>83</sup> *FRUS 1969-76*, Volume E-14, Part 1, Doc. 148. <https://history.state.gov/historicaldocuments/frus1969-76ve14p1/d148>.

political embargo and then abruptly raised prices for oil” as the reason for lower industrial and farm production, and for “accelerat[ing] a global inflation that was already at the margin of governments' ability to control.”

After blaming OPEC for exacerbating the crisis, Kissinger then assumed American leadership in solving it:

We regard our good fortune and strength in the field of food as a global trust. We recognize the responsibilities we bear by virtue of our extraordinary productivity, our advanced technology, and our tradition of assistance. That is why we proposed this conference. That is why a Secretary of State is giving this address. The United States will make a major effort to match its capacity to the magnitude of the challenge. We are convinced that the collective response will have an important influence on the nature of the world that our children inherit.

His five point program included increasing food production in exporting countries-, accelerated production in importing countries, improving the means of food distribution and financing, enhancing food quality, and insuring security against food emergencies.

The last point contained Kissinger’s most important offer: the creation of an International Fund for Agricultural Development (IFAD), funded half by the OECD countries and half by OPEC. *Here* was the “philosophy” he hoped would sway the developing countries:

It is neither prudent nor practical for one or even a few countries to be the world's sole holder of reserves. Nations with a history of radical fluctuations in import requirements have an obligation, both to their own people and to the world community, to participate in a system which shares that responsibility more widely. And exporting countries can no longer afford to be caught by surprise. They must have advance information to plan production and exports.

In his own way, Kissinger was endorsing the food-oil analogy that so bothered the Treasury Department. Developing countries were angered that the U.S., after deliberately exhausting its reserves for foreign and domestic policy reasons, limited what it had left so

that American consumers did not have to pay more. The U.S. *did*, in significant ways, control the price of food—not to the extent that OPEC controlled the price of oil, but the point stands. But it didn’t have to by itself any longer. This was Kissinger’s act of good faith—of, as he put it to Butz, “convinc[ing] the political leadership of these [developing] countries that we mean it when we call for cooperation.”<sup>84</sup> He explicitly presented the IFAD as a first positive gesture in a North-South conflict that had yet to reach the level of dialogue: “It should include all the major exporters as well as those whose import needs are likely to be greatest.” In a reference to the NIEO’s call for global negotiations, he added, “This group’s work should be carried out in close cooperation with other international efforts to improve the world trading system.”<sup>85</sup>

There are important ironies in Kissinger’s approach. No one would dispute that “all nations—East and West, North and South—are linked to a single economic system.” But Kissinger also wanted to convince the oil-importing developing countries supporting the NIEO that when producers’ cartels restrict supply to force political change, “the poorest and weakest nations will suffer most.” It was indeed true that, at least in the short term, food price spikes hurt poor countries more than rich ones; as Fr. Theodore Hesburgh, President of Notre Dame University and board chairman of the Overseas Development Council, put it at the time, “If you run out of gas, you can’t go on a picnic in the country, but if you run out of food, you die.”<sup>86</sup> Still, high energy prices would become a major contributor to developing countries’ debt throughout the 1970s, as OPEC

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<sup>84</sup> *FRUS 1969-76*, Volume E-14, Part 1, Doc. 148. <https://history.state.gov/historicaldocuments/frus1969-76ve14p1/d148>.

<sup>85</sup> “Address by Secretary Kissinger,” November 5, 1974, *Department of State Bulletin*, Vol. LXXI, No. 1851, December 16, 1974. <http://www.fordlibrarymuseum.gov/library/document/dosb/1851.pdf#page=3>.

<sup>86</sup> Michael O’Brien, *Hesburgh: A Biography* (Washington, D.C.: The Catholic University of America Press, 1998), 145.



“petrodollars” were “recycled” through Washington banks and lent out to dozens of cash-strapped countries.

But none of this was immediately apparent in 1974, especially since OPEC continued to link its actions to the South’s broader mission and signal that they would provide large financial assistance to other developing countries. Further, G-77 members knew that what they were proposing for, say, bauxite and sugar was much more modest than OPEC, in both political intent and economic impact. In fact, Kissinger’s logic for food could be equally applied to other commodities. Just as food exporting countries should not be “caught by surprise” by changing demand from the South, developing countries did not want the prices of their own commodity exports to be at the whim of economic temperaments in the North. It was not a big intellectual leap to go from Kissinger’s endorsement of an international system of food reserves and financing to the G-77’s proposal for a “Common Fund for Commodities.”

Still, in blaming OPEC for most of the global economy’s problems, Kissinger had effectively admitted that an organization of commodity producers from the South had single-handedly brought the global monetary system to its knees—and that the developed countries had been powerless to stop them. And while Kissinger held up the 1973 oil crisis as proof that producers’ cartels hurt poor countries even more than rich ones, did not the global impact of American monetary, trade, and agricultural policy produce the same effect for food—an even more vital resource? “The central purpose of the U.S. delegation seemed to be to extract a promise from the oil-producing countries to use some of their oil revenues to finance agricultural improvement in the Third World,” one observer noted following the conference. Kissinger cited the “special responsibility” of

oil-producing countries to fund development, since “many of them have income far in excess of that needed to balance their international payments or to finance their economic development.” Thus, the observer continued, “the pressure was... on the members of OPEC right from the beginning of the conference. Put your money on the table... and we will respond by doing something about immediate problems of world starvation by releasing more food aid.”<sup>87</sup> In other words, Kissinger was saying that if you don’t help, neither will we.

Kissinger was confident that this strategy would work. “The Arabs are scared,” he told his staff before the conference, “and regardless of what they say in public they are very conciliatory to me in meetings.”<sup>88</sup> However, the OPEC countries countered by calling for their own Agricultural Development Fund, to which *they* would contribute the bulk of the funding. OPEC’s proposal was backed by some developed countries, including Australia, The Netherlands, and New Zealand, but the U.S. refused to support it. Instead, Kissinger returned to his first, more limited proposal, which was to launch a Coordinating Group for Food Production and Investment organized by the World Bank, UN Food and Agriculture Organization, and UN Development Program, which would work toward what finally became in 1977 the International Fund for Agricultural Development. Any real money would thus be split between two institutions, “one supported by the rich countries and the other by the newly rich”—and each with opposing political intentions.<sup>89</sup>

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<sup>87</sup> Nigel Hawkes, “World Food Conference: Amid Politicking, Some Progress,” *Science* 186, no. 4167: 905.

<sup>88</sup> *FRUS 1969-76*, Volume E-14, Part 1, Doc. 147. <https://history.state.gov/historicaldocuments/frus1969-76vol14p1/d147>.

<sup>89</sup> Hawkes, “World Food Conference,” 905.

Some saw hope in these efforts, but the priorities of each side ensured that the success of both proposals would be undermined by their creators. Jan Pronk, Minister of Development Coordination in the Netherlands in the 1970s and an active participant in several critical North-South forums, believed at the time that the oil for food concept was “brilliant.” Pronk was a co-sponsor of OPEC’s Agricultural Development Fund, “which was not an anti-Western resolution,” he explained, “because it was OPEC plus the Netherlands.” However, Pronk lamented that neither plan became the “great ‘oil-for-food fund.’ Why not? OPEC remained hesitant and the West remained suspicious.”<sup>90</sup>

Despite its unwillingness to reconcile the two proposals, the U.S. delegation reported that the conference was “a considerable success from the U.S. standpoint. A framework was developed for concerted international action on the food problem and U.S. objectives were almost completely achieved.” This did not mean, however, that the U.S. was able to avoid blame for the food crisis and several other wrongs. As Kissinger had suspected, neither food nor energy could be discussed in global forums without inevitably returning to the NIEO. “Many of the developing countries, particularly the more radical members of the Group 77, utilized the plenary forum to the fullest in delivering national speeches excoriating the United States and other developed nations as responsible for the current food crisis and for the generally depressed economic state of developing countries,” the U.S. delegation explained. “They called for radical adjustments in the current economic order and for reparations from developed to developing countries.”<sup>91</sup>

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<sup>90</sup> Quoted in Weiss, *UN Voices: The Struggle for Development and Social Justice* (Bloomington: Indiana University Press, 2005), 226.

<sup>91</sup> *FRUS 1969-76*, Volume E-14, Part 1, Doc. 153. <https://history.state.gov/historicaldocuments/frus1969-76ve14p1/d153>.

Venezuela was one such delegation. Carlos Andrés Pérez was elected President in March 1974. He pledged to use Venezuela's oil wealth in the service of economic development and social justice at home, but he also had ambitions to act as a spokesman for the heterogeneous coalition behind the NIEO. Though Perez supported OPEC's price hikes, he continued to ship oil to the U.S. during the blockade; his "reward" came the following year when the U.S. Congress excluded *all* OPEC members from special developing country tariffs, regardless of whether or not they had participated in the blockade. Pérez would go on to play a key role in Jimmy Carter's plans for Latin America, who enlisted Perez as his closest partner on North-South affairs, human rights, and the Panama Canal.

Pérez stressed one aspect of the food crisis in his speech that the U.S. preferred to avoid. He began by quoting from a message he had sent to Ford in September 1974, at the time of Ford's address on the energy and food crisis to the UN General Assembly. "Among other things," he wrote, "the world food crisis is due... to the high prices the developed nations are charging us for the farming and industrial machines and other inputs that are essential to agriculture and the growth of our economies." He argued that the conference would fail in its objectives unless developing countries "attained a necessary and compatible balance" of the prices of their commodities with the prices of developed countries' capital goods. Pérez called the measures proposed by the U.S. and other developed countries "partial and discriminatory," charging that they would only perpetuate the divisions of the existing system. "Pessimism and distrust," not hope, were the feelings of developing countries that listened to Kissinger talk as if the food crisis was

caused by God and OPEC alone. “Unless the issue of international trade is faced squarely,” Pérez declared, “it will not be possible to detect [its] causes.”<sup>92</sup>

Algeria—a leading representative of all three groups involved in North-South politics—the Non-Aligned Movement, G-77, and OPEC—went even further. Speaking on behalf of the NAM and G-77, President Houari Boumedienne declared the UN’s Second Development Decade (of the 1960s) a “failure.”<sup>93</sup> According to a State Department telegram, Boumedienne “blamed [the] LDC food problem on US and EEC restrictive practices and colonial exploitation.” The Algerian president listed the creation of a special fund for developing countries in the IMF, reductions in developed country tariffs, renegotiation of international commodity agreements, greater regulation of multinational corporations, and the establishment of new international institutions as necessary to carry out the conference’s program of action—in other words, the NIEO. The State Department telegram summarized, “DCs have great responsibility [for the crisis] and nonaligned will see that New [International] Economic Order prevails.”<sup>94</sup> The U.S. delegation, however, reported back a more optimistic summary: “Closing statements by chairmen of the various groups reflected general satisfaction with Conference results, although Algeria, speaking on behalf of the 77, was less than enthusiastic in its appraisal, the tone of its comments being that although half a loaf is better than none, it did not

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<sup>92</sup> “A Letter from the President of Venezuela to the Chairman of the World Food Conference Meeting in Rome,” Caracas, November 5, 1974.

<sup>93</sup> Paulos Milkias, *Developing the Global South: A United Nations Prescription for the Third World* (New York: Algora Publishing, 2010), 227.

<sup>94</sup> U.S. Department of State, “World Food Conference – November 7 Plenary Sessions,” November 9, 1974, [https://wikileaks.org/plusd/cables/1974ROME15572\\_b.html](https://wikileaks.org/plusd/cables/1974ROME15572_b.html).

meet the expectations with which the developing countries had entered the Conference.”<sup>95</sup>

## **Kissinger vs. the EPB: Part II**

Kissinger won the battle with the EPB over numbers. At the Conference he announced \$350 million for agricultural development; a combined \$55 million for malnutrition; and \$10 million for iron deficiency. For his food bank, he estimated a “worldwide reserve of as much as 60 million tons of food above present carryover levels may be needed to assure adequate food security.”

Conflict returned almost immediately. In the five months since the Conference, the NSC explained, “State and Agriculture, and to a lesser extent other agencies, have spent most of their time... arguing about how the U.S. should implement [Kissinger’s proposal].” The difference was “fundamental, and the inflexible positions taken so far threaten to make a meaningful U.S. initiative possible.” The disagreement was between State’s “tight” system—according to the OMB, “essentially a price-fixing, international commodity agreement with nationally held buffer stocks and export controls in time of shortage<sup>96</sup>—and Agriculture’s “loose” system, “in which the agreement would be to consult on further action [in the event of a crisis] under pre-negotiated supply positions.” Opposition from Butz was “implacable,” and he continued to insist that the loose system would be meaningful enough.<sup>97</sup>

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<sup>95</sup> *FRUS 1969-76*, Volume E-14, Part 1, Doc. 153. <https://history.state.gov/historicaldocuments/frus1969-76ve14p1/d153>.

<sup>96</sup> GFPL, Seidman Files, EPB Subject Files, Box 113, “The Status of Proposals on Grain Reserves and the Proposed Kissinger Speech,” May 7, 1975.

<sup>97</sup> GFPL, NSA, Presidential Subject File, Box 6, Memo, Butler to Scowcroft, “EPB Meeting on Food Reserves Proposal,” May 11, 1975.

Kissinger's response was to once again work around the interdepartmental process. On May 13, 1975 at the Kansas City International Relations Council, he announced "a comprehensive American approach" to the problems of the world economy. Kissinger made clear the U.S.' position on what the South had been proposing: the U.S. would not indulge the "so-called Third World's... calls for a totally new economic order founded on ideology and national self-interest." He defended the pillars of the postwar system—open trade, free movement of capital and technology, readily available supplies of raw materials, and existing international institutions—though he also acknowledged the "uneven" progress of developing nations. "Order cannot survive," Kissinger insisted, "if economic arrangements... fail to meet the aspirations of nations and peoples for progress." But there would be no New International Economic Order: "The United States is prepared to study these views attentively... [and] [we] are prepared to consider realistic proposals... but we are convinced that the present economic system has generally served the world well."

Although Kissinger made clear what the U.S. was not prepared to do, he also made much clearer than before what the U.S. was willing to negotiate. First, he recommitted the U.S. to the so-called Paris dialogue, or Conference on International Economic Cooperation (CIEC). The talks, initiated by French President Valéry Giscard d'Estaing, were an attempt by Giscard to initiate direct negotiations with oil producers. The EC was already pursuing negotiations on other commodities through the Lomé Convention. The final agreement, signed February 1975 by the EEC and 71 African, Caribbean, and Pacific Countries (ACB), provided non-reciprocal preferences for most ACB exports to the EC, in addition to \$3 billion in development aid. Hailed in Europe as

a success and well-received by participating developing countries, the Lomé Convention was a direct response to the NIEO: its preamble pledged “a new model for relations between developed and developing states, compatible with the aspirations of the international community towards a more just and more balanced economic order.”<sup>98</sup>

Kissinger watched these developments with concern. The French had been ambivalent at best on his proposal in 1973 for an International Energy Agency (IEA) within the OECD, which would act as an emergency oil sharing mechanism for developed countries. Hardliners in the Quai d’Orsay argued that the IEA’s mission of sharing and stockpiling contradicted the EC’s position on prioritizing the move toward energy independence. Giscard, however, “listened to the doves” and instead of vetoing the IEA, a power France had in the OECD, he abstained. Giscard was a Atlanticist and founding member of the 1973 “library group,” designed to facilitate cooperation between the finance ministers of the U.S., France, Britain, West Germany, and Japan, and he abstained in order to continue his policy of improving France’s relationship with the U.S.<sup>99</sup> However, given France’s heavy dependency on Third World oil and commodities, he also sought a leading role for his country in the North-South dialogue.

The official U.S. position on the CIEC had been non-committal, and initial meetings were not encouraging. In April 1975 talks broke down over Algeria’s insistence on including all raw materials in the discussions. Treasury officials were loath to discuss the “linkage” issue, but Ford, keen to build cooperation on a number of economic and

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<sup>98</sup> Frank Long, *The Political Economy of EEC Relations with African, Caribbean and Pacific States: Contributions to the Understanding of the Lomé Convention on North-South Relations* (New York: Pergamon Press, 1980), 53.

<sup>99</sup> Aurélie Élisabeth Gfeller, *Building a European Identity: France, the United States, and the Oil Shock, 1973-74* (New York: Berghahn Books, 2012), 173-74.



security issues, overruled them. At the Helsinki meeting of the Conference on Security and Cooperation in Europe in July, Ford and his European counterparts agreed to accept Algeria's demand in order to resume the talks.<sup>100</sup> "The realities of European politics," the State Department noted, "forced the USA to accept a linkage between energy and North-South issues."<sup>101</sup> Forced or not, Kissinger presented this policy reversal as another progressive move by the U.S. toward meeting the G-77's concerns. "Our own thinking on the issue of raw materials, and the manner in which it can be addressed internationally, has moved forward," he announced. "We can thus resume the dialogue in a new atmosphere."

Kissinger did not, however, concede the arguments he had been making since the NIEO's announcement. He stated U.S. opposition to indexing global commodity prices to inflation, insisting that since "most raw material production takes place in the industrial countries," indexation would harm "the poorest, most populous states [which] are net importers of raw materials" while helping "those least in need," the industrial countries. As an alternative, Kissinger announced a three-part approach. The U.S. would propose new rules and procedures at the Geneva Multilateral Trade Negotiations on raw materials access and dispute settlement; discuss new commodity agreements on a "case-by-case" basis; and pursue new financing efforts for raw materials investment by the World Bank. On food, Kissinger was less prosaic (and quite self-congratulatory):

On behalf of President Ford, I announced a proposal [at the World Food Conference] for a long-term international effort to eliminate the scourge of hunger. For we regard our good fortune and strength in the field of food as a global trust. We recognize the responsibilities we bear by virtue of our extraordinary productivity, our advanced technology, and our tradition of

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<sup>100</sup> Gfeller, *Building a European Identity*, 174.

<sup>101</sup> Joan Garratt in Steven L. Spiegel (ed.), *The Middle East and the Western Alliance* (London: Routledge, 2015), 98.

assistance. And we are convinced that the global response will have an important influence on the nature of the world our children inherit.

Kissinger then described the principles of his grain reserves system, though, per the cabinet's preference, he again mentioned no numbers.<sup>102</sup>

Opposition to Kissinger's policies—and tactics—was again unanimous among Ford's economic advisers. The EPB had already cautioned Ford against Kissinger's suggestion for an International Food Review Group (IFRG) to follow up on his proposals. The "principal question," Seidman wrote, "was who should have the basic responsibility for food policy—a domestic policy oriented group or a foreign policy oriented group." The IFRG was obviously the latter: "The working group proposed by Secretary Kissinger does not provide for representation of Treasury, OMB, and CEA."<sup>103</sup>

Ford granted Kissinger his group, which was essentially the inverse of the EPB. Kissinger was Chairman and Butz was Vice-Chairman; Simon, Ash, and Greenspan were assigned to a "working group" that would report directly to Kissinger.<sup>104</sup> Predictably, Kissinger ignored them. "The IFRG Working Group has been working on the grains reserves problem for 5 months," a CEA official wrote to Greenspan two days before Kissinger spoke in Kansas City:

With this speech Kissinger and State are finessing that whole exercise. They are playing a dangerous game on a subject that is very important to U.S. agriculture... State has chosen to ignore all the protests and comments against their commodity-agreement type grain reserve. *I recommend as strongly as I possibly can that we object to the basic*

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<sup>102</sup> "Strengthening the World Economic Structure," May 13, 1975, *DOS Bulletin*, June 2, 1975.

<sup>103</sup> GFPL, NSA, Presidential Subject File, Box 6, Food/Food Aid/World Food Conference, Memorandum for the President, L. Wm. Seidman on behalf of William Simon, Roy Ash, Alan Greenspan, William Eberle, and Ken Cole, "Kissinger Memo (11-6-74) re World Food Conference Follow Up," November 8, 1974

<sup>104</sup> *FRUS*, Vol. E14, doc. 151, <https://history.state.gov/historicaldocuments/frus1969-76ve14p1/d151>.

*elements* of this proposal. It essentially amounts to abandoning the free market system of agriculture that we are attempting to establish.<sup>105</sup>

James Lynn, Roy Ash's replacement at OMB, agreed, urging Seidman to take action against "this effort by State to gain Cabinet support for an international commodity agreement on grains outside established channels, without adequate analysis and by attempting to persuade Cabinet officers individually."<sup>106</sup> Seidman said as much to Ford in a letter two days later, giving equal criticism to Kissinger's economic policies and bureaucratic procedure.<sup>107</sup>

The NSC agreed with Kissinger's proposal, but noted that he was doing himself no favors by going around his colleagues' backs. In EPB meetings, a staffer wrote, the NSC "supported more rational discussion" on the export controls feature, which "is completely unacceptable to Agriculture" but without which "the proposal is hollow." However, the NSC also admitted that "the tactics which State has pursued have obviously exacerbated the opposition of other agencies."<sup>108</sup> Council on International Economic Policy (CIEP) member Mike Dunn confirmed this in a memo to Seidman. "The timing could not be worse," Dunn wrote. The CIEP was just about to complete its first annual international economic review for the President, and Kissinger's "speech alone will 'scoop' the review and EPB/CIEP and indicate that State alone runs policy in this entire, vital field." Dunn suspected that Kissinger had not briefed Butz before the Kansas City speech, which "represents a bypass of the entire EPB/CIEP coordination structure." Dunn

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<sup>105</sup> GFPL, L. William Seidman Papers, Box 113, Seidman Subject File, Agriculture 1/75-7/75, Edward Schuh to Greenspan, May 12, 1975. Emphasis in original.

<sup>106</sup> GFPL, L. William Seidman Papers, Box 113, Seidman Subject File, Agriculture 1/75-7/75, Lynn to Seidman, May 7, 1975.

<sup>107</sup> GFPL, L. William Seidman Papers, Box 74, Economic Policy Board Subject File, Kissinger, Henry: Speech on World Economic Structure, May 13, 1975

<sup>108</sup> GFPL, WHCF, Speeches, SP5 / FG11, Box 82, SP5 / FG11 8/9/74-5/31/75, Butler to Scowcroft, "Food Reserves: Secretary's Kansas City Speech," May 12, 1975.

also opposed the rest of the speech on substance, believing it “unrealistic to talk in these terms of LDC aspirations” and that the speech “goes too far in accepting commodity agreements in principle.”<sup>109</sup>

Despite Kissinger’s rejection of the NIEO’s calls for “an entirely new economic order,” Simon and Seidman still feared that the Secretary was abandoning the free market in both rhetoric and policy. “While we would like to avoid confrontation,” they wrote Ford, “we clearly cannot acquiesce in, or compromise with, this new economic order, within which the U.S. would have to choose between “(a) becom[ing] socialist or quasi-socialist or (b) become economically isolationist.” There was no middle ground with the NIEO. “The principles of free markets and free enterprise are, after all, what we stand for and what we believe in. If we fail to speak out in their defense, no one else will be able to do so.”<sup>110</sup>

Kissinger assured the President that “on substance I agree with Simon” and admitted, “I am not reliable on economic matters.” “But,” he continued, “these issues are not basically economic. My role is to project an image of the U.S. as progressive.” Greenspan was “a theoretician,” trying to “vindicate a system which no one will support.”<sup>111</sup> To Kissinger, Ford’s economic advisors far overestimated the support for free market “theology” in Western European governments. Combined with their greater vulnerability to oil prices, European capitulation to the NIEO—or something resembling it—was a real possibility. Kissinger stressed this point by mentioning his meeting in

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<sup>109</sup> GFPL, Seidman Files, EPB Subject File, Kissinger: Henry: Speech on World Economic Structure, May 13, 1975, Dunn to Seidman, “Proposed Speech Draft,” May 12, 1975.

<sup>110</sup> GFPL, U.S. Council of Economic Advisers Records, Alan Greenspan Files, Box 58, Economic Policy Board Meetings, EPB—May 1975, undated.

<sup>111</sup> *FRUS 1973-76*, Vol. XXXI, Foreign Economic Policy, Doc. 292.  
<https://history.state.gov/historicaldocuments/frus1969-76v31/d292#fn2>.

Bonn with Helmut Schmidt, who, Scowcroft reported to Ford, “considers a forthcoming approval on commodities as essential. If US insists on status quo, Federal Republic would go it alone and Europe would separate from us.”<sup>112</sup> “If we insist on theoretical positions,” Kissinger explained, “Schmidt will separate from us on raw materials... He will not follow us on a confrontation course with the LDC’s. If he won’t, neither will France, Great Britain, or Japan.”<sup>113</sup>

Two weeks after Kissinger’s speech in Kansas City, he and Simon travelled to the International Energy Agency and OECD ministers’ meetings in Paris, where Kissinger addressed both bodies. In his IEA speech Kissinger again stressed the “share[d] responsibility” of the U.S. and OPEC “for easing the plight of the poorest nations and reiterated the U.S.’ commitment to resuming the CIEC.”<sup>114</sup> In his speech to the OECD, he made several statements on North-South relations that, to Europeans, were entirely uncontroversial. For one, he endorsed “locomotive theory” as a macroeconomic solution to the slump in developed and developing countries. The term would come later and was popularized by the Trilateral Commission and the Carter Administration, but the idea—that “economic expansion in the industrial world and economic cooperation with the less developed countries go hand in hand”—was endorsed by Ford and his counterparts six months later at the first “Group of 6” developed country summit in Rambouillet, France.

Kissinger also stressed the problem of legitimacy, insisting that the “[developed countries’] economic well-being depends on a structure of international cooperation in which the developing countries are, and perceive themselves to be, participants.” At the

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<sup>112</sup> Ibid, footnote 2.

<sup>113</sup> Ibid.

<sup>114</sup> “Statement Before Ministerial Meeting of the IEA Governing Board,” May 27, 1975, *DOS Bulletin*, Vol. LXIII, no. 1878, June 23, 1975.

same time, he castigated “international meetings that exhaust themselves in self-indulgent rhetoric and self-righteous propaganda” referring to the Third World bombast characteristic of the UNGA and specialized organizations: “Such methods are futile and counterproductive.” Instead of the “theoretical debate over whether we are seeking a new order or improving the existing one,” he insisted to OECD leaders, both North and South must “deal in reality, not rhetoric.”<sup>115</sup>

This time, the EPB received Kissinger’s speech a week in advance, but still found nothing to endorse. The Treasury Department thought the OECD speech “must be substantially reoriented if it is to reflect what we believe the basic thrust of U.S. international economic policy is and ought to be.” The U.S. could not endorse *any* “fundamental changes in the international economic system.” For them, developing countries, not the system, were the problem. “What will make the difference in the future between success and failure,” a Treasury official wrote, “will primarily be how well or how badly they manage their own economic affairs. The rest of the world can’t do the job for them. Whatever is presented in the way of aid and other support will have a marginal impact compared to their own efforts and their own policies.” The CEA found “the most disturbing aspect to the speech...its overall tone,” which implied “(a) that the DC’s [developing countries] have a case in their requests for commodity stabilization, compensatory finance, etc., and (b) that we intend to respond positively to the requests.”<sup>116</sup>

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<sup>115</sup> “Statement Before the Ministerial Council of the OECD,” May 28, 1975, *DOS Bulletin*, Vol. LXIII, no. 1878, June 23, 1975.

<sup>116</sup> GFPL, Seidman Files, Name File, Box 189, Kissinger, Henry A., OECD Speech 5/28/85, “OECD Speech,” May 23, 1975.

Rejecting the idea of a new economic order as presented by the G-77 was not enough; for Ford's pro-market advisors, responding with any positive measures besides current U.S. foreign aid levels and IMF and World Bank financing was abandoning America's commitment to free markets. Even Kissinger's pledge to share more technology with developing countries, which the CEA admitted "is government policy to do this up to a point," was giving too much: "I believe...that there were some things that we were at least going to attempt to keep to ourselves." The CIEP also joined Treasury and CEA in attacking Kissinger's "bombastic" rhetoric on macroeconomic policy. The premise that "the growth rate of the LDCs is basically dependent on the OECD countries"—the locomotive theory—"is naïve, egotistical, and dangerous," a CIEC official argued. "No, the fact of the matter is that their own economic policy, social structure and political will are the determinant factors."<sup>117</sup>

One day after these reports were filed, Kissinger called a meeting with Simon, Seidman, and NSC official Robert Hormats to defend himself:

With regard to the new economic era.... I believe we have to avoid an international dispute where Americans say the existing system is great and the LDCs call for a new economic order. This is a losing wicket. Nobody will support us, particularly since there are so many socialist governments in industrialized countries... it is suicide to defend the existing system. We would be like the Austrians in the 19<sup>th</sup> century.

Kissinger made clear that he wouldn't "fall on my sword on particular technical points," since this missed the purpose of his several speeches on the NIEO. In less than four months, members of the UN General Assembly would meet for another special session to discuss the progress of North-South relations since the NIEO's announcement. Kissinger

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<sup>117</sup> GFPL, Seidman Files, Name File, Box 189, Kissinger, Henry A., OECD Speech 5/28/85, "OECD Speech," May 23, 1975.

saw the session as a major opportunity for the U.S. to neutralize OPEC's role in North-South relations. This would involve exactly what the EPB feared: announcing a willingness to negotiate new commodity agreements, which the EC was already doing through the Lomé Convention. "I would like to split the LDCs at the UN [Seventh] Special Session and keep some of the industrialized countries with us," he explained. "And I am willing to give them something on rhetoric to accomplish this."<sup>118</sup>

Ford's economic advisors were not persuaded, and on May 26—two days before the OECD speech—the President convened a meeting with Kissinger, Simon, Seidman, Greenspan, Arthur Burns, Scowcroft and staff to discuss the dispute. Ford began by declaring himself a believer in the free market system but also a pragmatist not stuck on phraseology. He then listened to their respective approaches.

Kissinger reiterated his belief that if we defend the existing order as it is, we will be "beaten back and beaten back, with no support." Instead, the U.S. should "fight on technical issues" and not the "theological fight, between free market and regulated market." On the latter, they would lose in both the South *and* the North. "Schmidt for instance," he stressed once more, "told me clearly that the energy meeting [the CIEC] was the last time that the FRG will support the U.S. on these sorts of issues." A progressive strategy from the U.S. would allow it to "control the situation better by seeming conciliatory and cooperative. And many of these issues are political issues so that we can use other leverage when the time arises."

For Simon, the NIEO was about a lot more than politics. "If we don't defend the free market," he asked, "who will?" At the same time he also dismissed Kissinger's

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<sup>118</sup> *FRUS 1973-76*, Vol. XXXI, Foreign Economic Policy, Doc. 293.  
<https://history.state.gov/historicaldocuments/frus1969-76v31/d293>.



worry about losing allies, insisting, “We have a great deal of company. We are not isolated.” Instead of Kissinger’s new proposals and conciliatory rhetoric, Simon insisted, “We are better off to talk about the importance of market principles, although we should recognize that it has deficiencies.... Our efforts to defend the free market system will be applauded.” The President questioned to which allies Simon was referring, noting, “I don’t see the British jumping up to defend it.” Still, Burns agreed with Simon, arguing that “support for the market is alive and growing” even in socialist countries, and that the U.S. should not “acquiesce in manipulation or market control arrangements” on developing countries’ behalf.

Not for the last time, Kissinger’s pragmatism played to Ford’s own sensibilities. The President concluded that the speech was “designed to put us in a stronger position” to “defend what we want which is the preservation of the system,” and the speech was delivered as Kissinger intended.<sup>119</sup> In addition to endorsing the locomotive theory, Kissinger announced continued support for the International Fund for Agricultural Development and plans to negotiate an international grain reserve system. On commodities, the U.S. would continue to oppose producer cartels but would negotiate specific agreements, a reversal of the Administration’s knee-jerk opposition to any new agreements after the NIEO’s announcement. It would also increase World Bank financing for resource investments and work with the IMF to review mechanisms to protect developing countries against commodity price fluctuations. Additionally, the U.S. would support the creation of a new gold trust fund in the IMF for the poorest countries—half of the funding for which must come, Kissinger insisted, from the oil producers.

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<sup>119</sup> *FRUS 1973-76*, Vol. XXXI, Foreign Economic Policy, Doc. 294.  
<https://history.state.gov/historicaldocuments/frus1969-76v31/d294>.

## Conclusion

Pressure from the Third World for global economic change dominated Henry Kissinger's tenure as Secretary of State from the moment of his appointment in September 1973. On September 5, in the midst of OPEC's first oil price increases, Non-Aligned Movement leaders met in Algiers to warn of an impending "revolution" coming in international economic relations. The NAM's economic declaration cited a lack of concern from developed countries, exploitation by multinationals, an inflationary rise in the price of imports, and "the aggravating effects of the international monetary crisis" for the poor prospects of developing countries in the UN's second Development Decade. Their declaration called for greater economic cooperation between developing countries both within existing UN institutions and groups and outside, including the establishment and strengthening of producers' organizations (or cartels) for "major commodities of importance to the world economy."<sup>120</sup>

Less than a year later, Algeria led the Third World in calling for a special session of the United Nations to address problems of raw materials and development. They announced the need to "work urgently" toward a New International Economic Order "based on equity, sovereign equality, interdependence, common interest and cooperation among all states... to eliminate the widening gap between the developed and the developing countries." They declared the independence of the colonized world the "greatest and most significant achievement during the last decades," and determined that

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<sup>120</sup> Fourth Summit Conference of Heads of State or Government of the Non-Aligned Movement, "Economic Declaration," September 5-9, 1973, 61, 88.  
[http://cns.miis.edu/nam/documents/Official\\_Document/4th\\_Summit\\_FD\\_Algers\\_Declaration\\_1973\\_Whole.pdf](http://cns.miis.edu/nam/documents/Official_Document/4th_Summit_FD_Algers_Declaration_1973_Whole.pdf).

the “present international economic order” stood in “direct conflict” with those developments. The crises in the developed countries illustrated “the reality of interdependence” for all. The NIEO repeated the NAM’s assertion of “full permanent sovereignty” over economic resources, the right of every country to choose the economic and social system “deemed most appropriate,” compensation for past exploitation and abuse, increased food aid and technology transfers from developed countries, the regulation of multinationals, and the establishment of producers’ organizations for raw materials.<sup>121</sup>

The developing countries continued their challenge in the UN at the 29<sup>th</sup> General Assembly in December, 1974, where Mexican President Luis Echeverría presented a Charter of Economic Rights and Duties of States (CERDS). The most controversial provision declared that states have the right to nationalize, expropriate, and transfer ownership of foreign property with compensation to be decided by the laws of the host government, effectively rendering null and void deals made with previous governments. This was, in effect, an attempt by the G-77 to accord legitimacy to the NIEO through international law. “Let us remove economic cooperation from the sphere of good faith,” Echeverría stated, “and move it to the legal sphere. Let us transfer the accepted principle of solidarity among men to the area of relations between countries.”<sup>122</sup>

In 1973, Kissinger pledged to the General Assembly that his government would “examine seriously” the idea of a charter, which had come from a resolution passed by the G-77 at the 1972 UNCTAD meeting. Not surprisingly, when CERDS was presented

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<sup>121</sup> U.N. General Assembly, “Declaration on the Establishment of a New International Economic Order,” [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=A/9559&Lang=E](http://www.un.org/en/ga/search/view_doc.asp?symbol=A/9559&Lang=E), p. 3-4.

<sup>122</sup> The Charter of Economic Rights and Duties of States, Emilio O. Rabasa, *Proceedings of the Annual Meeting (American Society of International Law)* Vol. 68 (April 25-27, 1974), 302-305: 302.

to the General Assembly, the U.S., “with deep regret,” voted against its submission; they were joined only by Britain, Belgium, Denmark, Germany, and Luxembourg.<sup>123</sup> The Charter passed the General Assembly 120-6-10, but it is also not surprising that it failed to gain the status of international law intended by many of its signatories.

It was obvious that neither the United States nor its allies were ever going to agree to such changes. But it also made no sense for the South to issue watered down declarations devoid of firm principle and radical measures—especially when OPEC had showed what radicalism could achieve, despite the effects of its actions on the oil-importing “no-PECs.” “The G-77 needed a confrontation,” Jan Pronk explained. “Just to continue asking and talking would not have helped them at all.”<sup>124</sup> Indeed, the South had first petitioned the North for a more inclusive global economic order at the Bretton Woods Conference in 1944 and continued to do so through various UN bodies throughout the 1950s and 60s, to little effect.<sup>125</sup> “We do understand... that this [confrontation] could mean a similar disaster for the developing [countries],” Venezuela’s Carlos Andrés Pérez admitted at the World Food Conference. “What we aim is to take advantage of this opportunity when raw materials, and energy materials primarily, are worth just as much as capital and technology, in order to reach agreements that will ensure fair and lasting balances.”<sup>126</sup>

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<sup>123</sup> Charles N. Brower and John B. Tepe, Jr., “The Charter of Economic Rights and Duties of States: A Reflection or Rejection of International Law?” *The International Lawyer* Vol. 9, No. 2 (April 1975): 299.

<sup>124</sup> Weiss, *UN Voices*, 226.

<sup>125</sup> For the South’s at Bretton Woods, see Michael Franczak, “‘Asia’ at Bretton Woods: India, China, and Australasia in Comparative Perspective,” in Giles Scott-Smith and J. Simon Rolph (eds.), *Global Perspectives on the Bretton Woods Conference* (London: Palgrave, 2017) and Eric Helleiner, *Forgotten Foundations of Bretton Woods: International Development and the Making of the Postwar Order* (Ithaca: Cornell University Press, 2014).

<sup>126</sup> “A Letter from the President of Venezuela to the Chairman of the World Food Conference Meeting in Rome,” Caracas, November 5, 1974.

Out of confrontation emerged a response, however limited or self-interested. By the middle of 1975, the EC had already renegotiated major economic agreements with dozens of developing countries through the Lomé Convention. They also made clear their willingness to bypass Washington by initiating the CIEC, leaving the door open to the establishment of new cartels on terms favorable to the EC.

The U.S. government took the NIEO and its related developments very seriously, but it meant different things to different people. William Simon, William Seidman, Alan Greenspan, and Earl Butz believed it should be firmly opposed, arguing that attempts to bargain down the NIEO only legitimated its claims that the existing market-based economic order was unjust and therefore illegitimate. Henry Kissinger disagreed. For him, economic concessions were political tools that could *restore* legitimacy to a U.S.-led global order. In other words, the U.S. was not the world's dictator, it was the world's hegemon, and without some degree of legitimacy there could be no effective hegemony. U.S. leadership required the consent, or at least opportunistic participation, of key actors; getting that consent or participation required cutting deals with statists and making compromises on principles.

Not surprisingly, the State Department perceived many early successes, but these were far from obvious or unqualified. As outlined in this chapter, Kissinger's first response to the NIEO's demands involved improving the global distribution of food aid through intergovernmental coordination and greater government involvement. But the International Fund for Agricultural Development was opposed by the departments of Agriculture and Treasury and failed to convince the South that even larger reforms were needed through comprehensive global negotiations.

Kissinger's plan to use the IFAD as a weapon against OPEC was also unsuccessful. Throughout 1975 the Arab countries announced numerous development funds and banks with the goal of reinvesting oil profits to diversify Third World economies, mainly in the Middle East and Africa.<sup>127</sup> Although these efforts received neither adequate funding nor sustained focus, they nevertheless served to shore up the South's solidarity through the oil and food crises. Kissinger not only underestimated OPEC's willingness to continue high oil prices at the expense of non-oil importing developing countries. He also underestimated the power of OPEC's example for other commodity producers, who were unwilling to ignore the role played by the developed countries, and the U.S. in particular, in their declining growth, export prices, and share of world trade during the North's age of affluence.

Throughout 1975-76 Kissinger expanded his strategy through different forums. The next chapter places developments in U.S. North-South policy in the context of U.S.-European-Japanese (or "trilateral") relations, which evolved through the establishment of yearly developed country summits. Once again, Kissinger took the lead in promoting these engagements, seeing them as a way to increase developed country coordination on a number of economic and security related issues and to renew the West's sense of confidence and cohesion in the face of mounting energy, monetary, and fiscal challenges. Kissinger also pushed forward in the CIEC. Again, he fought with the EPB over how to present U.S. economic policy—both North-South and North-North—in these meetings,

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<sup>127</sup> For example, the Saudi Arabian Development Fund, the Kuwait Fund for Arab Economic Development, the Islamic Development Bank, the Arab Fund for Economic Social Development, the Special Arab Fund for Africa, the Arab Technical Assistance Fund for Africa, and the Abu Dhabi Development Fund. Prashad, *The Poorer Nations*, 21.

but its results would begin to reveal more clearly the successes and failures of his NIEO containment strategy.

## Chapter 2: The NIEO and the Creation of the G-7, 1972-76

### Introduction

In 1972, Henry Kissinger was on a roll. During that year Kissinger negotiated the Paris Peace Accords, initiating the formal end of the Vietnam War. With President Nixon he opened relations with China while concluding the first Strategic Arms Limitation Treaty, inaugurating a new era of détente with the Soviet Union. After Anwar Sadat expelled Soviet advisors from Egypt, Kissinger quickly established a backchannel with Sadat's National Security Advisor to begin work on a new peace agreement with Israel and to consolidate America's role as the paramount superpower in the Middle East.<sup>128</sup>

Indeed, before 1973 Kissinger was everywhere but Europe, and his and Nixon's disregard was not without consequence. Europeans were ambivalent about some of the implications of détente: Willy Brandt pursued *Ostpolitik* with East Germany with the confidence provided by a tough U.S. policy toward the Soviets, while the Conservative government in Britain feared being left out of U.S.-Soviet negotiations and reciprocated by trying to keep the U.S. out of European conversations.<sup>129</sup> There was also the fallout from Nixon's unilateral decision to float the dollar, which sent global currency markets into disarray and led European finance ministers and central banks to expand the money supply to avoid contraction. Then there were the effects of the U.S. devaluation on global energy prices. In response to the cheapening of its dollar-priced oil, OPEC raised its rhetoric against the West and increased its excise tax against oil companies, who simply passed the cost on to American and European consumers.

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<sup>128</sup> <https://history.state.gov/milestones/1969-1976/arab-israeli-war-1973>.

<sup>129</sup> James Cronin, *Global Rule: America, Britain, and a Disordered World* (New Haven: Yale University Press 2014), 33.



Kissinger's belief in the importance of the Atlantic partnership was genuine, and after the globetrotting of 1972 he set out to repair the rift. Neither 1973 nor 1974 would be his "Year of Europe," but by the end of President Ford's two-and-a-half year term, the Atlantic alliance was stronger than it had been in over a decade. This chapter argues that the Third World's challenge, in the form of the oil crisis and New International Economic Order, played a central role in uniting developed countries around a political and economic consensus intended to sustain the postwar order. If this move toward unity did not always produce a common response to the fiscal, monetary, and energy crises of the mid-1970s, it did prevent any dramatic divergence in the developed countries' economic policies toward the Third World, after over a decade of troubling drifts.

After the NIEO's announcement the U.S. and others had tried to separate energy—the most urgent of these crises, with its associated effects on fiscal and monetary capacity—from discussions about raw materials, but influential Third World leaders like Algeria would not let them. Fiscal and monetary policy convergence in the developed countries strengthened the West's hand when forced to discuss energy and raw materials together. It also—and this was Kissinger's main goal—increased confidence in the developed countries that these crises could be managed collectively and calmly through discussion among like-minded Northern elites, rather than resorting to protectionism and cutting separate deals with energy and raw materials producers. This was a major boost for Kissinger's strategy: Northern unity increased the likelihood of splitting the "unholy alliance" between OPEC and oil-importing developing countries while simultaneously decreasing the South's ability to conduct separate negotiations with Europeans.

The chapter begins with a short history of European integration and the European Community's (EC) efforts in the late 1960s to forge a new economic relationship with the Third World. It then discusses the oil crisis within the context of U.S.-European relations and proceeds with some background to the Ford Administration's efforts to strengthen developed country cooperation, including attempts to repair transatlantic relation at the beginning of the energy crisis. Next, it explains how Ford and Kissinger worked to institutionalize cooperation at the November 1975 G-6 summit in Rambouillet, France, and June 1976 G-7 summit in Puerto Rico. Treasury Secretary William Simon was initially opposed to the summits and clashed with Kissinger over commitments to fiscal stimulus and North-South cooperation. However, Simon and other liked-minded economic officials in the Ford Administration came to see the summits as useful avenues for promoting fiscal discipline in developed countries, insisting on structural adjustment packages for loans to Italy and Britain. The chapter concludes with an analysis of the effects of this "North-North dialogue" on Northern economies and unity in advance of the two final North-South dialogues of the Ford Administration: the Conference on International Economic Cooperation, or "producer-consumer conference," held December 1975 to June 1977 in Paris, and the fourth meeting of the United Nations Conference on Trade and Development, held in May 1976 in Nairobi.

### **Europe Comes Together, 1945-72**

On April 23, 1973—six months before OPEC's embargo, and roughly a year before the announcement of the New International Economic Order—Kissinger announced a "Year of Europe." The U.S.-European relationship had been "the cornerstone of all postwar foreign policy," he declared, but that era had come to an end.

Europe's moves toward economic and political unity had created new tensions in transatlantic relations: Americans accused Europeans of free-riding on defense and taking economic self-interest too far, and Europeans accused Americans of being "out to divide Europe economically, or to desert Europe militarily, or to bypass Europe diplomatically." The growing energy crisis, "unforeseen a century ago," raised the stakes of "atrophy... neglect, carelessness, or distrust" in the alliance. "New realities" therefore required "new solutions." Kissinger promised that U.S. officials would work out a new Atlantic Charter, which President Nixon would bring with him on his trip to Europe at the end of the year.<sup>130</sup>

Nixon never made that trip. His attention was diverted instead to fighting off calls for his resignation due to the Watergate coverup, which did nothing to incentivize Europeans to increase their association with his faltering administration. As Kissinger put it during the 1973 Arab-Israeli War, Nixon was no longer seen as a "functional president."<sup>131</sup> Europeans also felt condescended to by Kissinger's sudden attention. French President Georges Pompidou remarked that for France, every year was the "Year of Europe"; as British Prime Minister Edward Heath put it in his memoirs, "For Kissinger to announce a year of Europe was like for me to stand on Trafalgar Square and announce that we were embarking on a year to save America!"<sup>132</sup> Regardless, the consequences of a united and independent Europe ran deeper than any single president or secretary of state.

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<sup>130</sup> Henry Kissinger, "1973: The Year of Europe," Department of State, Bureau of Public Affairs, Office of Media Services, 1973.

<sup>131</sup> Craig Daigle, *The Limits of Détente: The United States, the Soviet Union, and the Arab-Israeli Conflict, 1969-1973* (New Haven: Yale University Press, 2012), 323.

<sup>132</sup> Jussi Hanhimäki, *The Flawed Architect: Henry Kissinger and American Foreign Policy* (New York: Oxford University Press, 2004), 277.

If anything, U.S. efforts to create European unity following World War II had worked too well.

After 1945 the U.S. supported an economically and politically united Europe out of the conviction that prosperous and integrated European countries would have no incentive to turn to communism or return to war. The Marshall Plan was given to Europe with relatively few strings attached, but its \$13.5 billion in aid was disbursed under a new U.S.-backed mechanism, the Organization for European Economic Cooperation (OEEC), designed to develop intra-European trade and study the feasibility of a European customs union. In late 1949 the U.S. changed Marshall Plan requirements when it determined that credits were not being used enough for European economic integration. In 1950, the U.S. supported the creation of the European Payments Union under the OEEC's direction, designed to strengthen monetary cooperation among member states and to lessen Europe's dependence on U.S. dollars.<sup>133</sup>

The U.S. also supported French proposals for the European Coal and Steel Community (ECSC). Launched in 1951, the ECSC was designed to prevent the possibility of war between Germany and France by integrating the production of coal and steel. Like the Marshall Plan, the new community would be open to any interested European nation, ensuring that no single nation would have a monopoly on the inputs of war. "This transformation will facilitate other action which has been impossible until this day," France's Foreign Minister Robert Schumann announced. "A new Europe will be

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<sup>133</sup> "Organization for European Cooperation and Development," OECD, <http://www.oecd.org/general/organisationforeuropeaneconomicco-operation.htm>.

born from this, a Europe which is solidly united and constructed around a strong framework.”<sup>134</sup>

Once the framework was in place, expansion continued with consistent U.S. support. In the 1957 Treaty of Rome, the ECSC’s Common Market was expanded into the European Economic Community (EEC), governed by a set of new institutions including the European Commission, Assembly, and Court of Justice. In 1961, the OEEC was superseded by the Organization for Economic Cooperation and Development (OECD), in which the U.S. and Canada joined the OEEC’s European founders.

Other developments in the 1960s also brought Europe closer together—and closer to the Third World. The roots of Europe’s new economic relationship with the Third World began with the Treaty of Rome, before most decolonization took place (and before many Europeans accepted its inevitability). Over the objections of Germany and Belgium, Charles de Gaulle demanded that the Treaty include France’s new economic agreements with the French Community, the name of its renewed imperial project, in exchange for his country’s vote. Through the French Community’s formal association with the EEC, France intended to strengthen its economic hold on its colonies, accord European legitimacy to the continuation of its empire, and transfer some of the costs of maintaining these relationships to other European countries. Taken without any consultation with its colonies, France’s imperial preferences were extended to all EEC members, and the French Community was granted access on the same conditions to the

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<sup>134</sup> Robert Schumann, speech given May 9, 1950, found at <http://www.schuman.info/9May1950.htm>.

EEC. Additionally, Europe would provide credits through the European Development Fund (EDF) to French Community members.<sup>135</sup>

Decolonization further institutionalized EEC-Third World economic ties. It was not a wholly voluntary decision for European governments, some of which fought bitterly to hang on to colonies well into the 1970s. But by the early 1960s most European governments believed formal independence was inevitable, and they set out to preserve political and economic arrangements with former colonies as the process unfolded.

Development aid was one important tool for securing the continued economic cooperation of former colonies and their integration into new post-colonial economic agreements with European states and the European Community (EC) at large. To that end, in the early 1960s the OECD set up the Development Assistance Committee (DAC), which would administer the EDF to postcolonial territories. The EC soon became a major donor to the Third World, and like the U.S. and Soviet Union, it had its own interests to preserve.<sup>136</sup>

Preferential trade agreements were another tool, and such agreements between the EC and former colonies, mostly in Africa, multiplied throughout the 1960s. The first Yaoundé Convention in 1963 gave free access to EC markets for most exports, as well as additional EDF credits, for the eighteen African states (then, the Associated African and Malagasy States) included in the Treaty of Rome. The second Yaoundé convention in 1969 proceeded along similar lines. Since the Treaty of Rome stated that “other countries of similar development” to the AAMS could form similar agreements, the Arusha and

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<sup>135</sup> William Brown, *The EU and Africa: The Restructuring of North-South Relations* (London and New York: I. B. Tauris, 2002), 40.

<sup>136</sup> John Peterson and Mark Pollack, *Europe, America, Bush: Transatlantic Relations in the Twenty-first Century* (London: Routledge, 2003), 3.

Lagos agreements attempted to expand preferences to African countries not covered under Yaoundé I and II. In 1971 the EC also agreed to introduce the Generalized System of Preferences (GSP), lowering tariffs in the EC on exports from all developing countries.<sup>137</sup>

Developments in European political culture also encouraged a new EC policy toward the Third World. Garavini explains the shift in the European left's priorities marked by the crises of 1968:

The liberation movements of the Third World, the protest movements of the young and the working classes, and the evolving neo-Marxist intellectual currents had opened Europe's doors to a partial rethinking of economic science, and to reconsider the damage caused to the nations of the Third World, to the Earth, and to all mankind by Western models of development.<sup>138</sup>

Despite pushback from liberal and conservative parties and few real electoral victories, the general concerns raised by Europe's New Left were shared by more than just their supporters. The political orientation of the European governments that came to power in 1969-70 was a mixed bag: conservatives Edward Heath in Britain and Georges Pompidou in France; social democrats Willy Brandt in West Germany and Olof Palme in Sweden; and various Christian Democrats in Italy, to name a few. Whether Europe was entering a "golden age of social democracy" or the age of the "social-liberal coalition,"<sup>139</sup> all of these governments responded to new European public opinion in similar ways.

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<sup>137</sup> Brown, *EU and Africa*, 42-43.

<sup>138</sup> Giuliano Garavini, *After Empires: European Integration, Decolonization, and the Challenge from the Global South 1957-1986* (Oxford: Oxford University Press, 2012), 121.

<sup>139</sup> The "golden age" narrative of postwar capitalism typically dates it as the period of 1945-73, when economic events in the developed countries seemed to belie the assumptions of the postwar Keynesian consensus. However, some authors refer specifically to a "golden age of social democracy" in Europe. Garavini (2012) begins this period in 1969. Stefan Berger (2000) places it a little earlier, 1966-69, replaced by a social-liberal coalition in 1969 and lasting until 1982.

First, European governments heeded popular demands for a higher social wage and increased economic management. In OECD countries the percentage of GDP allocated for public spending increased just four points in the 1960s, to 31 percent; by 1980, it surpassed 45 percent. Second, Europeans recommitted to the project of unity. At the 1969 Hague Summit, Pompidou rejected his predecessor de Gaulle's hostility toward Britain's EC membership, paving the way for Britain's accession in 1973 under Heath. (Ireland and Denmark also joined that year.) The EC also strengthened the Common Agricultural Policy with new tax provisions and tariffs, and pledged a future economic and monetary union that would bring Europe closer than ever to Winston Churchill's "United States of Europe."<sup>140</sup> Lastly, the EC granted new trade concessions to the Third World through the Lomé Convention (discussed later) while also moving toward a common global position at the third United Nations Conference on Trade and Development (UNCTAD) negotiations in Santiago, Chile.

### **Divergence at Santiago, 1972**

The divide between European and American approaches toward the Third World showed in preparations for UNCTAD III. While differences within the EC remained—namely over protectionist policies like the CAP—many European countries devoted serious attention to improving relations with the "Group of 77" (G-77) coalition of developing countries, some through an openly critical position on international capitalism. The Italian's socialist Commerce Minister declared multinational corporations' "neo-capitalism" in the Third World "as atavistic as it is alarming," and Italy endorsed the G-77's push for a link between Special Drawing Rights and

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<sup>140</sup> Garavini, *After Empires*, 123, 127.



development aid at the IMF. The Dutch went even further, endorsing not only the SDR-aid link but also the amendment of the EC's own protectionist agricultural policies and the renegotiation of existing commodity agreements. "Political parties, churches, and student movements today all have a passionate interest in cooperation between developed countries and developing countries," the Dutch Minister for Development Cooperation explained in Santiago. "This is especially true in my country."<sup>141</sup>

France's calculations were more complicated. Valéry Giscard d'Estaing, then Finance Minister, wanted to continue French leadership of Europe's policy toward the Third World, but he also wanted to defend the EC's favoritism of African states as written into the Treaty of Rome. Before UNCTAD III Giscard reiterated to African leaders their dependence on European aid, which may have led the AASM to focus their efforts at the conference on increased aid for the poorest developing countries (located mostly in Africa). While Giscard endorsed new commodity agreements he opposed any opening of European markets, reasoning to the mostly Latin American supporters of CAP liberalization that such measures would benefit primarily U.S. agriculture exports.<sup>142</sup>

After studying the views of different agencies, the Nixon Administration recommended "a forthcoming but low key approach" for UNCTAD III. This would "make the best of a difficult situation in which demands of the LDCs are excessive." American officials were confident that "cooperation among developed countries has been good," but they were also aware of Europe's desire to cut new deals with the Third World on commodities. Thus, the real divergence would be on support for individual commodity

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<sup>141</sup> Ibid, 142-44.

<sup>142</sup> Ibid, 145.

agreements, which the U.S. opposed. On these, “sharply divergent views... [with] the Europeans, and particularly the French,” were likely.<sup>143</sup>

In fact, at UNCTAD the U.S. opposed the EC on a number of developed country (“Group B”) resolutions responding to G-77 proposals. It “publicly dissociated” itself from a Group B recommendation that the G-77 push for new concessions at the General Agreements on Tariffs and Trade (GATT). It had one supporter in the EC, West Germany, which joined the U.S. in opposing French proposals for World Bank financing for buffer stocks and assistance in concluding commodity agreements. The U.S. also resisted Group B calls for “improvements” to the GSP and new terms for debt relief and aid. Nevertheless, proceeding with negotiations required what one observer called “the continued unity of Group B around the lowest common denominator,” that is, “hardliners” outside of Europe including Australia, New Zealand, and Canada but led by the United States.<sup>144</sup>

Such differences should not have come as a great surprise. In fact, it should have been a surprise that they were not more severe. One month before Santiago, Peter Flanigan, Nixon’s Assistant for International Economic Affairs, visited European capitals to gauge EC opinion on the upcoming negotiations. Flanigan was concerned with “the development of a spirit of economic isolationism or turning-inward on both sides of the Atlantic,” and European reactions were not encouraging. Raymond Barre, the EC’s Commissioner for Financial and Monetary Policy, justified the CAP’s protectionism as

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<sup>143</sup> Department of State, *Foreign Relations of the United States*, 1969-1976, vol. IV, Foreign Assistance, International Development, Trade Policies, 1969-72, doc. 146.  
<https://history.state.gov/historicaldocuments/frus1969-76v04/d146>.

<sup>144</sup> Vanya Walker-Leigh, “Was UNCTAD III a Failure?” *The World Today* 28, no. 9 (September 1972): 41120.

an economic necessity and defended the expansion of reciprocal preferences with developing countries as “the inevitable consequence” of British entry into the European Free Trade Association. In other words, European economic integration, which the U.S. had done so much to promote, led naturally to efforts to protect European markets and develop preferential trade agreements with the Third World. Discussions with Giscard were “frank and not discouraging,” though France continued to defend the CAP and LDC preferences after Santiago. The British agreed that Europe needed to address the external tensions brought about by internal unity, but “feel a constraint as new members not to move out in front of the Six either too far or too fast.” Talks with West German Finance Minister Karl Schiller were more encouraging, but “even he cautioned against expecting too much” in an “outward-looking” EC policy.<sup>145</sup>

The most damning talks were with the European Commission’s new president, Sicco Mansholt. Garavini argues that “predictions of an uninspired Community ‘performance’ at UNCTAD would have been realized if not for the nomination...precisely in connection with the beginning of discussions in Santiago, of Sicco Mansholt as President.”<sup>146</sup> While the actual effects of Group B’s “lowest common denominator” performance are questionable, the Dutch socialist Mansholt was determined to use his role as EC President to reposition Europe’s North-South policy as progressive, united, and distinct from America’s.

Mansholt was blunt, even abrasive, in his remarks with American officials. When Flanigan mentioned the continued importance of transatlantic economic cooperation,

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<sup>145</sup> *FRUS*, 1969-76, vol. III, Foreign Economic Policy; International Monetary Policy, 1969-72, doc. 91. <https://history.state.gov/historicaldocuments/frus1969-76v03/d91>.

<sup>146</sup> Garavini, *After Empires*, 148.

Mansholt “said that, in comparison with the ‘minor’ economic problems among developed countries, those between developed and developing economies were much more serious.” Mansholt informed Flanigan “that he was not the least concerned with soyabeans, (‘to hell with your soyabeans’)” and accused U.S. officials of being unaware of the “real world,” where “20 percent of the world was starving.” He called U.S. performance at UNCTAD “disappointing” and warned Flanigan of “a serious confrontation between Europe and the U.S. ...over trade and aid policies toward LDC’s.” “He assured me that Europe will meet its obligations,” Flanigan noted twice, “even if the U.S. will not.”<sup>147</sup>

Mansholt was elaborating a more radical position for the EC than most member governments were prepared to pursue. Indeed, it is hard to imagine a British, German, or even French finance minister insisting to a U.S. official at such a low point in transatlantic relations that “the problems Europe has with the U.S. are not important.” But Mansholt *was* representative of a broad desire in European capitals to develop a more common and global North-South policy that implied a significant departure from the U.S.:

These problems, he suggested, would be the most critical with which the [Paris] EC summit should deal in its discussion of relations with third world countries (implying that relations with the U.S. would be decidedly secondary). He also stated that a large part of the new EC political cooperation talks (“an EC foreign policy”) will be devoted to consideration of strengthening economic links between the EC and all developing countries. He recognized that the past concentration on Africa was disproportionate and that these links had to be broadened to include South America, Asia, etc. He concluded that it was the real world he was talking about, not that which occupied so much of the time of our respective governments.

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<sup>147</sup> *FRUS*, 1969-76, vol. III, Foreign Economic Policy, doc. 91.

The meeting ended with Mansholt accusing the U.S. of attempting to destroy Salvador Allende's socialist government in Chile by blocking loans from international financial institutions. This was all the more significant since Allende, widely admired across the South for his nationalization of copper companies, had managed to secure his country's capital for UNCTAD III. "He said that Allende was faced with a serious challenge from both the left and the right in Chile," Flanigan reported, "and that, if he went under, the country would give way to anarchy and, ultimately, become another Cuban-style dictatorship."<sup>148</sup>

### **The Year of Oil, 1973-74**

Henry Kissinger did not share Mansholt's views on Chile or the South. "Nothing important can come from the South," he reportedly told Gabriel Valdés, Chile's foreign minister, in 1969. "The axis of history starts in Moscow, goes to Bonn, crosses over to Washington, and then goes to Tokyo. What happens in the South is of no importance." "Mr. Kissinger," Valdés responded, "you know nothing of the South." "And I don't care," Kissinger replied.<sup>149</sup>

As it turned out, Kissinger did care about the South, but for different reasons. Despite once describing Chile as "a dagger pointed straight to the heart of Antarctica," he told Congress that Salvador Allende's 1970 election was "a challenge to our national interest... Chile would soon be inciting anti-American policies, attacking hemispheric solidarity, making common cause with Cuba, and sooner or later establishing close

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<sup>148</sup> *Ibid.*

<sup>149</sup> Quoted in David Milne, *Worldmaking: The Art and Science of American Diplomacy* (New York: Farrar, Straus & Grioux, 2015), 371.

relations with the Soviet Union.”<sup>150</sup> His association with the 1973 coup led by General Augusto Pinochet, resulting in the popular socialist leader’s death, would only exacerbate distrust in the South towards his initiatives for LDCs following the oil crisis and New International Economic Order. It also contributed to an underappreciated reaction in Europe comparing U.S. behavior in Chile with the Soviet Union’s repression of the Prague Spring in 1968. Both cases “brought home the lesson, particularly relevant to the European situation, that the two superpowers interpreted their self-interest in such a way as to preclude any meeting point between democracy and socialist parties within their respective spheres of influence.”<sup>151</sup>

Kissinger would not perceive an importance for the South beyond its placed in U.S.-Soviet relations until the aftermath of the oil crisis and the announcement of the NIEO. Instead, with China opened, détente underway, and the Vietnam War drawing down, in the beginning of 1973 Kissinger turned to building partnerships with the European governments he and President Nixon had neglected. This proved more difficult than both had imagined, not least due to the evolving domestic scandals consuming the President’s attention. As Kissinger recalled with understatement, “Nixon’s relations with Europe’s leaders lacked any particular intimacy.... [and] he had few opportunities to put into practice his deep commitment to Atlantic relationships.”<sup>152</sup> Most damning in Nixon’s

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<sup>150</sup> Ibid, 371.

<sup>151</sup> Gian Giancomo Migone, “The Nature of Bipolarity,” in Mary Kaldor, Richard A. Falk, Gerard Holden (eds.), *Dealignment: A New Foreign Policy Perspective* (New York: United Nations University Press, 1987), 56-7. It is also worth noting that European public opinion reacted strongly against the coup, and several European socialist governments adopted special programs extending refugee status to Chilean political prisoners and their families. In Johan Cels, “Refugee Policies of Western Europe,” in Dilys M. Hill, *Human Rights and Foreign Policy: Principles and Practice* (New York: St. Martin’s Press, 1989), 167.

<sup>152</sup> Henry Kissinger, *Years of Renewal* (New York: Touchstone, 1999), 602.

eyes was the apparently related resurgence of socialism and European unity. He complained to Kissinger:

The way Europeans are talking today, European unity will not be in our interest, certainly not from a political viewpoint or from an economic viewpoint. When we used to talk about European unity, we were thinking in terms of those men who would be at the top of Europe who would be in control. Those men were people that we could get along with. Today, however, when we talk of European unity, and when we look ahead, we have to recognize the stark fact that a united Europe will be led primarily by left-leaning or socialist heads of government. I say this despite the fact that Heath is still in power. Even in Britain and France we have situations where the media and the establishment strongly pull to the left at this point, and also where the media and the establishment take an increasingly anti-U.S. attitude.<sup>153</sup>

Clearly, this was a situation that Nixon was neither equipped to understand in historical terms nor to confront in policy.

Kissinger was more determined (and able) to make a change in transatlantic relations. Since the early 1960s he had expressed support for a “federal idea” for world governance. This was not the global federalism of Wendell Willkie or Norman Cousins, but a more restricted vision based on more or less formal partnership between the Western democracies within his “axis of history.” In 1961 Kissinger explained his concept of an “Atlantic Confederacy” involving an “Executive Committee” of transatlantic leaders who “would forge a common position for negotiations with the Soviet Union... formulate overtures for peace and stability in Europe, and... pool their resources to increase the military pressures on Moscow to avoid conflict.” He condemned the U.S.’ rigid opposition to Charles de Gaulle’s proposed “Directorate” of American, British, and French leaders: “No attempt was made to explore de Gaulle’s reaction to the

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<sup>153</sup> *FRUS*, 1969-76, vol. XXXI, Foreign Economic Policy, 1973-76, doc. 31.  
<https://history.state.gov/historicaldocuments/frus1969-76v31/d31>.

possibility of a wider forum.” Key to such a proposal was the inclusion of West Germany. “European history demonstrates,” Kissinger remarked, “that stability in Europe is unattainable except through the cooperation of Britain, France, and Germany.”<sup>154</sup>

Stability in postwar Europe was indeed attained and maintained through British, French, and German cooperation, but, as outlined above, one unintended consequence was the increased exclusion of the U.S. from key decisions. U.S.-European policy discussions proceeded in the 1960s on an ad-hoc basis, leading in the early 1970s to European suspicion of détente, accusations of selfishness in trade and monetary policy and, as the preceding sections emphasize, an underappreciated but real divergence in political and economic relations toward the South. On this last point Kissinger was especially blind. His overwhelming focus throughout his academic and government career had been East-West security. On international economics Kissinger had said little; on the “South,” which as Europeans and LDCs understood the term implied a division based on economic relationships, at best he had said nothing, at worst, he was stridently dismissive.

While not yet pushing Kissinger to renegotiate the U.S.’ economic ties with the Third World at large—this would come after the NIEO—the 1973-74 oil crisis demonstrated the limitations of his focus on Cold War security. However, lack of appreciation for the political economics of oil extended across the Atlantic. Blinded by the fact that, adjusted for inflation, oil had actually become cheaper in the 1950s and 1960s, few Western leaders realized the extent to which their unprecedented prosperity and growth—their “Golden Age”—depended on OPEC’s cooperation in keeping prices

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<sup>154</sup> Jeremi Suri, *Henry Kissinger and the American Century* (Cambridge: Belknap Press of Harvard University, 2007), 171-72.



low. Western Europe had become particularly vulnerable: in 1950, coal and coke (managed by the ECSC) accounted for 83 percent of Western Europe's energy consumption, with oil at just 8.3 percent. By 1970 coal and coke's share had declined to 29 percent, while oil had increased to 60 percent of total consumption.<sup>155</sup>

The U.S. was less vulnerable—in 1973 it produced two-thirds of its own oil consumption—but it was by no means immune.<sup>156</sup> U.S. oil producers were entirely unprepared for production cuts in the Middle East and lacked the means to increase production to match the gap. The most visible manifestation across America was long lines at the gas station, but the effects reverberated throughout the economy. “No economic event in a long generation, excluding only wartime upheavals, has so seriously disrupted our economy as the manipulation of oil prices and supplies over the past year,” Federal Reserve Chairman Arthur Burns told Congress in 1974. The world was in the midst of a global commodity boom; in 1972-73, wholesale prices of industrial commodities had been rising at 10 percent a year. At the same time, American industrial plants were operating at full capacity and many major industrial materials were already in short supply. “Inflationary expectations were therefore becoming more deeply ingrained at the very time when inflation was curtailing the purchasing power of worker incomes and creating some weakness for big-ticket items in consumer markets,” Burns explained. “Thus, the oil embargo, together with the huge increase in oil prices that began in the fall

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<sup>155</sup> Tony Judt, *Postwar: A History of Europe since 1945* (New York: The Penguin Press, 2005), 455.

<sup>156</sup> Daniel Sargent, *A Superpower Transformed: The Remaking of American Foreign Relations in the 1970s* (New York: Oxford University Press, 2015), 157.

of 1973, contributed to the twin economic problems plaguing us in 1974—namely, high rates of inflation and weakness in production.”<sup>157</sup>

Although all developed economies were hit hard—growth in the OECD countries went from 5-6 percent over 1972-73 to just 0.5 percent in 1974 and a contraction of 0.3 percent in 1975—the oil crisis did not at first produce a common response.<sup>158</sup> The major European countries and Japan distanced themselves from U.S. policy throughout the Arab-Israeli War. Only Portugal and the Netherlands allowed U.S. planes on their way to resupply Israel to refuel at their bases; OPEC responded by including those countries in their oil blockade. “The Europeans, especially the French, are playing a lousy game,” Nixon lamented. “The British are in trouble, so it’s easy out to kick the United States around.”<sup>159</sup>

The most immediate concern for Europe was economic, but the British and French also resented their deliberate exclusion by Kissinger from any peace process. Thus, in the months after the embargo, the European Community issued a declaration calling for an immediate ceasefire and a return to the 1967 borders. Their “general strategy,” Nixon officials explained, was to get the U.S. to “carry the burden” towards a settlement while endeavoring (particularly the French and British) to “obtain a seat at any international conference,” and to launch bilateral dialogues with producers through “more

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<sup>157</sup> Kissinger-Simon Proposals for Financing Oil Imports: Hearings before the Joint Economic Committee, Ninety-third Congress of the United States, Second Session, November 26-29 1974 (statement of Treasury Secretary William Simon), found at

[http://www.jec.senate.gov/reports/93rd%20Congress/Hearings/Kissinger-Simon%20Proposals%20for%20Financing%20Oil%20Imports%20\(679\).pdf](http://www.jec.senate.gov/reports/93rd%20Congress/Hearings/Kissinger-Simon%20Proposals%20for%20Financing%20Oil%20Imports%20(679).pdf).

<sup>158</sup> Alberto Clo, *Oil Economics and Policy* (New York: Springer Science & Business Media, 2013), 126.

<sup>159</sup> *FRUS* 1969-73, vol. XXXVI, Energy Crisis, 1969-74, 314, <https://history.state.gov/historicaldocuments/frus1969-76v36/d314>.

or less quiet efforts” to resume production for their countries.<sup>160</sup> The efforts may have been quiet, but the results spoke loudly: by the end of 1973, Britain, France, Germany, and Japan had each signed or promised separate deals with Saudi Arabia, Iran, Iraq, Kuwait, Abu Dhabi, and Algeria.<sup>161</sup>

The U.S. response was twofold, and at first glance contradictory. In November 1973 the Nixon Administration announced Project Independence. The program intended to achieve energy security through increased production in the Western Hemisphere, diversification of fuel sources, and energy saving measures at home. The EC had announced similar measures for conservation, but combined with bilateral arrangements, the two programs suggested a new fragmentation of oil politics, where the U.S. and Europe would pursue separate, perhaps opposing, strategies. For *The New York Times*, Nixon’s insistence that by 1980 “Americans will not have to rely on any source of oil but their own” sounded like “the economic nationalism of the nineteen-thirties, with its disastrous influence toward international tension and war.”<sup>162</sup>

This analysis missed the combined effect of Project Independence with the second, largely unannounced part of U.S. strategy: multilateral cooperation with Europe. According to the State Department, the energy crisis had “silver linings” for American power. The Saudi/Kuwait embargo (or “inconvenience”) showed that the U.S. was the strongest economic power (unlike Europe, “it cannot be shut down”); it forced public attention on the need for long-term economic supplies; it increased pressure on the

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<sup>160</sup> *FRUS* 1969-73, vol. XXXVI, Energy Crisis, 1969-74, doc. 262, <https://history.state.gov/historicaldocuments/frus1969-76v36/d262>.

<sup>161</sup> *FRUS* 1969-73, vol. XXXVI, Energy Crisis, 1969-74, doc. 299, <https://history.state.gov/historicaldocuments/frus1969-76v36/d299>.

<sup>162</sup> *New York Times*, Anthony Lewis, “A Fortress America,” December 3, 1973.

Israelis; and, most important, it provided “an opportunity to revitalize our alliances by moving toward cooperation across the energy front.”<sup>163</sup>

Kissinger quickly began meeting with European officials to warn them of the consequences of bilateral arrangements. “This [bilateral arrangements] will be difficult to organize,” he told German officials, “and if we fail to achieve agreement on a cooperative effort, we will have to go our own way and make our own bilaterals.” Because of U.S. control over production in the Western Hemisphere, which would be expanded under Project Independence, “We are in a far stronger position to do this.” The Germans agreed, noting that if the U.S. responded with its own bilateral deals, “it would destroy NATO.” Kissinger believed that despite OPEC’s impact on the OECD, the U.S. remained the strongest country, while Europe’s move toward bilateralism only showed their desperation. A multilateral solution by developed countries, led by the U.S., could bring transatlantic cooperation to new levels, all under firm U.S. leadership. Britain and Japan had signaled their willingness for a multilateral effort, but the Germans still wondered about France. “I am almost certain that they will come along,” Kissinger insisted, “because they will realize they will have no alternative.”<sup>164</sup>

In February 1974, just four months after OPEC’s embargo began, the U.S., Canada, and twelve other industrialized countries including Japan met in Washington to discuss a common response to the energy crisis. Both the U.S. and Europe recognized the discord that had preceded the meetings. A few days prior, Lord Cromer, Britain’s Ambassador to the U.S., lamented to Nixon how “unfortunate” it was “that the Year of

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<sup>163</sup> *FRUS* 1969-73, vol. XXXVI, Energy Crisis, 1969-74, doc. 256, <https://history.state.gov/historicaldocuments/frus1969-76v36/d256>.

<sup>164</sup> *FRUS* 1969-73, vol. XXXVI, Energy Crisis, 1969-74, doc. 295, <https://history.state.gov/historicaldocuments/frus1969-76v36/d295>.

Europe initiative came at the time of the EC's first joining together.” However, coming together also revealed fundamental disagreements within the EC. “When we joined,” Croner continued, “France had the Common Agricultural Policy set up and they wanted nothing changed. We haven't had the leverage on the French which we have needed, but with rising commodity prices, French influence may decline.”<sup>165</sup>

Kissinger still worried about the Europeans moving ahead on bilateral talks with producers, a strategy spearheaded by France. He and Treasury Secretary William Simon agreed that the EC’s announcement for negotiations two days before the meetings in Washington was “dangerous” and “scary”; the implication was that the Europeans would back the Arab states in any future joint energy negotiations, forcing the burden of compromise onto the U.S. According to Kissinger, the EC was being “led by France and others [were] too weak to resist.” But Kissinger believed that European unity was not strong enough to overcome individual states’ self-interest, represented best in this case by finance ministers. “The foreign ministers are idiots,” he remarked, but in monetary discussions “there is no feeling of confrontation.” Nixon thus instructed Simon to “talk turkey” with the “technical types,” that is, the finance ministers, in the meetings—“they don’t have to posture like foreign ministers.”<sup>166</sup>

At the Washington Energy Conference, the foreign ministers all agreed on the “unprecedented” nature of the crisis and pledged “a substantial increase in international cooperation in all fields,” implying a willingness to open negotiations on other North-

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<sup>165</sup> Gerald Ford Presidential Library, Memorandum of Conversation, January 17, 1974.  
<http://www.fordlibrarymuseum.gov/library/document/0314/1552652.pdf>.

<sup>166</sup> GFPL, Memcom, February 9, 1974.  
<http://www.fordlibrarymuseum.gov/library/document/0314/1552661.pdf>.

South issues.<sup>167</sup> Kissinger stressed the implications of Europe's bilateral strategy while also promoting his idea for an International Energy Agency (IEA), which he had announced the month before. Much like the International Fund for Agricultural Development (IFAD), which Kissinger would endorse later that year at the World Food Conference, the IEA would govern an international system of (oil) reserves that would release supplies in times of crisis. Although the attendees admitted the problems LDCs faced by continued high oil prices, the IEA, unlike the IFAD, was directed primarily toward the developed countries. In a sense, the IEA would act as an extension of Nixon's Project Independence across the West.

The conference was an important step forward for Kissinger's strategy, which sought to deal with Europeans individually rather than as a community. He also benefitted from existing EC tensions. In the words of one European commentator, "What happened in Washington did not provoke a crisis in the Community. Rather, it demonstrated the state of crisis that had already existed in the Community."<sup>168</sup> The EC's political structure left it at a serious disadvantage in negotiations with the United States, which came to the conference with a unified strategy it could adopt as needed. The EC, however, had never formed an energy strategy beyond the European Coal and Steel Community, which meant little after Europe's energy needs had changed so dramatically from coal to oil. The EC would not suddenly develop one in the middle of negotiations with Washington. There was a vacuum of leadership in the EC, and as both U.S. and

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<sup>167</sup> "Final Communique of the Washington Energy Conference," [http://www.cvce.eu/content/publication/1999/1/1/96e19fad-6aba-4b79-a791-34624e94acf9/publishable\\_en.pdf](http://www.cvce.eu/content/publication/1999/1/1/96e19fad-6aba-4b79-a791-34624e94acf9/publishable_en.pdf).

<sup>168</sup> Emanuele Gazzo, "Conference and Crisis," *European Community*, no. 175 (April 1974): 8, <http://aei.pitt.edu/43960/1/A7561.pdf>.

European officials recognized, that vacuum was being filled by France, to the delight of no one but the French. Throughout the conference France objected to U.S. proposals and even declined to sign the final communique. Instead, Foreign Minister Jobert delivered a dissent rejecting Kissinger's IEA and any idea of a developed country consumers' organization.<sup>169</sup>

"The French are determined to unify all [EC members] against the United States," Kissinger said after the Conference. "I am convinced we must break the EC."<sup>170</sup> In its response to the energy crisis, however, the EC was breaking itself. The French considered the IEA too confrontational and insisted to Britain that Europe must first develop its own energy strategy before adopting joint measures with the U.S. But given OPEC's decision in January to once again raise prices—and Washington's relative economic strength through it all—others did not want to wait. France's "notably graceless" objections only pushed other European delegations, led by Britain and Germany, closer toward the U.S. For Sir Edward Tomkins, Britain's Ambassador to France, the conference brought "to a point of uncomfortable focus the central problem of our convergences and divergences with the French over the position of Europe vis-à-vis the United States and over the balance of our European and Atlantic connections."<sup>171</sup> With the exception of France, the remaining eight European delegations at the conference agreed that cooperation and coordination with the U.S., and not bilateral deals with OPEC, would be Europe's strategy for the energy crisis.

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<sup>169</sup> Sargent, *A Superpower Transformed*, 159.

<sup>170</sup> GFPL, Memcom, March 6, 1974.

<http://www.fordlibrarymuseum.gov/library/document/0314/1552666.pdf>.

<sup>171</sup> Keith Hamilton, "Britain, France, and America's Year of Europe, 1973," *Diplomacy and Statecraft* 17, no. 4: 890.

## **The North Comes Together, 1974-75**

Section 2.2 explained how EC member governments' attempts to renegotiate and expand trade relations with LDCs were an important component of their move toward political, economic, and institutional unity. Section 2.3 showed how the energy crisis challenged this and other assumptions about the future of Europe. The European project thrived during a time of economic growth and easy access to raw materials in the 1960s, but the abrupt end of cheap oil revealed the inherent weakness of its political structure when individual states were placed under severe economic duress. The EC's president could serve as an effective continent-wide ambassador when there was general agreement on technical issues and when the benefits were clearer, like in extending preferences to LDCs before the energy crisis. But the crisis revealed the ultimate inability of the EC's political structure to produce a common, forward-looking energy strategy without the support, or at least the acquiescence, of the United States. It also showed that despite the EC's growth and unity, major stakeholders like Britain and West Germany would not toss aside their diverse economic and political ties to the United States—especially when détente suggested greater burden sharing on defense at a time when their governments had neither the will nor the means to do so.

Dramatic and rapid international change following the Washington Energy Conference would once again transform transatlantic relations. The developed countries' overwhelming focus in 1973 was, of course, high energy prices and their consequences, low growth and inflation. This was not the case across the South. While officials in Washington, London, and Paris feared the end of ever-rising prosperity, high food prices brought on by a combination of drought, depleted American wheat reserves, the dollar's



devaluation, and high oil prices were forcing millions in the Third World to go without food. As Chapter 1 explains, leaders across the South saw the energy and food crises as interlinked, and many blamed the international economic architecture, designed and managed by the U.S., as the main culprit. “Unless the issue of international trade is faced squarely,” Venezuela’s Carlos Andres Pérez asserted in 1974, “it will not be possible to detect [the food crisis’s] causes.” While recognizing that high oil prices were a contributor to the food crisis as well as the general contraction in worldwide economic growth, there was a sense across the Third World that only a crisis in the developed countries, rather than the polite politics of UNCTAD, would lead to real changes in global trade, finance, and development. “What we aim,” Pérez explained, “is to *take advantage of this opportunity* when raw materials, and energy materials primarily, are worth just as much as capital and technology, in order to reach agreements that will ensure fair and lasting balances.”<sup>172</sup>

The promise of that opportunity was embodied in the Group of 77’s Declaration on the Establishment of the New International Economic Order, announced on Labor Day, 1974, at a special United Nations session on raw materials and development called for by LDCs—the first of its kind. Algeria’s President Houari Boumediene, a leader of both OPEC and the Non-Aligned Movement, gave the keynote address outlining the NIEO’s demands for increased aid, technology transfers, commodity cartels, and other proposals long familiar to UNCTAD participants. Boumediene received a standing ovation of three to four minutes from the General Assembly, where his foreign minister,

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<sup>172</sup> “A Letter from the President of Venezuela to the Chairman of the World Food Conference Meeting in Rome,” Caracas, November 5, 1974. Emphasis added.

Abdelaziz Boutefilka, held the presidency. Pakistani economist Sartaj Aziz recalled the feeling in the South after the Algerian leader's dramatic speech:

So that evening, there was a dinner at the Pakistani minister's house. [Ghanian official and future UNCTAD Secretary General] Ken Dadzie was there, [UN Ambassador] Donald Mills of Jamaica was there, and some other delegates. We were all talking about Boumediene's speech and feeling very good about it. Somebody said, 'You know, Boumediene is not alone. *The Third World has come of age*. Look at Nyerere of Tanzania, look at Michael Manley in Jamaica, look at Anwar Sadat in Egypt, look at King Faisal in Saudi Arabia, look at Bhutto in Pakistan, and Bandanaraike in Sri Lanka.' There were about eight to ten leaders who had become world-class statesmen in the Third World."

There was also a belief that the time when developed countries, stable and united in their politics and economics, could act with imperial certainty and arrogance in their dealings with developing countries was passing. "On the other side, in the developed world," Aziz continued, "there was a strange vacuum developing. Nixon had just been Watergated. Pompidou of France was dying. Wilson was not a very strong leader in Great Britain."<sup>173</sup>

These assessments did not anticipate changes in leadership in the developed countries that would fill this vacuum. In March, Edward Heath's Conservative government in Britain was replaced by a Labour government under former Prime Minister Harold Wilson. According to Kissinger, Wilson "wasted no time in restoring the special relationship."<sup>174</sup> Foreign Secretary James Callaghan, who would replace Wilson as Prime Minister two years later, immediately instructed the Foreign Office to improve Anglo-American relations.<sup>175</sup> "The same ever-so-polite needling familiar from the Heath period which had been designed to underscore the new priority of Europe in British

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<sup>173</sup> Thomas George Weiss, *UN Voices: The Struggle for Development and Social Justice* (Bloomington: Indiana University Press, 2005), 227. My emphasis.

<sup>174</sup> Kissinger, *Years of Renewal*, 607.

<sup>175</sup> Alan Dobson, *Anglo-American Relations in the Twentieth Century* (London: Routledge, 2012), 143.

policy,” Callaghan informed Kissinger, was gone. “Henry and I are going to work together. If there are any disagreements, bring them to me, and Henry and I will solve them.”<sup>176</sup>

After the death of Georges Pompidou in April and Willy Brandt’s resignation in May, two pro-Atlantic finance ministers, Valéry Giscard d’Estaing and Helmut Schmidt, assumed power in France and West Germany. Both had long histories of cooperation with Washington as members of the Library Group, so-called because its members first met in the library of the White House in early 1973. The Library Group consisted of the finance ministers of the U.S., Britain, France, Germany, and Japan; their intention was an informal forum for the ministers to hold high-level discussions without political considerations, which Europeans had attributed to Nixon’s abrupt dismantling of the Bretton Woods system in 1971.

Kissinger especially admired Giscard’s intellect. Unlike Pompidou’s Foreign Minister Michel Jobert, who was an “idiot,” Giscard, like Kissinger, was “an extraordinarily perceptive student of global trends,” whose analytical ability and centrism led him to “[see] the challenges faced by the West in ways that paralleled our own.”<sup>177</sup> Kissinger’s priorities also aligned with those of Helmut Schmidt, whose support for Kissinger’s proposals at the Washington Energy Conference led Jobert to accuse him of betraying European unity. Schmidt diminished worries about détente’s consequences for West Germany, assuring Ford and Kissinger that “we have no doubts” about America’s commitment to its security. Instead, “convinced that only collective action by the

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<sup>176</sup> Kissinger, *Years of Renewal*, 608-09.

<sup>177</sup> For “idiot,” see GFPL, Memcom, February 9, 1974, <http://www.fordlibrarymuseum.gov/library/document/0314/1552661.pdf>. For “perceptive,” see Kissinger, *Years of Renewal*, 622.

industrial democracies could avert a collapse of the postwar social order,” he prioritized international economic issues, especially efforts to unite the U.S. and Europe in common response to the energy crisis.<sup>178</sup> Like Giscard, with whom he had developed a close friendship during Library Group meetings, Schmidt believed European unity could in fact enhance the alliance. As he described his government’s foreign policy just after taking office, “We subscribe to political unification in Europe in partnership with the United States.”<sup>179</sup>

These changes in Northern governments were profound. By reaffirming the primacy of transatlantic cooperation, leaders in West Germany and especially France were removing central obstacles to Kissinger’s model for global governance. Britain could commit to the European Economic Community without fear of prejudicing its relations with the U.S.; France implied that it would no longer use its dominance within the EC as political leverage over the U.S. as well as its European partners; and West Germany, whose diplomatic power with the U.S. suffered under the de Gaulle and Pompidou governments, could assert itself as a political force commensurate with its economic strength and security importance. Ford and Kissinger moved quickly to take advantage of these changes, holding separate meetings with the leaders of Japan, Austria, Canada, Germany, and France throughout December 1974 to discuss new measures for cooperation in energy and monetary affairs.

The results came quickly. The most important breakthrough was with Giscard, whom Ford spoke with at a well-publicized summit on the French island of Martinique.

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<sup>178</sup> Kissinger, *Years of Renewal*, 613.

<sup>179</sup> Max Otte and Jürgen Greve, *A Rising Middle Power?: German Foreign Policy in Transformation, 1989-1999* (New York: St. Martin’s Press, 2000), 38.

“It went extremely well for everyone,” Ford and Kissinger told bipartisan Congressional leadership at the White House. The key achievement was an agreement between Ford and Giscard to strengthen consumer solidarity before a major North-South event scheduled for March 1975.<sup>180</sup> Originally Giscard’s initiative, the Conference on International Cooperation (CIEC), or Paris dialogue, was launched in order to separate discussions on oil from raw materials after LDCs insisted on their linkage in the UN Seventh Special Session. Kissinger explained that without developed country coordination before the conference, “we would be beaten to death” by OPEC and the LDCs. The new arrangement with France was a “solution broader than energy.”<sup>181</sup> As Giscard told Ford, “We can’t make an agreement [on energy] without the support—not just the consent—of the United States.”<sup>182</sup> “The civil war in the Atlantic community, where each has to choose between the U. S. and France, should be moderated if France carries out its obligations,” Kissinger concluded from the Martinique meeting. “We have made a big step toward the cohesion of the industrial countries.”<sup>183</sup>

### **North-North Dialogue at Rambouillet, November 1975**

In the winter of 1975, two major meetings—one between the North, the other (the CIEC) North and South—both tested and strengthened this cohesion. The first was the November G-6 summit, held in Rambouillet, France between the leaders of the U.S.,

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<sup>180</sup> This would become the Conference on International Economic Cooperation, also known as the “Paris dialogue” and, after Algeria insisted the inclusion of all raw materials, the “North-South dialogue.” This is discussed in the next section.

<sup>181</sup> GFPL, Memcom, December 17, 1974.

<http://www.fordlibrarymuseum.gov/library/document/0314/1552890.pdf>.

<sup>182</sup> GFPL, Memcom, December 15, 1974.

<http://www.fordlibrarymuseum.gov/library/document/0314/1552887.pdf>.

<sup>183</sup> GFPL, Memcom, December 17, 1974.

<http://www.fordlibrarymuseum.gov/library/document/0314/1552890.pdf>.

Britain, West Germany, France, Italy, and Japan. The idea originated in Library Group discussions in 1973, when Helmut Schmidt suggested to U.S. Treasury Secretary Schultz regularized meetings of “essentially Atlantic Finance Ministers who would periodically meet very privately to consult on the whole range of interrelated commercial, financial, energy, etc. problems.”<sup>184</sup> Chancellor Schmidt and President Giscard expanded the idea to informal discussions between the new heads of state as CIEC preparatory talks broke down in April 1975, over Algeria’s insistence that all raw materials be included in discussions. At the Conference on Security and Cooperation in Europe that summer, Giscard, Schmidt, and Ford agreed to begin preparations for a summit, managed closely by their “personal representatives” to avoid any bureaucratic obstacles.<sup>185</sup>

The summit’s broad purpose was to restore the West’s psychological confidence in the face of interrelated fiscal, monetary, energy, and raw materials problems. To achieve this, the summit leaders would discuss—or affirm—a predetermined agenda including trade, monetary policy, energy, North-South relations, and East-West relations. One major goal for Europeans was to commit the U.S. to fiscal stimulus, which would boost growth and confidence in weaker European countries and, over time, reduce inflation across the OECD. “If an economic conference should take place this year, we shouldn’t expect too many results,” Schmidt told Ford and Kissinger. But “if we could create the impression we intend to work together and coordinate our policies, that will be enough.”<sup>186</sup>

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<sup>184</sup> *FRUS*, 1969-76, vol. XXXI, Foreign Economic Policy, 1973-76, doc 34.  
<https://history.state.gov/historicaldocuments/frus1969-76v31/d34>.

<sup>185</sup> Helmut Schmidt, *Men and Powers: A Political Retrospective* (New York: Random House, 1990)

<sup>186</sup> *FRUS*, 1969-76, vol. XXXI, Foreign Economic Policy, 1973-76, doc. 94.  
<https://history.state.gov/historicaldocuments/frus1969-76v31/d94>.

Ford and Kissinger embraced the summit. It fit with Ford's preference for personal diplomacy between heads of state, as well as his desire to distance himself from Nixon's legacy in Europe of suspicion and neglect. For Kissinger, the summit would assist his strategy since the Washington Energy Conference, which was to deal with international economic issues—and North-South issues especially—on a political basis between American and European leaders. The summit could send a message to developing countries in advance of the resumption of CIEC talks in December, scheduled for one month after Rambouillet. Kissinger explained:

We should try to break what the Chancellor [Helmut Schmidt] correctly called the unholy alliance between the LDCs and OPEC. This can happen, and we can achieve our results, if they know that their disruptive actions could stop discussions on commodities or that they will pay a price in terms of cooperation, or military exports. In this way we can combat our dependence with a coherent strategy.<sup>187</sup>

This was the stick; the carrot was a willingness to cut new deals with oil producers prepared to abandon the NIEO. "We agree on the need for cooperation with producers," Kissinger insisted. "With cooperation we can separate the moderates from the radicals within OPEC, the LDCs from the OPEC countries, and prevent a lot of other 'PECs.'"<sup>188</sup>

Ford's pro-market economic advisors did not see much potential in the summit. Treasury Secretary William Simon accused Giscard of wanting the summit in order to return the international monetary system to fixed exchange rates.<sup>189</sup> He and others also doubted the emphasis on fiscal stimulus; instead, Simon, William Seidman, and Alan Greenspan all agreed that "we should emphasize what we are trying to do structurally to

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<sup>187</sup> *FRUS*, 1969-76, vol. XXXI, Foreign Economic Policy, 1973-76, doc. 124, <https://history.state.gov/historicaldocuments/frus1969-76v31/d124>.

<sup>188</sup> Kissinger, *Years of Renewal*, 677.

<sup>189</sup> *FRUS*, 1969-76, vol. XXXI, Foreign Economic Policy, 1973-76, doc. 93, <https://history.state.gov/historicaldocuments/frus1969-76v31/d93>.

revitalize the private sector, through deregulation, etc.”<sup>190</sup> To them, the summits risked institutionalizing Keynesian solutions to problems that actually had their roots in Keynesian policies. “Interference by governments in the operation of an open world market system is counterproductive,” Peter Flanigan, the President’s pro-Wall Street adviser explained. “This is the basic philosophy of our approach to international economic problems.”<sup>191</sup>

As explained in Chapter 1, Ford’s economic team’s greatest hostility was directed at Kissinger’s North-South strategy. Since the oil crisis and NIEO, Kissinger had announced, with minimal consultation outside of the State Department, numerous initiatives designed to win the support of moderate LDCs and weaken their support for OPEC. Building from his proposal at the 1974 World Food Conference for an international system of food reserves funded by the U.S. and OPEC, Kissinger collected his initiatives in an important speech at the Seventh Special Session of the United Nations in September 1975, where he insisted on the U.S.’ willingness to enter discussions with LDCs on raw materials and development in good faith.

There and elsewhere Kissinger made clear that the U.S. would not accept a NIEO, stressing instead improvement of the existing system. To Simon and others, however, Kissinger’s public admission that LDCs had legitimate concerns, if illegitimate demands, put in jeopardy the entire free enterprise project at home and abroad. “The principles of free markets and free enterprise are, after all, what we stand for and what we believe in,”

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<sup>190</sup> *FRUS*, 1969-76, vol. XXXI, Foreign Economic Policy, 1973-76, doc. 116.  
<https://history.state.gov/historicaldocuments/frus1969-76v31/d116>.

<sup>191</sup> Quoted in Sargent, *A Superpower Transformed*, 191.



Simon and Seidman's Economic Policy Board wrote in response to Kissinger's proposals. "If we fail to speak out in their defense, no one else will be able to do so."<sup>192</sup>

In advance of Rambouillet, Simon and Seidman pressed their case to Ford. The "fundamental" issue between Kissinger's North-South strategy and their own, they told the President, was whether the U.S. "responds by reaffirming our own commitment to the basic principles of free enterprise and markets," or "indicat[es] that we are prepared to accept the inevitability of a fundamental change in international economic arrangements." If the U.S. promised at Rambouillet "'new solutions or new arrangements'" with LDCs, "the world will perceive this as a willingness on our part to compromise our basic system." Instead of calling for increased aid and new commodity agreements, as Kissinger had done at the UN, Simon and Seidman argued that at the summit the U.S. should stress "continued reliance on the effective private institutions which have evolved" in those countries. Failing to issue strong statements of support at Rambouillet for market-based solutions globally would signal a lack of commitment to market-based domestic reforms. Kissinger's approach, they wrote, would "[jeopardize] the principles you have been building at home and our economy and military strengths will increasingly count for less in the world."<sup>193</sup>

Kissinger held that the U.S. would gain nothing by countering the NIEO with a vision of the market that was unpopular even in developed countries. Put simply, the U.S. would not win an ideological fight, with the LDCs, OPEC, or its partners in Europe, who were more dependent on foreign oil and commodities and more politically receptive to

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<sup>192</sup> GFPL, U.S. Council of Economic Advisers Records, Alan Greenspan Files, Box 58, Economic Policy Board Meetings, EPB—May 1975, undated.

<sup>193</sup> GFPL, William Seidman Files, Foreign Trips File, Box 312, International Economic Summit, Nov 15-17, 1975 – Memoranda (1), Simon and Seidman to Ford, (undated) 1975.

some of the NIEO's statist measures. "If we insist on theoretical positions," Kissinger explained to Ford, "Schmidt will separate from us on raw materials... He will not follow us on a confrontation course with the LDC's. If he won't, neither will France, Great Britain, or Japan."<sup>194</sup>

Indeed, elements in Europe already had separated on that issue. Schmidt, Giscard, and Wilson's shared emphasis on restoring the transatlantic alliance and cooperating on energy did not prevent them from endorsing ongoing EC efforts at cutting separate deals with LDCs on raw materials. The Lomé Convention, signed February 1975 by the EC and 71 African, Caribbean, and Pacific Countries (ACB), provided non-reciprocal preferences for most ACB exports to Europe, in addition to \$3 billion in development aid. Hailed across Europe as a success and well-received by several participating LDCs, the Convention was a direct response to the NIEO, its preamble pledging "a new model for relations between developed and developing states, compatible with the aspirations of the international community towards a more just and more balanced economic order." EC officials saw Lomé as an achievement of both European unity and Europe's new relationship with its former colonies. Claude Cheysson, a member of the European Commission who negotiated the 1975 agreement, concluded: "All this work has produced an agreement which, I say with some pride, is unique in the world and in history. Never before has there been any attempt to do anything of this kind. It is the first time in history that an entire continent has undertaken a collective commitment."<sup>195</sup>

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<sup>194</sup> Ibid.

<sup>195</sup> Gerrit Faber, "The Lomé Conventions and the Causes of Economic Growth," paper presented at the 5th SUSTRA workshop on "European Governance and European Opinions on Trade and Sustainable Development," IFRI, Paris, June 3-4, 2004. [http://www.agro-montpellier.fr/sustra/research\\_themes/ue\\_governance/papers/Faber.pdf](http://www.agro-montpellier.fr/sustra/research_themes/ue_governance/papers/Faber.pdf).

Despite the EC's measures and the neoliberals' opposition, Kissinger's State Department was confident that his pre-Rambouillet raw materials strategy was beginning to show results. Officials concluded that since Kissinger's overtures at the UN, the OPEC-LDC alliance was weakening, with "moderates" opting for "pragmatic cooperation with the West—where their economic interests necessarily lie." As many had predicted, OPEC price increases were beginning to put LDCs finances under severe strain, especially in fast-growing "moderates" with strong political and economic ties to the U.S. like Brazil, Mexico, Egypt, and South Korea.

Expecting that the "more radical non-aligned" and OPEC would counter at the CIEC with new aid proposals and a new "political and ideological base for LDC unity," State recommended that to consolidate those gains and discourage additional EC-LDC negotiations, the U.S. should assume a position of leadership at Rambouillet. Their strategy combined firmness on some points and flexibility on others. President Ford should commit to negotiating commodities on a case-by-case basis, but reject the South's plans for indexation and a Common Fund buffer program; encourage new financing measures through the IMF and private markets for debt relief, but oppose debt moratoria and forgiveness; and stress the centrality of recovery in the industrial countries to growth in LDCs.<sup>196</sup>

The U.S. largely pursued this strategy at Rambouillet, and for the most part so did Europe. At the Third Session on Energy, Raw Materials, and Development, Ford and his counterparts all agreed on the need to break the "unholy alliance" of OPEC and LDCs, but strategies on how to do this at the CIEC varied. The Europeans were above all

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<sup>196</sup> GFPL, Federal Reserve, Subject File, Box B62, International Economic Summit, Rambouillet 1975, Briefing Book, "Relations with Developing Countries."

concerned about the consequences of confrontation. To them, even the appearance of confrontation would reverse any progress they had made in moderating the South's demands since the UN's Seventh Special Session. Delegates praised Kissinger's UN proposal for a Development Security Fund in the IMF to stabilize LDC export earnings, which was similar to the EC's UN proposals. But since then Europeans were no less vulnerable to additional price shocks from the South. Inflation had already been rising throughout 1972-73; the oil crisis induced contraction not only through raising the cost of energy and related goods, but also through the diminished expectations of the business community, which held back investment from fear of higher oil and, after the NIEO, raw materials prices.<sup>197</sup> "This disruption cannot continue," Schmidt insisted. "Germany has no raw materials except intelligence, technology, and of course coal." Kissinger stressed that it would be "suicidal" to enter the CIEC without cohesion among the oil importers and insisted that "cooperation among us is not confrontational vis-à-vis OPEC." But this would not be enough. "Attacks can strengthen the solidarity of the LDCs," Giscard responded. "We must show the developing countries that we are aware of their problems."<sup>198</sup>

Here the industrial countries converged on one central point. Early on in the summit Harold Wilson had suggested a "Marshall Plan type initiative" that would ward off protectionist measures in both North and South, but this was unlikely. As Wilson himself admitted, "We will be able to offer the developing countries little [in aid]" because of the North's own economic problems, "and certainly far less than the minimum

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<sup>197</sup> E. L. M. Völker, *Euro-Arab Cooperation* (Brill: Leiden, 1976), 144.

<sup>198</sup> GFPL, Memcom, December 2, 1975.

<http://www.fordlibrarymuseum.gov/library/document/0314/1553299.pdf>.

they feel is their right. And even in holding the line we set ourselves a most difficult task.” Thus, the cheapest—and most politically and economically effective—response was new commodity arrangements designed in cooperation with the developed countries. Such agreements would seek to stabilize LDCs’ export earnings rather than prices, which LDCs’ demand for cartels and indexation promised. “The prospects for individual commodity agreements [as opposed to cartelization and indexation] are not too discouraging,” Wilson noted. “But we have to face the fact that the OPEC syndrome is catching on. There are already phosphate-pecs, bauxite-pecs, banana-pecs, and others.”<sup>199</sup>

Wilson stressed as an example his initiatives for commodity stabilization at the Commonwealth Heads of Government conference in Kingston, Jamaica, six months prior to Rambouillet. The Commonwealth grouping represented a quarter of the UN’s population, Wilson pointed out, and this and other centers of decision-making and engagement could prove essential in moderating the South’s demands. Kissinger’s proposal showed the “common ground” already present in the North on a basic idea for commodities. “At the Seventh Special Session [of the UN], the UK’s proposals at Kingston, the united approach by the EC and the wide ranging US proposals [of Kissinger] led to the final resolution of the session,” Wilson said. “We must demonstrate in the future the same unity that we then achieved or the Group of 77 will divide us.”<sup>200</sup>

Schmidt adopted a slightly different approach. While insisting that the developed countries should “educate the developing countries to understand, think, and operate in market economy terms,” he also envisioned “something analogous to the Lomé agreement” expanded worldwide. Such a system would stabilize export earnings by

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<sup>199</sup> Ibid.

<sup>200</sup> Ibid.

providing payments to LDCs in bad times; in times of surplus, the LDCs would pay it back. It was not a giveaway—it would be managed through the IMF, which would charge interest on late payments. But the industrial countries could use funds otherwise directed toward development aid to subsidize some of the interest. By combining controls, support, and intervention with financial discipline, “This would be more than the Lomé model. It could be done with all industrialized countries on one side and all the developing countries on the other. It would take into account total raw materials exports. And this could be in the upcoming dialogue.”<sup>201</sup>

Giscard agreed with Schmidt and Wilson on the difficulty of increased aid, again citing tight developed country budgets and the risk of worldwide inflation. Instead, Giscard suggested, “We can set up reasonable and effective arrangements in commodities.” He, too, endorsed a worldwide system to ensure LDC export stabilization. “Such a system would contribute to the stability of the world economy,” Giscard emphasized. “We should show awareness [at the CIEC] of the importance of continuous improvement in the lot of the LDC’s.”<sup>202</sup>

### **North-North Dialogue at Puerto Rico, June 1976**

After a deep dip in 1975 the U.S. economy was coming back. Unemployment was still high—around 7.9 percent in January 1976, down slightly from the previous year—but the number of employed was increasing, without a corresponding jump in inflation. “It is my feeling that the meeting in Rambouillet was very important,” President Ford told the EC Commissioner, Francis-Xavier Ortoli, two months after the summit. “It had

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<sup>201</sup> Ibid.

<sup>202</sup> Ibid.

psychological as well as substantive benefits.” Ortoli agreed that “the cooperative approach has helped. We have avoided counter-productive measures. So things are not so bad. We are pleased with the results of Rambouillet.”<sup>203</sup>

Ford and Ortoli’s optimism was premature, at least for the health of Northern economies. Throughout 1976 inflation increased across Europe as the governments of weak industrial economies like Britain and Italy borrowed to meet their budgets, threatening the return to protectionism that many had feared. As Sargent explains, Greenspan and Simon, who had been less enthusiastic about using political summitry for economic policy, now favored it, but not for the same reason as Kissinger. Greenspan and Simon wanted to use the second G-7 summit, scheduled for June 1976 in Puerto Rico, to enact market “discipline” on the sick countries. Simon advised Ford to offer financial assistance to Italy with strict budget conditionalities, while Greenspan warned against “a new wave of inflation” brought on by post-Rambouillet stimulus in Western Europe.<sup>204</sup> Greenspan rejected the Keynesian consensus still dominant in Europe and indeed most of the U.S., explaining that “stable growth presupposes a shift of resources into investment and away from public and private consumption.” He also anticipated the IMF’s “structural adjustment” packages—essentially the face of the IMF for poor countries and anti-globalization activists from the Reagan Administration to the present. Rather than bilateral aid, the difficult “domestic corrective measures” for European deficit countries should be administered through “a general mechanism in the context of the IMF, which will be able to provide financial assistance to developed countries in special need,

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<sup>203</sup> GFPL, Memcom, February 24, 1976.

<http://www.fordlibrarymuseum.gov/library/document/0314/1553378.pdf>.

<sup>204</sup> Sargent, *A Superpower Transformed*, 194.

preconditioned on special corrective programs to insure a return of sound economic equilibrium.”<sup>205</sup> This was also similar to what Schmidt had proposed at Rambouillet for LDCs.

The State Department “expressed skepticism” against “punitive” measures, but still favored another summit. Ford and Giscard met and agreed that “responsible and not “punitive” measures were needed.”<sup>206</sup> Kissinger, no ideologue but also no free-spender, agreed that the Puerto Rico Summit could be used to ensure more responsible spending among its allies. But “responsible” here is instructive. One of the key questions of interdependence theorists was whether democracy prevented industrial countries from making the tough decisions necessary for economic adjustment. This had many implications. A 1975 report by the Trilateral Commission, titled the “The Crisis of Democracy,” accused the publics of Western democracies in the 1960s of a fundamental contradiction in their demand for government “to increase its functions, and to decrease its authority.”<sup>207</sup> In a background paper for Puerto Rico on the major industrial countries, Seidman’s Economic Policy Board made the same diagnosis:

Governments [in the 1960s] committed themselves to ameliorate social inequities at home and abroad and to achieve an ever rising standard of living. However socially commendable, these commitments proved to be too ambitious in economic terms—both in what they actually attempted to achieve and in the expectations they raised among the public. Thus, the major task for the next several years is both economic and political—not only to regain acceptable levels of output but also to set realistic goals that are accepted by the public at large.<sup>208</sup>

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<sup>205</sup> GFPL, Council of Economic Advisers, Alan Greenspan File, Box 39, Economic Summit (Puerto Rico) June 1976 (1), Memo, Greenspan and Scowcroft to The President, “Puerto Rico Summit Overview,” June 25, 1976.

<sup>206</sup> Sargent, *A Superpower Transformed*, 194-95.

<sup>207</sup> Michael Crozier, Samuel P. Huntington, Joji Watanuki, *The Crisis of Democracy: Report on the Governability of Democracies to the Trilateral Commission* (New York: NYU Press, 1975), 64.

<sup>208</sup> GFPL, Seidman Files, Economic Policy Board, EPB Executive Committee Memoranda, Box 33, Seidman to EPB Executive Committee Members, June 7, 1976, “Preparation for International Summit,” p. 3.



Kissinger had reached a similar conclusion, though, typically, more about politics than economics: “If the British are smart, it could be in their interest to be pressured into agreement on conditions, so that they can say that the only reason they imposed stringent conditions on the British economy is because of those American SOBs.”<sup>209</sup>

Thus, Ford and Schmidt, as head of Europe’s only surplus country, went to the Puerto Rico summit in June 1976 looking to discipline the debtors. Ford and Schmidt faced opposition to their primacy of fighting inflation over reducing unemployment, especially from Britain’s embattled Prime Minister James Callaghan. Shortly after Puerto Rico, however, Callaghan was repeating the same reasoning to his own supporters. He told the 1976 Labour Party conference that the “option [to increase spending] no longer exists. And in so far as it ever did exist, it only worked on each occasion... by injecting a bigger dose of inflation into the economy, followed by a higher level of unemployment as the next step.” Asking for help from the U.S., West Germany, and the IMF, he found only the IMF willing to help—and not without the strict conditionalities Simon and Greenspan favored.

## **Conclusion**

The Rambouillet and Puerto Rico summits showed how understandings of postwar Keynesian economics in the industrial countries both persisted and were rejected during the global economic crisis of the 1970s. At Rambouillet, President Ford and his counterparts agreed on a sort of global Keynesianism for the world economy. While keeping an eye on inflation, the theory went, the healthier developed countries should

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<sup>209</sup> Sargent, *A Superpower Transformed*, 195.

continue spending, since their purchasing power would stimulate both weaker OECD neighbors and the developing world through increased demand for their exports—later named “locomotive theory” by officials in the Carter Administration. Locomotive theory was also a way for developed countries to avoid the kind of global structural changes called for by the South, without abandoning the key features of the global Keynesian approach. However, some in the North, especially the Scandinavian countries and the Netherlands, all of whom were left out of the G-6 and G-7 summits, pushed more radical North-South measures within the European Commission. In addition to endorsing indexation and debt relief, they also favored direct transfers to LDCs for global stimulus—a different global application of domestic Keynesian principles that was increasingly out of touch with understandings of economics and out of favor among the major industrial country governments. These differences would cause some problems in the Northern coalition at the CIEC, where, unlike in previous talks, the EC would have common representation.<sup>210</sup>

Kissinger’s State Department still endorsed locomotive theory and rejected large fiscal transfers to the South, as well as calls to “punish” profligate European governments from its Treasury Department colleagues. The consensus remained that government was still the solution in that it should be managed better—even held to task by its creditors—but not shrunk or attacked on principle, especially during a severe economic crisis. For Kissinger, the state’s economic power was above all a political lever, essential for domestic stability and international bargaining. But for neoliberals in the Ford Administration, government *was* the problem. Big budgets were the result of big

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<sup>210</sup> Garavini, *After Empires*, 221.

government, not just the politicians who manage them. The solution was to try to remove the politics from economics by transferring the enforcement of discipline from individual countries to the IMF—which, of course, reflected the policy and ideological preferences of Washington (and specifically the U.S. Treasury).

For Kissinger, the summits' main success was unrelated to the neoliberals' ideological concerns. Rambouillet's "greatest contribution" was that it provided the "kind of political *directoire* of the industrial democracies" that he had advocated since de Gaulle proposed the idea in the 1960s.<sup>211</sup> The Rambouillet directorate excluded the most progressive European countries, like Sweden and the Netherlands, who advocated greater concessions on commodities and debt relief at EC discussions. Rather, at the directorate's center were Britain, Germany, and France, now in closer economic cooperation with the U.S. since the Marshall Plan. On their greatest area of divergence—energy and raw materials—they were close to united. By the time of the CIEC talks, the major developed countries had agreed to 1) prioritize breaking the OPEC-LDC alliance; 2) stress the impact of the oil cartel's actions for LDCs' prospects; and 3) block LDCs' calls for debt relief and indexation, instead limiting commodity reform to export, not price, stabilization.

This convergence validated Kissinger's efforts since 1973 to renew the transatlantic alliance around a shared purpose. That shared purpose came from, quite unexpectedly for all, the imperative to counter the Third World's challenge to Western countries' economic stability, in the face of what appeared as a massive structural crisis. But what once threatened divergence among the world's most powerful economies, now

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<sup>211</sup> Kissinger, *Years of Renewal*, 693.

suggested convergence around the maintenance of an entire global order that none sought to abandon.

Due to a combination of Kissinger and Ford's persistence, propitious changes of leadership in Britain, Germany, and France, and the increased threat of oil and raw materials shortages in the West, transatlantic leaders in the mid-1970s partly realized the truth of the "interdependence" over which they obsessed in public speeches.

Interdependence could only be managed within a stable international order. The EC had tried to create its own, alternative order in the early 1970s by isolating the U.S. through exclusive raw materials agreements with LDCs and, after the oil crisis began, exclusive energy agreements with the OPEC countries. But the U.S.' relative strength through the crisis communicated the consequences of this strategy, as the U.S. could make its own deals that would undercut Europeans. Equally important was the fact that Europe still leaned on the U.S. for subsidized security. If the U.S. reduced its commitments, their budgets would gain a burden no European nation could carry, in good economic times or in bad.

This did not mean that U.S.-European divergence on energy and raw materials was no longer a risk. Nor did it mean that the Third World's challenge was over. After the first meeting of the CIEC in December 1975, National Security Advisor Brent Scowcroft warned Ford that "[U.S.] dependence on these countries [LDCs] for markets and raw materials is increasing. And their political and economic influence is growing." He also still worried that

The Europeans and Japanese (who are far more dependent on the Third World than is the US) might attempt to out-flank us [at the CIEC] in playing up to the developing and OPEC countries. And political and economic tension between us and the Third World would build.

Frustrations could lead to an adverse climate for US investment in the Third World, a weakening of trade ties, less reliable raw material supplies and a more hostile political environment.

The U.S. should use the CIEC to “pursue a variety of policy options, both bilateral”—with Third World producers—“and multilateral”—with producers and European consumers—“to better secure its economic (trade, investment, and raw materials) and political interests.”<sup>212</sup>

Outside of the CIEC, the U.S. pursued its North-South policy options at the fourth UNCTAD meeting in Nairobi, Kenya, also covered in the next chapter. The State Department placed great importance on UNCTAD IV, for several reasons. Policy toward UNCTAD, which would focus on commodities and debt relief, could not be separated from the CIEC; it would arise in all future discussions with developed and developing country leaders; and any success would require substantial effort from the executive branch. UNCTAD “as an organization has special meaning for the developing world,” State reported to Kissinger, “having prepared the intellectual foundations of much of the New International Economic Order.” It was especially important that the U.S. take UNCTAD seriously now; in the past, it had not. Further, despite developed country convergence on commodities and debt relief, on the link between special drawing rights at the IMF and foreign aid, “We are almost isolated” from Europe. “If we can squelch divisive proposals among DCs [developed countries],” State concluded, “UNCTAD IV gives us the chance to further harmonize DC policies toward the Third World.”<sup>213</sup>

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<sup>212</sup> *FRUS*, 1969-76, vol. XXXI, Foreign Economic Policy, 1973-76, doc. 300.  
<https://history.state.gov/historicaldocuments/frus1969-76v31/d300>.

<sup>213</sup> *FRUS*, 1969-76, vol. XXXI, Foreign Economic Policy, 1973-76, doc. 301.  
<https://history.state.gov/historicaldocuments/frus1969-76v31/d301>.

Kissinger sought to demonstrate his government's commitment by giving the keynote address at UNCTAD IV, making him the first cabinet-level U.S. official to participate in an UNCTAD meeting. The address was the centerpiece of a multi-country goodwill tour of Africa in the final months of his career. It was Kissinger's first official trip to Africa as Secretary of State, and it showed in his conversations with African leaders. Attention to the continent in the Ford Administration had been limited to involvement in a proxy war in Angola with the Soviet Union and implicit support for white minority rule in South Africa and Rhodesia. The trip was additionally complicated by the actions of UN Ambassador Daniel Patrick Moynihan, who had contradicted Kissinger's North-South overtures at the UN with dramatic denunciations of Third World—and especially African—leaders. Moynihan used the Third World's human rights record to counter its claims for economic redistribution; he also publicly and privately called out Kissinger, his boss, for failing to stand up for human rights in East-West relations. These developments were concurrent with a human rights movement that both of Ford's opponents in 1976, the Republican Ronald Reagan and Democrat Jimmy Carter, used for their own ends. All of these trends would come together in Kissinger's final major initiative, for both North-South policy in the Ford Administration and indeed his own career in government.

### **Chapter 3: ‘The United States Goes into Opposition’: Neoconservatives and the NIEO at the United Nations, 1974-76**

#### **Introduction**

Prompted by allegations from investigative journalists and the findings of U.S. Senator Sam Ervin, in January 1975 Congress established a new intelligence committee tasked with investigating and publicizing illegal activities by the CIA abroad and at home. Its report “showed that all six administrations from Franklin Roosevelt’s through Richard Nixon’s—four Democrats and two Republicans—had secretly abused their powers,” wrote Frederick A. O. Schwarz, Jr., the Committee’s General Counsel. “This was probably the committee’s single most important finding.”<sup>214</sup> Regardless, the bipartisan committee had a decidedly Democratic stamp, and while no president would have granted the commission everything it requested, the task (and consequences) of disclosure and denial fell to President Gerald Ford.

This reaction against executive power and secrecy was one consequence of America’s Third World policy under Nixon and Ford, but it was not the only. In the early 1970s, Americans of both parties came to resent what they saw as the passive acceptance by American elites of America’s declining global power and the Third World’s rise. In speech after speech at the United Nations, Third World leaders called the postwar economic order unequal and immoral, and OPEC leaders like Algeria and Venezuela singled out the United States for its selfish leadership. *Newsweek* told Americans that the global conflict between the “have’s” and “have not’s” was “The World’s New Cold

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<sup>214</sup> Frederick A. O. Schwarz, Jr., *Democracy in the Dark: The Seduction of Government Secrecy* (New York: The New Press, 2015), 177.

War,” encouraging their sense of siege.<sup>215</sup> The liberal internationalist establishment agreed. “The main axis of conflict at most international conferences today,” Zbigniew Brzezinski, then Director of the Trilateral Commission, explained in 1975, “is not between the Western world and the Communist world but between the advanced countries and the developing countries.”<sup>216</sup>

Chapters 1 and 2 showed how Kissinger’s eagerness to pacify the South through concessions on trade and aid led to conflict with Ford’s neoliberal economic advisors, who considered the G-77’s proposals to regulate international commodity prices directly counter to their own mission to end price controls at home. But while William Simon and Alan Greenspan focused most on the economic principles at stake, another set of actors, at the time largely outside government, saw an even greater threat emanating from the South. The North-South conflict was not simply a battle between rich and poor nations, Irving Kristol, one leading voice, explained in the *Wall Street Journal*, but “much more a question of one’s attitude towards liberal political and economic systems, and toward liberal civilization in general.”<sup>217</sup>

In 1973 sociologist Michael Harrington used the term “neoconservative” to describe Kristol and other former liberals who opposed the Democratic Party’s embrace of “interest group” politics and ambitious social engineering through welfare programs.<sup>218</sup> For neoconservatives this was embodied in 1972 Democratic presidential

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<sup>215</sup> “Rethinking U.S. Foreign Policy: How Should Our Power Be Used?” *Great Decisions* (1976): 76. <http://www.jstor.org/stable/43680938>.

<sup>216</sup> Gerald Ford Presidential Library (GFPL), L. William Seidman Files, Box 50, Commodities – International, Irving Kristol, “The ‘New Cold War,’” *Wall Street Journal*, July 17, 1975.

<sup>217</sup> GFPL, Ibid.

<sup>218</sup> Harrington had first used the term in the late 1960s, but it was his essay, “The Welfare State and its Neoconservative Critics,” published in 1973 in *Dissent*, that led to its popularization. There, Harrington uses Daniel P. Moynihan, Nathan Glazer, and Daniel Bell as examples of former liberals for whom “the failures of the welfare state in the sixties have served as stimulus for, and rationale of... [their]



nominee George McGovern's "New Politics," part of an attempt to forge a new base of support from younger feminists, environmentalists, black activists, and others who had come of age politically in the 1960s. For neoconservatives, however, Democrats had drunk the New Left "Kool-Aid." As one writer put it in *Commentary*, the New Politics movement elevated "TV militants" like Jesse Jackson over NAACP moderates, pandered to the counterculture, and generally accepted the New Left's charge that "the average American had been brainwashed by the Establishment and was tainted by racism."<sup>219</sup> For neoconservatives those politics were being played out internationally at the United Nations, where State Department diplomats allowed the Third World's attacks on American liberalism to go unchallenged. While in the 1980s and beyond neoconservatives took pride in their dismissal of the UN's relevance and authority, in the 1970s they wanted to stay and fight for an institution they believed was worth saving. Their first major victory came in 1975, when Kissinger appointed Daniel Patrick Moynihan, a former Ambassador to India and Kennedy and Johnson administration official, as his Ambassador to the UN.

This chapter first explains neoconservatism's origins within the context of North-South relations. Most histories of neoconservatism overwhelmingly focus on neoconservatives' attitudes toward détente and human rights in the Soviet Union, but

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neoconservative thought in the seventies." As he quotes Moynihan, "The modern welfare state [in the 1960s] was getting into activities no one understood very well.... [It] undertook an unprecedented range of social initiatives designed to put an end to racial and ethnic discrimination, to poverty, and even also to unequal levels of achievement among groups variously defined by race, class, religion, national origin, and sex, primarily through the strategy of providing new, or "enriched," social services.... It had not reached the point of picking every man a wife, but it was getting close enough to other such imponderables to find itself increasingly held to account for failures in areas where no government could reasonably promise success."

<sup>219</sup> Penn Kemble, "The New Politics and the Democrats," *Commentary*, December 1, 1972. (<https://www.commentarymagazine.com/articles/the-new-politics-the-democrats/>)

Moynihan's UN tenure—by all accounts, a watershed moment for the movement—demonstrates the centrality of a North-South, rather than East-West, framework.

We then return to Kissinger's North-South strategy at the beginning of 1975 to explain the reasons for Moynihan's appointment. The U.S. delegation badly mishandled the December 1974 vote on the G-77's "Charter of Economic Rights and Duties of States," essentially a legal blueprint for the NIEO. Although their prescriptions differed, both Moynihan and Kissinger believed that what developing countries said at the UN—and how they organized to say it—mattered. Thus, Kissinger chose the Seventh Special Session on Development and International Cooperation, a follow-up conference to the NIEO held in September 1975, to unveil a wide range of new proposals in response to the G-77's mounting demands.

The new U.S. positions on commodity and development financing were praised by North and South alike, and many delegates considered it the beginning of a true North-South "dialogue." Ironically, with Kissinger in the Middle East for emergency peace negotiations, the speech was delivered by one of his biggest critics. While Kissinger was able to rebuff the neoliberals' calls for free-market bromides, he was less able to control Moynihan's bold, often chauvinistic, assertions of the political, economic, and moral superiority of American liberalism. Moynihan's combative neoconservatism threatened Kissinger's attempts to articulate an approach to the Third World more in line with Western Europe's, and their private and public disputes led to Moynihan's resignation in February 1976, after just seven months on the job. It also earned Moynihan tremendous popularity among the American public, who found compelling his assessment of the UN as a club of tin-pot dictators and racist fanatics denouncing the

U.S. in one breath and demanding money in the next—and who in turn voted him into the U.S. Senate, where he represented New York State until his retirement in 2001.

The chapter concludes with a discussion of Kissinger's last major act as Secretary of State, his visit to thirteen African countries in April 1976. During the trip Kissinger praised African socialists like Tanzania's Julius Nyerere, renounced U.S. support for minority rule in southern Africa, and connected support for majority rule to economic development and the North-South dialogue. He also became the first high-ranking U.S. official to address the United Nations Conference on Trade and Development (UNCTAD), where he presented another significant policy reversal: endorsement of the G-77's call for a Common Fund to support global commodity prices. Kissinger's trip was intended as not only an affirmation of the U.S. government's good faith in the North-South dialogue; it was also a rejection of Moynihan's legacy at the UN, marking the end of a brief but key phase in neoconservatism's ascendancy in U.S. foreign relations.

### **Moynihan in Opposition**

Like all political labels, the term “neoconservative” has a varied and contested history. As the author of one recent study put it, “From the 1960s to the 2000s, neoconservatism transformed itself so thoroughly as to become unrecognizable.”<sup>220</sup> Since at least 1979 there has been no shortage of histories, most of them written by partisan attackers or defenders of either neoconservatism's founders or its post-2001 iteration.<sup>221</sup>

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<sup>220</sup> Justin Vaisse, *Neoconservatism: The Biography of a Movement* (Cambridge: Belknap, 2010), 4.

<sup>221</sup> See Kristol, “Confessions of a True, Self-Confessed ‘Neoconservative,’” *Commentary*, 1979, and Kristol, *Neoconservative: The Autobiography of an Idea* (New York: The Free Press, 1995) for Kristol's early embrace of the term. For two partisan defenses, see Douglas Murray, *Neoconservatism: Why We Need It* (New York: Encounter Books, 2006) and Adam L. Fuller, *Taking the Fight to the Enemy: Neoconservatism and the Age of Ideology* (Lanham, MD: Lexington Books, 2012). For attacks on neoconservatism, see Gary Dorrien, *Imperial Designs: Neoconservatism and the New Pax Americana* (New York: Routledge, 2004); Bruce W. Holsinger, *Neomedievalism, Neoconservatism, and the War on Terror*

More helpfully, recent scholars have identified different neoconservative “movements,” thereby distinguishing the philosophies of “right wing liberals” in the 1970s, like *Commentary* editor Norman Podhoretz and sociologists Daniel Bell and Nathan Glazer, from the more rigid anti-statism of the George W. Bush Administration.<sup>222</sup>

Daniel Patrick Moynihan was one of those “right wing liberals” and a central figure in the history of neoconservatism. Born in Tulsa, Oklahoma in 1927, Moynihan moved to New York City as a child, where he shined shoes before graduating high school and finding work as a longshoreman. Unlike future friends Podhoretz and Irving Kristol, Moynihan was never a member of the “New York Intellectuals,” the fabled group of anti-Stalinist leftist writers and literary critics who debated aesthetics and Trotskyism with equal fervor. Instead, after a year at City College, Moynihan enlisted in the Navy, during which time he gained a B.A. from Tufts University.

Despite subsequently earning an M.A. and Ph.D. in International Relations from Tufts’ Fletcher School, Moynihan was not initially interested in foreign affairs; indeed, in a great irony, the future ambassador failed the State Department’s Foreign Service exam. Instead, following the completion of his dissertation in 1961, Moynihan joined the Kennedy Administration—the embodiment of the tough “vital center” liberalism to which he subscribed—as an Assistant Secretary of Labor.

During this time the young Ph.D. gained national attention for a controversial report he authored on black poverty that made its way to the press. By asserting a causal

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(Chicago: Prickly Paradigm, 2007); and Jean-François Drolet, *American Neoconservatism: The Politics and Culture of a Reactionary Idealism* (London: Hurts & Co., 2011).

<sup>222</sup> Vaisse, for instance, speaks of “Three Ages” of neoconservatism, tracing its history from the leftward drift of the Democratic Party in the 1960s, through the turn towards foreign policy concerns in 1972 and finally the Reagan Administration, which gave birth to the contemporary understanding associated most with the administration of George W. Bush.

link between black family instability and black poverty, many accused Moynihan of “blaming the victim” (and worse). It did not help that the report became public knowledge in August 1965, the same month as the Watts riots in Los Angeles. Civil rights leader Whitney Young, Jr. called Moynihan’s thesis a “gross distortion,” while Harvard psychologist William Ryan accused him of harboring a “new ideology” in which blacks were “savages.”<sup>223</sup> “I am now known as a racist across the land,” Moynihan despaired to NAACP Director Roy Wilkins.<sup>224</sup>

The controversy over the “Moynihan Report” was a turning point in Moynihan’s relationship to the Democratic Party. “The reaction of the liberal Left to the issue of the Negro family was decisive,” he wrote in a reply to his critics. “They would have none of it. No one was going to talk about their poor people that way.” By this time, Moynihan “was a neoconservative in all but name.”<sup>225</sup> Like Podhoretz and Glazer, Moynihan believed that he had not abandoned liberalism; rather, in its rejection of consensus politics, resistance to internal criticism, and unwillingness to confront its radical elements, liberalism had abandoned him. Following his resignation from the Johnson Administration in 1965, the Americans for Democratic Action board member called for a “formal alliance between liberals and conservatives” to combat the “nihilist terrorism” and “erosion of authority” in America’s cities and universities. Still preferring the term “liberal dissenter,” Moynihan mocked the “mob of college professors, millionaires,

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<sup>223</sup> John Ehrman, *The Rise of Neoconservatism: Intellectuals and Foreign Affairs, 1945-1994* (New Haven: Yale University Press, 1995), 69-70.

<sup>224</sup> Gil Troy, *Moynihan’s Moment: America’s Fight Against Zionism as Racism* (New York: Oxford University Press, 2013), 48.

<sup>225</sup> Ehrman, *The Rise of Neoconservatism*, 67.

flower children, and Radcliffe girls” that he blamed for Johnson’s decision not to run for President in 1968.<sup>226</sup>

Through it all, Moynihan’s stock on the right began to rise. While Podhoretz declared “full-scale war” on the New Left from the pages of *Commentary*—marking its crowning as the “new conservatives” principal organ<sup>227</sup>—Moynihan joined the Nixon Administration in 1970 as a “special counselor to the President” on race relations and urban affairs. When the press picked up on another memo widely interpreted as urging Nixon to neglect the black community, for Moynihan, it was history repeating itself as farce. As if he needed another excuse to abandon his sympathies for the American left, in response to the “benign neglect” memo Students for a Democratic Society members reportedly threatened to trash his house in Cambridge—the same day that antiwar protesters hung a Viet Cong flag from Peace Corps headquarters in Washington.<sup>228</sup>

In January 1971, Moynihan returned to Harvard but remained in the Nixon Administration part-time as a special observer to the United Nations. He was shocked by the Third Worldist consensus of UN committee agendas and reports; the Economic, Cultural, and Social Council’s 1970 “Report on the World Social Situation,” for instance, was a “totalitarian tract” that he compared to a “hastily written undergraduate thesis.”

Most troubling for Moynihan was the State Department’s lack of a reaction. “It is

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<sup>226</sup> For “formal alliance,” see Murray Rothbard, “Confessions of a Right-Wing Liberal,” *Ramparts* VI, vol. 4 (June 1968), reprinted at <https://mises.org/library/confessions-right-wing-liberal>. For “liberal dissenter,” see Troy, *Moynihan’s Moment*, 49.

<sup>227</sup> Vaisse proposes *Commentary*’s 1970 offensive as marking one of three possible “birth dates” for neoconservatism:

Only one significant event took place in that year: the neoconservative turn of *Commentary*, which came in June. But 1970 may also be taken as a symbolic date marking the cumulative growth of neoconservatism, which had reached the threshold of existence as an autonomous movement at the culmination of a decade of protest, counterculture, and the New Left, against which it was reaching (70).

<sup>228</sup> Troy, *Moynihan’s Moment*, 51-52.

incomprehensible to me,” he told UN Ambassador George H. W. Bush, “that a State Department that would take the nation into a hopeless and disastrous war in Asia in defense of abstract principles about democracy is not able—or in some perverse way—not willing—to summon the intellectual competence to defend democracy in a United Nations debate.”<sup>229</sup>

For the second time in two years, in late 1972 Nixon offered Moynihan the job of UN Ambassador. Believing that the “[UN] corpse had already begun to decompose,” he turned it down in favor of Ambassador to India, Nixon’s other offer. His main achievement was the renegotiation of a large food loan India owed to the U.S., but his experience abroad left him convinced of a fundamental crisis in U.S.-Third World relations. In letters to Podhoretz and Glazer—now co-editor (with Irving Kristol) of neoconservative journal *The Public Interest*—he denounced Nixon and Kissinger’s hesitancy to resupply Israel during the 1973 war, the refusal of Europeans to support the United States when it did send arms, and, especially, the anti-Israeli sentiments of the “leftist, ‘anti-colonial’” government of Indira Gandhi. “I came here thinking that liberty was losing in the world,” Moynihan concluded. “I leave thinking that liberty may well be lost.”<sup>230</sup>

If the Moynihan Report and “benign neglect” episodes confirmed his views of the American “totalitarian left,” Moynihan’s experiences as a U.S. diplomat convinced him that an analogue of that virus had also infected the making of American foreign policy. He was not alone among neoconservatives. In 1972, “New Politics” advocates in the Democratic Party united around liberal anti-war candidate George McGovern for the

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<sup>229</sup> Troy, *Moynihan’s Moment*, 52.

<sup>230</sup> Troy, *Moynihan’s Moment*, 55-56.

nomination, edging out neoconservative favorites Henry Jackson and Hubert Humphrey. In response, Jackson supporters formed the Coalition for a Democratic Majority (CDM), urging the Party to return to a more aggressive policy toward the Soviet Union and, importantly, the promotion of democracy and human rights.<sup>231</sup> While neoconservatives feared the loss of Truman- and Kennedy-esque containment within the Democratic Party, the Republican Party was no more welcoming, as the Nixon Administration embraced détente and balance of power politics while opposing many of the social programs neoconservatives still favored. Thus, while McGovern campaigned on the slogan “Come Home, America,” the CDM issued its last plea to liberals: “Come Home, Democrats.”<sup>232</sup>

More important for Moynihan was that the American foreign policy establishment had seemingly lost the will to defend America—not so much with weapons, but with words. In a 1974 *Commentary* essay titled “Was Woodrow Wilson Right?” he determined that American elites were in the middle of a “crisis of faith... demoralized, even victimized” by a combination of the radical left at home and the “poisonously anti-American” political elites of “most of the rest of the world.”<sup>233</sup> The problem was not just that American elites had lost hope; it was also the case that few, if any, of them actually understood what they were up against. From Moynihan’s perspective, it was not hard to find a parallel between American liberals’ refusal to acknowledge the uncomfortable truths he raised about black poverty in 1965, and the unwillingness of American foreign policy elites to stand up and defend liberalism against its anti-liberal and anti-democratic

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<sup>231</sup> Notable neoconservatives on the Committee included Daniel Bell, Midge Decter, Nathan Glazer, Samuel Huntington, Max Kampelman, Jeane Kirkpatrick, Charles Krauthammer, Irving Kristol, Michael Novak, Irving Podhoretz, and Moynihan.

<sup>232</sup> Vaisse, *Neoconservatism*, 136-37 and Douglas Schoen, *The Nixon Effect: How His Presidency Has Changed American Politics* (New York: Encounter Books, 2016), 190.

<sup>233</sup> Moynihan, “Was Woodrow Wilson Right?” *Commentary*, May 1, 1974.  
<https://www.commentarymagazine.com/articles/was-woodrow-wilson-right/>.



Third World detractors. In a not-so-subtle jab at his State Department colleagues, Moynihan told the *New York Times* while serving as a UN delegate, “I will not split the difference between a totalitarian society and an open one, or suggest that there’s good to be said on both sides.”<sup>234</sup>

After his resignation as Ambassador to India in late 1974, Moynihan, at Podhoretz’s urging, collected these ideas for a lengthy essay for *Commentary*’s March 1975 issue. He began work as soon as he returned to Harvard in early January; a month later, Podhoretz, a gifted publicity hound, called a press conference for the article’s release. Within days, Moynihan, who had already graced the cover of *Time* in 1966, was back in the national spotlight for a major television interview.<sup>235</sup>

In “The United States in Opposition,” Moynihan gave both an historical overview of what he saw as the Third World’s “ideology” and a prescription for how to combat it. His explanation of “what happened in the early 1970s” was highly idiosyncratic, and clearly reflected both his recent time in India and his profoundly Anglocentric view of history (and perhaps some aftertaste of the two lonely and bitter years he spent as a Fulbright Scholar at the London School of Economics). Moynihan located that ideology’s origins in the “general corpus of British socialist opinion” from 1890-1950, which harbored both “a suspicion of, almost a bias against economic development” and an “aristocratical [sic] disdain” of the United States’ model of capitalist development. In short, he argued that colonial elites, educated in the Marxist-inflected Fabianism popular at the LSE, took this ideology back to their countries, where they asserted a right to not

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<sup>234</sup> Israel Shanker, “Moynihan Finds UN with Head Lost in Cloud of Ideals,” *New York Times*, November 10, 1971.

<sup>235</sup> Ehrman, *The Rise of Neoconservatism*, 83.

only political independence from their colonizers but also economic reparations from the developed capitalist world writ large. “Before very long,” Moynihan explained, “the arithmetical majority and the ideological coherence of those new nations brought them to dominance in the United Nations and, indeed, in any world forum characterized by universal membership.”

More important than his explanation of the Third World’s ideology was his diagnosis of current U.S. policy. Part of the problem was that Americans did not even recognize that the Third World held a distinctive, coherent ideology. The Third World countries’ first act as a bloc, he explained, was the “political” move to establish the Non-Aligned Movement, but in 1964 they became an economic bloc, too, with the establishment of the Group of 77 caucus in the United Nations. By this point “it was clear enough that the Third World...was not going communist,” but neither was it going liberal. Rather than discouraging this slide toward statism and anti-Americanism, Moynihan charged, the United States, through “blind acquiescence and even agreement... kept endorsing principles for whose logical outcome it was wholly unprepared and with which it could never actually go along.” In a thinly disguised jab at Kissinger, Moynihan cited the 1974 World Food Conference (a Kissinger initiative) and responses to the New International Economic Order and Charter of Economic Rights and Duties of States as the latest examples of the State Department’s failure of will.

There was only one choice for beleaguered American policymakers: “*The United States goes into opposition*. This is our circumstance. We are a minority. We are outvoted. This is neither an unprecedented nor an intolerable situation. The question is what do we make of it.” He concluded by listing three areas where the U.S. must defend

itself against attack—international liberalism, the world economy, and political and civil liberties—and called for the U.S. to stand up for liberalism’s political and economic achievements in both the UN General Assembly and special organizations. “It is past time we ceased to apologize for an imperfect democracy,” Moynihan asserted, not for the last time. “Find its equal. It is time we grew out of our initial—not a little condescending—supersensitivity about the feelings of new nations. It is time we commenced to treat them as equals, a respect to which they are entitled.”<sup>236</sup>

The article caused the sensation it sought and quickly made its way to Kissinger, who allegedly read it straight through an afternoon appointment. When he proposed to Ford that Moynihan “head a group about behaving more aggressively at the UN,” the President suggested instead that Moynihan lead the U.S. delegation. Kissinger recalled in his memoirs that he had recommended Moynihan for the position, but Ford remembered differently: “Henry was not in favor of sending Moynihan to the UN and warned that he might use it as a political stepping stone.”<sup>237</sup> Regardless, Ford was in favor, and in a meeting with the new Ambassador and the President, Kissinger agreed, “That Commentary article is one of the most important articles in a long time. That is why it is essential to have him at the UN.”<sup>238</sup> In addition to the preponderance of neoliberal economic officials, the Ford Administration now had a powerful representative of another trend in the fractured and transitional politics of the time: neoconservatism.

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<sup>236</sup> Moynihan, “The United States in Opposition,” *Commentary*, March 1, 1975.  
<https://www.commentarymagazine.com/articles/the-united-states-in-opposition/>.

<sup>237</sup> Troy, *Moynihan’s Moment*, 60.

<sup>238</sup> Memorandum of Conversation (hereafter “Memcon”), “American Strategy at the UN,” Ford, Moynihan, Kissinger, Scowcroft, April 12, 1975.  
<https://www.fordlibrarymuseum.gov/library/document/0314/1553022.pdf>.

Both Kissinger and Ford had doubts about Moynihan. Ford asked if he “would carry out orders,” to which Kissinger replied, “You—and the press—would know when he disagreed.” One consideration was Moynihan’s views on the Middle East, of which Kissinger was already aware. “One major problem you will have is on Israel,” he warned the new ambassador. “They are desperately looking for a spokesman and they will work on you... I don’t want Israel to get the idea that our UN mission is an extension of theirs... We have to show Israel that they don’t run us.” Moynihan agreed: “The American Jews have got to be Americans.” Kissinger was wary, but nevertheless believed that Moynihan could be managed. “He will give us fits,” he told Ford, “but he will do well.”<sup>239</sup>

Kissinger’s ambivalence about Moynihan’s appointment was understandable. Although his status as a hardnosed foreign policy realist has been challenged, Kissinger was certainly not a Wilsonian like Moynihan.<sup>240</sup> More important, Moynihan’s call for the U.S. to go into “opposition” at the UN ran counter to the more conciliatory approach towards which Kissinger had been moving since the World Food Conference. The Secretary of State already had the Treasury and Council of Economic Advisors accusing him of selling out American economic values and interests to placate Third World statists and socialists; why would he risk turning an even more outspoken critic into such a public liability, when his own rhetoric had moved firmly in the opposite direction?

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<sup>239</sup> Troy, *Moynihan’s Moment*, 59-61.

<sup>240</sup> See Niall Ferguson, *Kissinger: Volume I: 1923-1968: The Idealist* (New York: Penguin, 2015). For the argument that Kissinger was actually a neoconservative pioneer, see Greg Grandin, *Kissinger’s Shadow: The Long Reach of America’s Most Controversial Diplomat* (New York: Metropolitan Books, 2015). This dissertation rejects both views.

Podhoretz argued that Moynihan was brought on “to shore up the right flank without having to pay too much for it,” since Kissinger believed the UN was essentially “harmless.” This is unpersuasive. Kissinger paid unprecedented attention to the United Nations from 1975-76, even travelling to Nairobi to address the fourth meeting of UNCTAD, making him the only cabinet-level U.S. official to do so until Cyrus Vance four years later (this act has not been repeated since). Nor was Kissinger persuaded by Moynihan’s account of the Third World’s ideology, which, in an early meeting, he and Moynihan agreed was “exaggerated” and “overblown.”<sup>241</sup>

Instead, Moynihan was brought on precisely *because* Kissinger believed that the Third World’s ideological offensive at the United Nations was important. “Until the Sixth Special Session,” the State Department explained in May 1974, “most LDCs seemed to go along with NAGC [Non-Aligned Country Group] political positions and economic rhetoric, but to look to [the] Group of 77 for real progress on specific economic aims.” However, the New International Economic Order demonstrated a “new-found LDC capacity” to ignore political and economic heterogeneity and unite around the confrontational tactics of “militant” Third World leaders in OPEC and the Non-Aligned Movement. Yes, their resolutions were not binding or enforceable, but the effect of this leadership at the UN both muted “more pragmatic LDC approaches to economic and political issues” and “isolated increasingly [the U.S.] as [the] apparent protector of [the]

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<sup>241</sup> GFPL (II), Memo, White House, “The Moynihan Article in Commentary Magazine,” April 15, 1975, folder: Moynihan, Daniel (1), Box 26, Robert Goldwin Papers.

status quo on.... self-determination, racial equality, and distribution of global resources.”<sup>242</sup>

Kissinger did not have to endorse Moynihan’s prescription—“The U.S. goes into opposition”—to appreciate his diagnosis, which was that as the composition of the UN changed, so too did its politics and significance. When OPEC leaders used arguments developed primarily in UN agencies like UNCTAD to justify restrictions on oil production, they were drawing on organizations and bodies of knowledge that the U.S. had, through its silence, effectively endorsed, back when the oil weapon was seen as an empty threat. Its deployment in 1973 demonstrated both the dependence of developed countries on Third World resources and, in Western Europe’s subsequent scramble for new energy deals with Iran, Iraq, Saudi Arabia, and others, the limits of developed country solidarity. “We are now living in a never-never land, I am certain,” Kissinger despaired in early 1974, “in which tiny, poor and weak nations can hold up for ransom some of the industrialized world.”<sup>243</sup>

“The Commentary article makes two points,” Moynihan explained to Kissinger and Ford upon his appointment: “We are still acting in the same posture we had in the past when we had a majority—so we still seek a consensus. The only consensus now is screw the United States. The reputation of the US keeps eroding and that reputation is important to us.” “We even cooperate in resolutions directed through codewords against

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<sup>242</sup> *Foreign Relations of the United States* (hereafter “FRUS”), 1969-1976, Volume E-14, Part I, Documents on the United Nations, 1973-1976, ed. William B. McAllister (Washington: Government Printing Office, 2008), doc. 13. <https://history.state.gov/historicaldocuments/frus1969-76vol14p1/d13>.

<sup>243</sup> *FRUS*, 1969-1976, Vol. XXXV, National Security Policy, 1973-1976, ed. M. Todd Bennett (Washington: GPO, 2014), doc. 29. <https://history.state.gov/historicaldocuments/frus1969-76v35/d29>.

us,” Kissinger agreed. “How we are going to behave,” in both the General Assembly and specialized agencies like UNCTAD, “is important.... *We need a strategy.*”<sup>244</sup>

### **The Seventh Special Session, September 1975**

At the time of Moynihan’s appointment in April 1975, the National Security Council was in the midst of a major North-South strategy review. Kissinger’s leadership at the World Food Conference in November 1974 was a start, but its gains were undercut by, for one, public disputes between USDA Secretary Earl Butz and U.S. Congressional delegates over food aid levels. Regardless, the NIEO leadership showed no indication of dropping its confrontational strategy in future negotiations and refused to be swayed by Kissinger’s argument that a showdown over oil and other commodities would hurt poor countries the most.<sup>245</sup>

One month after the World Food Conference, the General Assembly met and approved overwhelmingly the Charter of Economic Rights and Duties of States (CERDS). The “brainchild” of Mexican President Luis Echeverría, CERDS attempted to provide some legal context for the NIEO by outlining new “resolutions and codes of conduct in relations between the North and South.”<sup>246</sup> To Kissinger’s dismay, U.S. Ambassador John Scali had “brow-beaten enough Europeans” to vote *against* the

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<sup>244</sup> Memcon, Ford et al., “American Strategy at the UN.”

<https://www.fordlibrarymuseum.gov/library/document/0314/1553022.pdf>. Emphasis added.

<sup>245</sup> “We do understand... that this [confrontation] could mean a similar disaster for the developing [countries],” Venezuela’s President Carlos Andrés Pérez explained at the World Food Conference. “What we aim is to take advantage of this opportunity when raw materials, and energy materials primarily, are worth just as much as capital and technology, in order to reach agreements that will ensure fair and lasting balances.” (“A Letter from the President of Venezuela to the Chairman of the World Food Conference Meeting in Rome,” November 5, 1974 (Caracas: Oficina Central de Información.)

<sup>246</sup> For “brainchild,” see John Toye and Richard Toye, *The UN and Global Political Economy: Trade, Finance, and Development* (Bloomington: Indiana University Press, 2004), 241. For “resolutions,” see Ash Narain Roy, *The Third World in the Age of Globalization: Requiem or New Agenda?* (New York: Zed Books, 1999), 56.

Charter, rather than trying to convince a majority of developed countries to merely abstain (as Kissinger had instructed).<sup>247</sup> Instead, the U.S. organized a lonely and ambivalent opposition around itself without even trying to, angering not only the Third World but also its allies, five of which reluctantly joined the small “no” chorus. Unaware it was even fighting a battle, the U.S. lost twice. It was no wonder that Moynihan singled out these poor diplomatic performances in his *Commentary* article.

Expectations were justifiably low for the producer-consumer conference in April. Also known as the Conference on International Economic Cooperation (CIEC),<sup>248</sup> it was an attempt by French President Valéry Giscard d’Estaing to bring together a “Group of 19” developing countries and “Group of 8” developed countries to work out some grand bargain on energy outside of global NIEO negotiations in the UN. The first preparatory meetings in February were over before they began. Algeria insisted on discussing raw materials alongside energy at the conference; the U.S. claimed it had only agreed to attend the “prepcon” under the condition that raw materials would be excluded altogether. “The French chairman has been a disgrace,” Kissinger told Ford.<sup>249</sup> “[The

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<sup>247</sup> Kissinger-Ingersoll Telcon, “U.N. Vote on Economic Rights Charter,” December 6, 1974. In “The Kissinger Telephone Conversations: A Verbatim Record of U.S. Diplomacy, 1969-1977” (hereafter “Kissinger Telcons”), The National Security Archive at George Washington University).

[http://search.proquest.com/dnsa\\_ka/docview/1679092061/3A02D9DCD17047DCPQ/58?accountid=9673](http://search.proquest.com/dnsa_ka/docview/1679092061/3A02D9DCD17047DCPQ/58?accountid=9673).

<sup>248</sup> The CIEC was also referred to as the “Paris dialogue” and, somewhat confusingly, the “North-South dialogue.” This dissertation uses its official (CIEC) and primary unofficial (Consumer-Producer Conference) names.

<sup>249</sup> Kissinger could hardly claim surprise. “The producers don’t want to seem the villain on the economic scene,” Giscard warned Ford in December. “They [will] also want to talk about inflation and other raw materials.” At an OPEC meeting in January, Algeria proposed a deal for the producer-consumer conference that gave guarantees on oil prices for industrial countries in exchange for a wide-ranging development package based on the NIEO. When OPEC met two months later in advance of the CIEC, their final resolution concerned the conference mixed demands for debt relief, aid, and a Common Fund with denunciations of the IMF and World Bank and calls for continued OPEC-LDC solidarity. (For “villain”, see Memcon, Ford, Kissinger et al., “Energy Cooperation,”

<https://www.fordlibrarymuseum.gov/library/document/0314/1552887.pdf>. For “Algeria proposed,” see Ian Seymour, *OPEC: Instruments of Change* (Springer: 1980), 150. For “When OPEC,” see Giuliano Garavini, *After Empires: European Integration, Decolonization, and the Challenge from the Global South, 1957-1986* (Oxford: Oxford University Press, 2012), 198.)



conference] will break up if we don't cave.” “Damn right,” Ford replied. “You can tell [our diplomats] to come home.”<sup>250</sup>

The CIEC’s failure caused a reckoning inside the NSC. “Based on the experience of the precon,” Robert Hormats wrote to Kissinger, “it is clear that for both political and economic reasons the US must more seriously address issues of raw materials and development.” To avoid taking the blame for its failure, the CIEC would have to be resumed, which meant caving in to Algeria. Refusal to do so would have important consequences beyond the Third World; without hope of a conference, Hormats worried, Europeans would pull their support for Kissinger’s International Energy Agency, already on life support due to continued French ambivalence. “Domestic constituencies [in Europe] sensitive to implied confrontation with producers” would attack the IEA and the U.S., he explained, “as having sabotaged the consumer/producer dialogue and forced other consumers to go along with the treachery.”<sup>251</sup>

Hormats recommended two paths forward. First, Kissinger would continue to strengthen North-North cooperation—the subject of Chapter 2. At the Conference on Security and Cooperation in Europe meetings in July, Ford, Giscard, and German Chancellor Helmut Schmidt revived the idea of a formal summit of industrial country leaders to discuss a predetermined agenda including trade, energy, finance, North-South, and East-West issues. “If an economic conference should take place this year, we shouldn’t expect too many results,” Schmidt told Ford and Kissinger. But “if we could

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<sup>250</sup> Memcon, Ford, Kissinger, and Scowcroft, April 15, 1975.

<https://www.fordlibrarymuseum.gov/library/document/0314/1553028.pdf>.

<sup>251</sup> GFPL, Memo, Hormats to Kissinger, “Followup to Consumer/Producer Preparatory Conference,” April 25, 1975, folder: Utilities, Box 4, White House Central Files (WHCF).

create the impression we intend to work together and coordinate our policies, that will be enough.”<sup>252</sup>

Second, Hormats insisted, it was “imperative” that the U.S. develops a new position on commodities before September, when the General Assembly would meet for its Seventh Special Session on Raw Materials and Development. The purpose of the Seventh Session was to consider progress made towards realizing the NIEO since its announcement at the previous Special Session in May 1974, and expectations were low on both sides. By bringing to the Session a “major initiative on commodities,” the U.S. could take the lead and set the tone early on. “In so doing we would try to strengthen the position of the moderates on commodities and, subsequently, to encourage a more reasonable position by the OPEC moderates and developing countries in the [CIEC].”<sup>253</sup>

According to Kissinger, announcing U.S. willingness to negotiate new commodity agreements would isolate third World radicals and weaken the argument for comprehensive global negotiations. Through proposing multiple negotiations on commodities instead of one grand package or commission, the U.S. could “break off the [Third World] moderates into various associations or groups and get them to join us in order to minimize the chances of confrontation.”<sup>254</sup> This strategy would also strengthen the cohesion of the other developed countries, which could now approve of the new U.S. position without losing points in the South. As Kissinger explained to Moynihan:

Our basic strategy must be to hold the industrialized powers behind us and to split the Third World. We can only do that if we start with a lofty tone

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<sup>252</sup> *FRUS*, 1969-76, vol. XXXI, Foreign Economic Policy, 1973-76, doc. 94.  
<https://history.state.gov/historicaldocuments/frus1969-76v31/d94>.

<sup>253</sup> GFPL, Memo, Hormats to Kissinger, “Scenario for Dealing with Energy and Raw Materials,” May 16, 1975, folder: Utilities, Box 4, WHCF.

<sup>254</sup> GFPL (I), Memo, Economic Policy Board, “Kissinger’s UN 7<sup>th</sup> Special Session Speech,” August 20, 1975, folder: Porter, Roger (2), Box 200, Economic Policy Board.

and a forthcoming stance. That alone will permit us to hold the industrialized countries together. Bloc formation in the Third World can be inhibited only if we focus attention on practical measures in which they have a tangible stake.

By offering “forward-looking” proposals on commodities at the Seventh Session, the U.S. would have something to offer to not just developing countries but also to the European Community, itself split between a conservative Germany, a moderate Britain and Italy, a liberal France and Netherlands, and a socialist Scandinavia. “I don’t want to take an ideological stance and simply argue the virtues of the market economy,” Kissinger emphasized to Moynihan. “We must speak early in the session and put forward specific and progressive ideas—something for our friends to hold on to.”<sup>255</sup>

At the beginning of the Special Session on September 1, Moynihan read Kissinger’s dramatic two-and-a-half hour speech to the General Assembly. Rejecting the “charity and dependency...methods of development assistance of the 1950’s and 60s,” Kissinger called instead for new protections for commodity producers, preferential treatment for developing countries’ exports, new finance mechanisms in the IMF for the “least developed countries,” and increases in public and private financing for Third World industrialization. Specifically, he rejected the previous U.S. position (supported by the Treasury) of opposing new commodity agreements, agreeing to discuss them on a “case-by-case basis”; proposed the creation of a new facility within the IMF to stabilize developing countries’ export earnings (as an alternative to price indexation); and promised to resume the Conference on International Economic Cooperation with both energy and raw materials as discussion topics. Following 15 days of close negotiations

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<sup>255</sup> GFPL, Memcon, Ford et al., “American Strategy at the UN.”  
<https://www.fordlibrarymuseum.gov/library/document/0314/1553022.pdf>.

between Assistant Secretary of State for Economic Affairs Thomas Enders—Kissinger’s economics guru—and Manuel Pérez-Guerrero—the influential former UNCTAD Secretary-General and Venezuela’s Finance Minister—delegates unanimously approved a 16-page resolution that, *Time* noted, “contained more than two dozen references to the proposals made by the U.S. at the start of the session.” In a notable victory for the U.S., in exchange for possible price-stabilizing agreements for specific commodities, namely copper and tin, developing countries dropped their insistence on including indexation in the resolution.<sup>256</sup>

The new U.S. approach to the North-South divide was welcomed across Europe and the Third World. Britain’s Ambassador to the UN Ivor Richard declared Kissinger’s address “the most significant American speech on economic policy since the Marshall Plan,” a comparison Swedish media also made. In France the left-wing *Quotidien de Paris* saw a “profound revision” of U.S. foreign economic policy, and *Le Monde* noted that even hardliners like Algeria were saying that “the Americans for the first time are using a language understandable to the countries on the road to development.”<sup>257</sup> The *Nairobi Standard* recorded that “the world’s developing and industrialized nations are now on the brink of a workable compromise,” and Mexico City’s *Novedades* interpreted it as an endorsement of CERDS. An outlier was Venezuela, which took issue with Kissinger’s characterization of oil price rises as “arbitrary and monopolistic.”<sup>258</sup> Only the

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<sup>256</sup> GFPL, clipping, *Time*, “United Nations: Barking Less and Liking it More,” September 29, 1975, folder: Moynihan, Daniel P. (1), Box K25, Arthur Burns papers; and Kissinger-Moynihan TelCon, “U.N. Issue and Treasury Department,” September 13, 1975, [http://search.proquest.com.proxy.bc.edu/dnsa\\_ka/docview/1679101022/70D0F486ECD44D35PQ/18?accountid=9673](http://search.proquest.com.proxy.bc.edu/dnsa_ka/docview/1679101022/70D0F486ECD44D35PQ/18?accountid=9673).

<sup>257</sup> GFPL (II), clipping, Don Shannon, *L.A. Times*, “Rich, Poor Nations Compromise on Aid,” September 17, 1975, folder: Moynihan, Daniel P. (1), Box K25, Arthur Burns papers.

<sup>258</sup> Daniel Patrick Moynihan, *A Dangerous Place* (Boston: Little, Brown & Co., 1978), 131-32.

Soviet Union appeared uninterested in the U.S. overtures, continuing its policy of self-recusal on the New International Economic Order. The overwhelming consensus in both North and South was that the Seventh Special Session marked a turning point—the beginning of a North-South *dialogue*. “We have spoken with each other rather than to each other,” insisted Jan Pronk, Dutch Minister of Development and Seventh Session Ad Hoc Committee Chairman.<sup>259</sup>

The results of the Seventh Special Session met all of Kissinger’s objectives. First, his speech had brought the U.S. position on commodities much closer to the Europeans’, whose negotiating solidarity was needed before resuming the CIEC in December. Second, it seemed the engaged and forthcoming U.S. stance had had its intended effect on the Third World bloc. “The majority in the third-world group didn’t want an ideological showdown or political victories,” one Third World delegate told the *New York Times*. “That’s why the extremists were defeated and we started talking business with the Americans.” Also significant was a sense that, in the end, the U.S. had more to offer developing countries than OPEC. Even Abdelaziz Bouteflika, the outspoken Algerian Foreign Minister and General Assembly president, acknowledged as much, telling the General Assembly that the Third World “knows that it must count on the understanding and agreement of the major powers for the satisfaction of its most obvious rights.”<sup>260</sup>

Kissinger did not believe the U.S. could “win” the debate at the Special Session, but it could influence the final results to be much more favorable to American interests.

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<sup>259</sup> GFPL (II), clipping, Don Shannon, *L.A. Times*, “Rich, Poor Nations Compromise on Aid,” September 17, 1975, folder: Moynihan, Daniel P. (1), Box K25, Arthur Burns papers.

<sup>260</sup> GFPL (II), clipping, Paul Hofmann, *New York Times*, “Shift in Third World’s Views Shown in U.N. Session,” September 19, 1975, folder: Moynihan, Daniel P. (1), Box K25, Arthur Burns papers.

“I would like a reasonable outcome in which we are not totally isolated,” he told Moynihan in the session’s hectic final days.<sup>261</sup> Instead of enabling radicals and isolating allies through its defensiveness and hostility—as the U.S. had done with the NIEO and CERDS—Thomas Enders and Moynihan worked behind the scenes to ensure a final resolution reflecting compromise from both sides. They were helped by Kissinger’s proposals, which he correctly expected would change the terms of the debate from a grand bargain into several discrete negotiations; as an added bonus, in its inclusion of twelve Kissinger proposals, the final resolution showed a significant degree of American leadership.<sup>262</sup>

Not all of the credit for the Special Session went to Kissinger. *Newsweek* attributed the unexpected “note of civility” at the UN to Moynihan, adding that the “highbrow Horatio Alger... has won almost nothing but praise for his patience and diplomatic skill.”<sup>263</sup> “The diplomatic outcome certainly vindicates Ambassador Moynihan’s basic approach,” the editorial staff of the *Wall Street Journal* proclaimed. “Rather than play the European game and swallow as much, and a bit more, of the Third World’s demands as the U.S. could tolerate, the U.S. set out to be responsible opposition.”<sup>264</sup>

### **“A Fighting Irishman at the UN”**

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<sup>261</sup> Kissinger-Moynihan TelCon, “U.N. Economic Debate,” September 13, 1975, [http://search.proquest.com/dnsa\\_ka/docview/1679104673/CF5415D9F7E04EB8PQ/11?accountid=9673](http://search.proquest.com/dnsa_ka/docview/1679104673/CF5415D9F7E04EB8PQ/11?accountid=9673).

<sup>262</sup> GFPL (II), *New York Times*, “U.N. Session.”

<sup>263</sup> GFPL (II), *Newsweek*, “Benign Attention at the U.N.,” September 22, 1975, folder: Moynihan: Daniel P. (2), Box 26, Robert Goldwin Papers.

<sup>264</sup> Ibid, *Wall Street Journal*, “Winning the Fourth World,” September 26, 1975.

As the Seventh Special Session's discussion stuck to economics, so did Moynihan, under Kissinger's instructions to ensure a "reasonable outcome." That Moynihan did was surprising. In August, the Non-Aligned nations met in Lima to agree on a collective agenda for the Session. The NAM's opening statement celebrating its vanguard role in the "struggle against imperialism, colonialism, neocolonialism, [and] racism" was boilerplate, and most American diplomats would not have glanced twice. Moynihan, however, was particularly troubled by one more "ism" on that list: "Zionism." Not only was this "hardly the substance of economics," he scoffed. This "talk about declaring Zionism to be a form of racism... reeked of the concentration camp and gas chamber. No person sensitive to the idea of liberty would want in any way to be associated with such language."<sup>265</sup>

Nor was he made hopeful by a spot on a panel discussion with Zbigniew Brzezinski. President of the two-year-old Trilateral Commission and soon-to-be Jimmy Carter's chief foreign policy advisor, Brzezinski embodied the "world order" liberalism that neoconservatives detested. As the next chapter explains, Brzezinski and other liberal internationalists, largely from the Trilateral Commission, would dominate Jimmy Carter's foreign policy team, with the self-appointed mission of "making the world safe for interdependence."<sup>266</sup> "The dominant struggle in the world [is] between the West and the Third World," Moynihan paraphrased Brzezinski, "with the Soviets the primary beneficiaries." The policy details were spelled out in dozens of Trilateral Commission

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<sup>265</sup> Moynihan, *A Dangerous Place*, 118.

<sup>266</sup> Members of the commission were particularly fond of this phrase. See C. Fred Bergsten, Georges Berthoin, Kinhide Mushakoji, "The Reform of International Institutions: A Report of the Trilateral Task Force on International Institutions to the Trilateral Commission," Vol. 6, Issue 6 (1976) and Richard N. Gardner, "To Make the World Safe for Interdependence," UN 30 (United Nations Association of the USA: 1975), among others.

reports, but the basic assumption was clear: the U.S. would have to acknowledge the Third World's rising influence in an "interdependent" world and deal with their economic demands on that basis.<sup>267</sup>

For a brief moment, however, the UN seemed a less divided place. The Special Session's promising conclusion on the morning of September 17 also marked the end of the Third World's control of the presidency of the General Assembly—scheduled to begin its thirtieth session that very afternoon. Abdelaziz Bouteflika was out; in his place was Gaston Thorn, the centrist Prime Minister of Luxembourg and future European Commission President. "French without resentment, and German without guilt, he was the best we could have hoped for," Moynihan recalled. "The auspices had rarely been better."<sup>268</sup>

From Algeria to Zaire, delegates opened the General Assembly with praise for the "truly historic" and "universal and cooperative process" for global economic dialogue established at the Special Session.<sup>269</sup> Back from his Middle East negotiations, Kissinger also reaffirmed to his fellow foreign ministers the new "spirit of conciliation" in North-

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<sup>267</sup> As the authors of a 1974 Trilateral Commission report explained,

We believe the time has come for new policies and new actions by the governments of the Trilateral region in their relations with the developing countries. Interdependence is now a persuasive fact as well as a convenient slogan. The developing countries need the aid, technology, know-how and markets of the Trilateral world. The Trilateral countries increasingly need the developing countries as sources of raw materials, as export markets, and, most important of all, as constructive partners in the creation of a workable world order. *In our approach to this subject we reject any idea of a "rich man's club" forming defensive alliances against the poor. On the contrary, we seek a new international economic based on cooperation between developed and developing countries, corresponding to the new balance of economic and political power, and responsive to growing demands for welfare and justice.* We are convinced that an international economic system cannot successfully endure unless both rich and poor countries feel they have a stake in it. ([http://trilateral.org/download/doc/economic\\_relations\\_19741.pdf](http://trilateral.org/download/doc/economic_relations_19741.pdf) , emphasis added.)

<sup>268</sup> Moynihan, *A Dangerous Place*, 140.

<sup>269</sup> Moynihan, *A Dangerous Place*, 141.



South relations. Borrowing the rhetoric of his critics, Kissinger declared that there was “no longer any dispute” that human rights were now a legitimate concern and standard for all governments’ behavior. But he also insisted that it was possible to “fashion unity while cherishing diversity,” leaving the definition of human rights—and what action the U.S. would take regarding violations—undefined and thus uncontroversial. Conciliation, not confrontation, was the clear message: “Let us fashion together a new world order. Let its arrangements be just. Let the new nations help shape it and feel it is theirs. Let the old nations use their strengths and skills for the benefit of all mankind. Let us all work together to enrich the spirit and to ennoble mankind.”<sup>270</sup>

Of course, Kissinger sought no such “new world order”; his goal was to hold on to the old one, by whatever modifications necessary. This meant in policy terms swallowing U.S. pride and accepting Algeria’s demands that CIEC discussions include both energy and raw materials; making concessions on commodity policy, from new individual agreements and buffer stocks to eventual endorsement of a Common Fund; an International Fund for Agricultural Development funded mostly by the U.S.; billions for an IMF “special fund” for developing countries’ balance of payments problems; and more. At the heart of it all was the transatlantic alliance, strained by the crises from without—high prices for energy and raw materials—and struggling under the crises from within—low growth and inflation. “If we insist on theoretical positions [in the North-South dialogue],” Kissinger explained to Ford, “Schmidt will separate from us on raw materials... He will not follow us on a confrontation course with the LDC’s. If he won’t,

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<sup>270</sup> Henry Kissinger, “Building International Order,” address to the 30<sup>th</sup> General Assembly of the United Nations, September 22, 1975 (<https://www.fordlibrarymuseum.gov/library/document/dosb/1894.pdf#page=3>).

neither will France, Great Britain, or Japan.”<sup>271</sup> North-North economic disharmony also threatened critical East-West policy objectives like NATO unity and détente—one of several “hard” security issues stressed by interdependence advocates (and future Carter officials) Brzezinski and Richard Cooper.<sup>272</sup> If insuring against these outcomes included aping the Third World’s talk about a “new world order”—and ignoring its rhetoric about Western racism, Zionism, and imperialism—then so be it.

While Kissinger declared his intent to “fashion unity while cherishing diversity,” Moynihan took diversity to a different conclusion. In August, he broke with thirty years’ practice of U.S. Ambassadors and used his vote on the Security Council to veto the UN application of a new nation—the (communist) Democratic Republic of Vietnam. According to Moynihan, the State Department’s opposition to his vote was “unanimous”: “To do so would outrage the General Assembly, jeopardize everything that was at stake in the Special Session, and bring on the expulsion of Israel,” a senior official reportedly told him. Ford approved Moynihan’s actions, and State worked hard to minimize the expected damage by defanging his final speech. Regardless, in Moynihan’s estimate, his “reasonable opposition” strategy had been vindicated: “There was *no* reaction to our veto... If anything, the United Nations seemed to have been reminded of American power.”<sup>273</sup>

The Vietnam incident was the “opening shot” in Moynihan’s war at Turtle Bay. “We would make the connection between the unwillingness to tolerate democracy at the

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<sup>271</sup> *FRUS 1973-76*, Vol. XXXI, Foreign Economic Policy, Doc. 292.  
<https://history.state.gov/historicaldocuments/frus1969-76v31/d292#fn2>.

<sup>272</sup> See Cooper, *The Economics of Interdependence: Economic Policy in the Atlantic Community* (New York, 1968) and Brzezinski, “U.S. Foreign Policy: The Search for Focus,” *Foreign Affairs*, Vol. 51, No. 4 (Jul. 1973), pp. 708-727.

<sup>273</sup> Moynihan, *A Dangerous Place*, 148. Emphasis in original.

U.N.,” he explained, “and the refusal [by Third World countries] to allow it at home.”<sup>274</sup>

That is, if the UN would admit North Vietnam, a communist state that did not allow a free opposition, then by that logic it must also admit capitalist non-members like South Korea and South Vietnam. For Moynihan, the Third World’s rejection of those terms—upon which he conditioned his vote—was a perfect example of the “tyranny of the majority” he and other neoconservatives routinely decried.<sup>275</sup> “We are not about to be lectured by police states on the processes of electoral democracy,” he insisted that Sunday on *Meet the Press*.<sup>276</sup>

If Idi Amin Dada’s Uganda was not a police state, it was only a matter of semantics. So when the unpredictable dictator took to the General Assembly on August 1, Moynihan was listening. Amin began with praise for the Seventh Session, including a “special tribute to the United States authorities... who approved a change in the American attitude and policy towards the third world.” He transitioned into harsh but typical denunciations of American imperialism and declarations of support for the Soviet Union and China, but he saved his greatest wrath for the state of Israel and its “Zionist” supporters in America—who, in their ownership of “virtually all the banking institutions, the major manufacturing and processing industries and the major means of communication,” Amin claimed, had “colonized” the U.S. government. There was only

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<sup>274</sup> Moynihan, *A Dangerous Place*, 142, 147.

<sup>275</sup> The idea of a “tyranny of the majority,” referring to the preponderance of General Assembly votes by newly independent nations, was popularized by Moynihan’s predecessor, John Scali. However, the concept’s emphasis on the dangers of unchecked democracy and anti-liberal tendency of mass politics was highly appealing to neoconservatives, who first used it in the context of American politics. See Michael Novak, “Twice Chosen,” in Christopher C. Demuth and William Kristol (eds.), *The Neoconservative Imagination: Essays in Honor of William Kristol* (Washington: AEI Press, 1995).

<sup>276</sup> GFPL (II), television transcript, “Meet the Press,” folder: Meet The Press - Sept 14, 1975, Box 70, Ron Nessen Files.

one solution: Americans must “rid their society of the Zionists,” and the world community must ensure the “extinction of Israel as a state.”<sup>277</sup>

The State Department was no friend of Amin. After he sent a telegram to UN Secretary Kurt Waldheim applauding the massacre of Israeli athletes at the 1972 Olympic Games in Munich, State cancelled a \$10 million loan and called his words “deeply shocking” and “totally incomprehensible.” But for Moynihan, the State Department missed the point. Amin’s comments might have been dismissed as the ramblings of an unhinged racist—if not for the fact that, less than two months prior, the Organization of African Unity (OAU), of which Amin was Chairman, had passed its own resolution likening “the racist regime in occupied Palestine” to the “racist regimes in Zimbabwe and South Africa” in their “common imperialist origins.” Amin may have put it most crudely, Moynihan concluded, but his was clearly not a minority opinion—and no one but Israel seemed to realize the implications of the global community’s implicit endorsement.<sup>278</sup>

This was not all. In *Commentary* Moynihan had insisted that the U.S. must take what is said and done in the UN seriously. Kissinger agreed with this assessment, but less for the actual language used there by Third World states than for how these expressions of collective opposition encouraged similar bloc behavior on other multilateral and global issues, namely energy and commodities. Idi Amin was powerful in Uganda but, his chairmanship of the OAU notwithstanding, a minor force in Third World politics; as a whole Third World states were much more unified around (and capable of) taking action on the New International Economic Order than they were on Israel. But for neoconservatives such attacks could not be separated: they were part of the same

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<sup>277</sup> Moynihan, *A Dangerous Place*, 153-54.

<sup>278</sup> Moynihan, *A Dangerous Place*, 155.

ideological assault on the sacred principles of Western, and particularly American, liberal democracy. As Chairman of the OAU Amin “spoke for forty-six African nations,” Moynihan charged, “but in truth in that moment he spoke for the authoritarian majority in the General Assembly itself.”<sup>279</sup>

When the State Department’s initial reaction was silence, Moynihan decided, “It was time to create a crisis.”<sup>280</sup> He skipped a scheduled dinner for Amin that night and instead travelled to San Francisco, where he addressed an AFL-CIO audience gathered by George Meany—just the type of “right wing liberals” neoconservatives believed the Democrats were abandoning. Few could—and only the delegate from Dahomey later did—argue with his characterization of Amin as a “racist murderer.” What angered Moynihan’s African colleagues in Turtle Bay was his claim that it was “no accident” that Amin was the head of the OAU. Not only was this factually incorrect—the chair rotates among member states—but several African diplomats had in fact openly criticized Amin for his speech. Some of the continent’s leading newspapers even rivaled Moynihan in their rhetoric—for instance, Nigeria’s *Daily Star* called the speech “the most racist act ever seen at the United Nations”—while making “perfectly clear,” as Kenya’s *Daily Nation* put it, “that when he [Amin] speaks about the expulsion of Israel he does not represent African opinion.”<sup>281</sup>

The reaction to Moynihan’s comments back home was overwhelmingly positive. “With a mood of cynicism widespread in America, it doesn’t hurt to be reminded that there is a difference between democracy and totalitarianism,” the *Wall Street Journal*

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<sup>279</sup> Moynihan, *A Dangerous Place*, 154.

<sup>280</sup> Moynihan, *A Dangerous Place*, 155-56.

<sup>281</sup> Joel Peters, *Israel and Africa: The Problematic Friendship* (London: I.B. Tauris Press, 1992), 75-76.

wrote in response.<sup>282</sup> A remarkable 70% of Americans approved of the Moynihan approach, one poll concluded, while only 16% believed that the Ambassador should “be more diplomatic and tactful.”<sup>283</sup> Moynihan also received public statements of support from Clarence Mitchell, Jr., the NAACP’s head lobbyist who had supported him during the “Moynihan Report” controversy, and Bayard Rustin, another influential black Civil Rights activist who had already become a major actor in the neoconservative movement.<sup>284</sup> Moynihan believed that he was speaking truth to power not only at the UN but also in Foggy Bottom, telling the *New York Times* that the State Department “machine” was “emasculating” his speeches.<sup>285</sup> While President Ford bent to this groundswell of public support and told reporters that Moynihan “said what needed to be said,” Kissinger did the opposite. *Newsweek* reported that the Secretary “blew his stack” before quickly putting out a statement distancing the State Department from Moynihan’s remarks. Not only had Moynihan insulted the OAU; he had also singled out Indira Gandhi’s authoritarian lean in India, about which Kissinger had instructed U.S. diplomats to keep quiet.<sup>286</sup> “The President didn’t know what he was supporting,” Kissinger grumbled.<sup>287</sup>

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<sup>282</sup> GFPL (II), *Wall Street Journal*, “Clearer Days at Turtle Bay,” October 14, 1975, Robert Goldwin papers, Box 26, Moynihan, Daniel (2).

<sup>283</sup> Interestingly, Moynihan had even more support from Democrats (71%) than Republicans (66%). GFPL (II), Poll conducted by Opinion Research Corporation, Princeton, NJ, January 12, 1976, Robert Goldwin papers, Box 26, Moynihan, Daniel (2).

<sup>284</sup> Troy, *Moynihan’s Moment*, 104.

<sup>285</sup> GFPL (II), *New York Times*, “Moynihan Criticism of Amin has U.N. People Buzzing,” October 5, 1975, folder: Moynihan, Daniel P. (2), Box 26, Robert Goldwin Papers.

<sup>286</sup> For “Said what,” see Troy, 103. For “blew his stack,” see “The Moynihan Controversy,” *Newsweek*, October 20, 1975.

<sup>287</sup> Kissinger-Ingersoll TelCon, “Daniel Moynihan and Organization of African Unity,” October 9, 1975. [http://search.proquest.com/dnsa\\_ka/docview/1679102728/AA93F227380C427FPQ/2?accountid=9673](http://search.proquest.com/dnsa_ka/docview/1679102728/AA93F227380C427FPQ/2?accountid=9673).

The Amin fiasco was the prelude to one of the most controversial votes in UN history: General Assembly Resolution 3379, which declared Zionism a “form of racism and racial discrimination” and a “threat to world peace.” The resolution had been in the works at least since August, when the Non-Aligned countries simultaneously denounced the resistance of the “large consumption economies” to the New International Economic Order and celebrated their own resistance to the North’s “imperialism, colonialism, neocolonialism, racism, Zionism, apartheid, and any other form of foreign domination.”<sup>288</sup>

Without Moynihan’s public relations campaign before and after the vote, the resolution might have been passed and forgotten about, and indeed this is what Kissinger had hoped for. The State Department tried to prevent Ford from giving a statement (prepared by Moynihan) about the upcoming vote, arguing that it would neither make any difference on the vote nor produce any serious foreign policy benefits.<sup>289</sup> Moynihan also went to Congress to drum up support for a strongly worded resolution, where, again, Kissinger intervened to soften the language. But Moynihan made clear that he had no intention of backing down—only that, on November 10, the day the General Assembly voted, he would not speak until after the final vote had been taken. All Kissinger could do was tell Moynihan to tone it down. “We have been overdoing the defense of Zionism as a philosophy and a system,” he insisted that afternoon through a USUN intermediary. “Ask [Moynihan] to cut it back. We are conducting foreign policy. This is not a synagogue.”<sup>290</sup>

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<sup>288</sup> Troy, *Moynihan’s Moment*, 98.

<sup>289</sup> GFPL (II), Memo, Hal Horan to Scowcroft, “Presidential Statement on Zionism/Racism,” October 24, 1975, folder: USUN (8), Box 21, Presidential Agency Files, National Security Advisor.

<sup>290</sup> Kissinger-Buffum TelCon, “Daniel Moynihan’s Statement on Zionism,” November 10, 1975. [http://search.proquest.com/dnsa\\_ka/docview/1679101778/AC632375A56849A1PQ/3?accountid=9673](http://search.proquest.com/dnsa_ka/docview/1679101778/AC632375A56849A1PQ/3?accountid=9673).

The General Assembly passed Resolution 3379 with 72 in favor and 35 against, with 32 abstentions. The overwhelming majority of support, and sponsors, came from North Africa, the Middle East, and the Eastern Bloc. Most parts of Latin America and sub-Saharan Africa, however, joined the U.S., Canada, Western Europe, and Australia—the “large consumption economies”—in voting nay.

Contrary to Moynihan’s insistence, there were reasons beyond anti-Semitism or anti-liberalism for many countries’ votes. “Brazil, seeking Arab oil and investments, refused to go along [with the U.S.],” *Newsweek* reported, while “some Black African nations did not want to dilute the [resolution’s] attack on South Africa.”<sup>291</sup> Kissinger’s staff also saw this brighter side, noting that “among sub-Saharan Black African states without a significant Islamic population and not under a politically ‘radical’ influence, 26 either opposed equating Zionism with racism or abstained, while only 2 in that category did link it.” More important for African countries were persistent promises, made at the beginning of the oil crisis, that “they would receive far more aid than they actually have from the Arabs, in return for breaking relations with Israel and voting sympathetically on Arab causes.”<sup>292</sup> Still, some delegations—including “several experienced American diplomatists”—cited Moynihan’s repeated attacks on the General Assembly and the Third World per se as the reason for their support or abstention. As one African delegate put it, “All I can tell you is that our vote was mainly against Moynihan.”<sup>293</sup>

The American public felt the opposite. After his speech denouncing the “infamous act” that had just taken place—a phrasing actually coined by Norman Podhoretz, who

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<sup>291</sup> *Newsweek*, November 24, 1975, “An ‘Infamous Act’ at the U.N.”

<sup>292</sup> *FRUS*, 1969-1976, Volume E-14, Part 1, Documents on the United Nations, doc. 36, <https://history.state.gov/historicaldocuments/frus1969-76vol14p1/d36>.

<sup>293</sup> *Newsweek*, “An ‘Infamous Act.’”



with Suzanne Weaver helped write Moynihan's speech the night before—one poll recorded that over 70% of Americans supported both his actions and style.<sup>294</sup> “The cheers have been coming from both conservatives, who have historically distrusted the U.N., and liberals, whose commitment to the organization is not as automatic as it used to be,” *Time* explained in a flattering profile on the “fighting Irishman.”<sup>295</sup> On November 12 tens of thousands of people gathered for a rally in New York City to protest the vote, which over a dozen prominent diplomats, religious officials, and leaders from the labor, Civil Rights, and women's movements called an “outrage,” a “curse,” and an “abomination.” Carrying signs like “U.N. Nothing” and “Brazil, You Stink! And You Too Mexico!” the *New York Times* reported, the demonstrators broke out into “applause... every time a speaker mentioned Daniel P. Moynihan.”<sup>296</sup>

Moynihan's defiance of Kissinger's policies did not stop with the Third World. Neoconservative intellectuals were also pleased by his public criticisms of détente, which they had been describing as “appeasement” since 1972. The first jab was in June, when Moynihan appeared at another Meany-organized AFL-CIO dinner, this time honoring Soviet dissident Alexander Solzhenitsyn. Fearing that the President's attendance would offend the Soviets just weeks before the Helsinki negotiations, Kissinger persuaded Ford to decline Meany's invitation. The only other cabinet official to appear was Defense Secretary James Schlesinger, whom Kissinger openly despised. Neoconservative writer Ben Wattenberg recalled a Coalition for a Democratic Majority event from that time:

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<sup>294</sup> Ehrman, *The Rise of Neoconservatism*, 85.

<sup>295</sup> GFPL, Clipping, *Time*, “A Fighting Irishman,” January 26, 1976, folder: USUN (9), Box 21, International Economic Affairs Staff, NSA.

<sup>296</sup> John F. Burns, *New York Times*, “Huge Rally Here Condemns U.N. Anti-Zionism Move,” November 12, 1975.

Somehow the dialogue [about the Strategic Arms Limitation Agreements] has become very cold and abstract and dehumanized... But it took a CDM member, Pat Moynihan, a dues-paying, paid-up CDM member, to remind Democrats and Americans what the struggle was really about... What Pat said is that we Americans are the leaders of ‘The Liberal Party’ on this planet—and it was high time that someone said it with gusto, with vigor, with style, and with pride.<sup>297</sup>

And while Kissinger privately (and to his Soviet counterparts) dismissed the concessions to human rights contained in Helsinki’s Basket Three, just days after the Zionism vote Moynihan introduced a resolution calling for the immediate release of all political prisoners worldwide. “I am being told if he does not put it forward everyone will know I vetoed it,” Kissinger complained. “As far as I know I am being blackmailed to proceed with that resolution.”<sup>298</sup> When Kissinger denied him State Department resources, Moynihan formed an alliance with the human rights group Freedom House, a longtime supporter of Eastern Bloc dissidents, to draft a “universal standard for human rights” for the UN’s use.<sup>299</sup> The proposal went nowhere, but this was beside the point. The “lesson,” Moynihan said of the controversy over his OAU comments, “is that if you want an audience, start a fight.”<sup>300</sup>

This was it for Kissinger. Moynihan was a “laughing stock,” he told Brent Scowcroft, his successor as National Security Advisor, and a “disaster in Europe.”<sup>301</sup> With the developed countries still reeling from the previous year’s oil shock and fearing, as British Prime Minister Harold Wilson put it at the first G-7 meeting in November,

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<sup>297</sup> Vaisse, *Neoconservatism*, 122-24.

<sup>298</sup> Kissinger-Buffum TelCon, “UN Resolution; Includes Follow-up Telephone Conversation at 3:43pm,” November 5, 1975.

[http://search.proquest.com/dnsa\\_ka/docview/1679091106/DED11DCFF2A14EADPO/1?accountid=9673](http://search.proquest.com/dnsa_ka/docview/1679091106/DED11DCFF2A14EADPO/1?accountid=9673).

<sup>299</sup> Daniel J. Sargent, *A Superpower Transformed: The Remaking of American Foreign Relations in the 1970s* (New York: Oxford University Press, 2005), 199.

<sup>300</sup> Moynihan, *A Dangerous Place*, 162.

<sup>301</sup> *FRUS*, 1969-1976, Volume XVI, Soviet Union, August 1974-December 1976, doc. 299. <https://history.state.gov/historicaldocuments/frus1969-76v16/d229>.

more “phosphate-pecs, bauxite-pecs, banana-pecs, and others,” Moynihan could not have chosen a worse time to start a war of words with Third World commodity producers.<sup>302</sup> In December Ivor Richard, Wilson’s UN Ambassador, compared Moynihan “variously to a trigger-happy Wyatt Earp, a vengeful Savonarola and a demented King Lear ‘raging amidst the storm on the blasted heath.’”<sup>303</sup> Reasoning that Richard would never have made his statements without Wilson’s approval, and that Wilson would never have given the okay without first running it by Kissinger, Moynihan sniped back. On January 23, he sent a memo to all U.S. embassies that included a list of incidents showing that, due to his actions, “governments are beginning to think that anti-American postures at the UN are not without cost.” Moynihan contrasted these successes with the attitude of “a large faction” of the State Department “which has an interest in our performance being judged to have failed.”<sup>304</sup> The memo was then leaked to the press, almost certainly by Moynihan’s office.

Ford and Kissinger gave measured public statements of support for Moynihan, but these were nothing more than polite formalisms for his impending departure. James Reston, Kissinger’s preferred source for leaks at the *New York Times*, explained:

The reaction from Mr. Kissinger and his department today ran counter to repeated private statements made in the past...by senior officials in the State Department...that Mr. Moynihan’s outspoken style—which they have frequently characterized as demagoguery and a campaign for personal power—are seriously damaging United States interests in the United Nations.

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<sup>302</sup> Memcon, November 16, 1975, “Rambouillet Economic Summit,” <https://www.fordlibrarymuseum.gov/library/document/0314/1553299.pdf>.

<sup>303</sup> GFPL, “A Fighting Irishman.”

<sup>304</sup> *FRUS* 1969-1976, Volume E-14, Part 1, Documents on the United Nations, 1973-1976, doc. 38. <https://history.state.gov/historicaldocuments/frus1969-76ve14p1/d38>.

Ford and Kissinger “deplore Moynihan in private,” Reston explained. “Having put him in the job, they can neither tame nor repudiate him.”<sup>305</sup> On February 2, after just over seven months in the position, Ambassador Moynihan resigned.

“Moynihan has enraged Third World delegates, discomfited his Western European colleagues, and brought cheer to the hearts of Americans,” *Time* summarized his last months as the U.S. Representative to the UN.<sup>306</sup> Whether liberal Democrats in the 1960s had abandoned him or the other way around, Moynihan’s attacks on anti-liberalism and anti-Americanism at the UN brought him wide esteem from other “right wing liberals” alienated by the Democratic Party’s apparent embrace of egalitarianism, multiculturalism, and non-interventionism. As Kissinger had suspected, Moynihan wasted little time in securing political support for a run for office from Party power brokers, namely, “liberal Democrats and black leaders so that [he] could address their misgivings about his opinions of socialism and racial issues.” In early June 1976, just four months after stepping down, Moynihan declared his candidacy for the Democratic nomination for Senator from New York. After narrowly defeating liberal incumbent Bella Abzug for the nomination, he easily triumphed in the general election over his conservative Republican rival James Buckley—thus making Moynihan “the first neoconservative intellectual to be elected to public office.”<sup>307</sup>

### **Apartheid and the North-South Dialogue: “Liberation on Two Scales”**

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<sup>305</sup> Moynihan, *A Dangerous Place*, 275-76.

<sup>306</sup> GFPL, Clipping, *Time*, “A Fighting Irishman,” January 26, 1976, folder: USUN (9), Box 21, International Economic Affairs Staff, NSA.

<sup>307</sup> Ehrman, *The Rise of Neoconservatism*, 91-92.

The deterioration of North-South relations at the UN under Moynihan's tenure coincided with two important developments suggesting a strengthening of the U.S. position. As explained in Chapter 3, in 1973 Kissinger set about to rebuild the postwar "transatlantic partnership" between the U.S. and Western Europe, at the time mired in fallout from Nixon's New Economic Policy and détente. The oil shock later that year and announcement of the New International Economic Order in the spring of 1974 gave a greater urgency to these efforts. After a series of discrete but stalled attempts at macroeconomic cooperation, in November 1975 the U.S., Britain, France, Italy, West Germany, and Japan met in Rambouillet, France to agree upon a coordinated response to the interrelated fiscal, monetary, and energy crises.

The second event was the reopening in December of the Conference on International Economic Cooperation. In fact, a major purpose of the Rambouillet Summit was to strengthen developed country solidarity before the CIEC as a counter to the developing countries' own—especially after Moynihan's performances at the UN, which, excepting the Seventh Special Session, had weakened the former and strengthened the latter. Only after establishing a common stance on energy and commodities—that is, forming a *developed* country bloc—Kissinger explained at Rambouillet, could the U.S. and Western Europe negotiate with any sort of credible leverage:

We should try to break what the Chancellor [Helmut Schmidt] correctly called the unholy alliance between the LDCs and OPEC. This can happen, and we can achieve our results, if they know that their disruptive actions could stop discussions on commodities or that they will pay a price in terms of cooperation, or military exports. In this way we can combat our dependence with a coherent strategy.<sup>308</sup>

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<sup>308</sup> *FRUS*, 1969-76, vol. XXXI, Foreign Economic Policy, 1973-76, doc. 124.  
<https://history.state.gov/historicaldocuments/frus1969-76v31/d124>.

This was the stick; the carrot was a willingness to cut new deals with oil producers prepared to abandon the NIEO. “We agree on the need for cooperation with producers,” Kissinger insisted. “With cooperation we can separate the moderates from the radicals within OPEC, the LDCs from the OPEC countries, and prevent a lot of other ‘PECs.’”<sup>309</sup>

Still, two massive obstacles remained for Kissinger’s goal of winning Third World “moderates”; both were regionally specific but with global implications. The first was the Panama Canal. Chapter 5 explains the role negotiations over the Canal’s status (started and stalled in in the Johnson Administration and renewed by President Nixon in 1973) took in Kissinger’s bid to win the cooperation of influential Latin American leaders like Venezuela’s Carlos Andrés Pérez and Mexico’s Luis Echeverría on trade, energy, and commodities. “If these [Canal] negotiations fail,” Kissinger told Ford, “we will be beaten to death in every international forum and there will be riots all over Latin America.”<sup>310</sup>

The second obstacle was apartheid. In the Truman and Eisenhower administrations South Africa emerged as a reliable supporter of America’s global Cold War agenda, and Washington reciprocated by abstaining on anti-apartheid resolutions in the UN, sharing scientific and military technology, and promoting investment by U.S. multinationals.<sup>311</sup> Kennedy and Johnson administration liberals changed some policies, voicing support in principle for African self-determination and endorsing a worldwide arms embargo, but they still refused to back additional economic sanctions that might

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<sup>309</sup> Henry Kissinger, *Years of Renewal* (New York: Simon and Schuster, 1999), 677.

<sup>310</sup> <https://history.state.gov/milestones/1977-1980/panama-canal>.

<sup>311</sup> Gerald E. Thomas, “The Black Revolt: The United States and Africa in the 1960s,” in Diane B. Kunz (ed.), *The Diplomacy of the Crucial Decade: American Foreign Relations during the 1960s* (New York: Columbia University Press, 1994), 346-47.

harm American businesses. However, the international isolation of Ian Smith's government in Rhodesia in the late 1960s and growing global movement against apartheid—as well as the achievements of America's own Black Civil Rights movement—made the U.S. lack of a firm policy an increasing liability, which the Soviet Union was quick to exploit in its own relationships with postcolonial African governments. The longer South Africa in particular existed as a pariah state, the worse the U.S. looked for identifying strategically with the white government's leadership. "The time has come for the U.S. and the European countries with interests in South Africa to begin a dialogue with the South African leaders," Abdelaziz Bouteflika instructed Kissinger in December 1974, just days after the vote on the Charter of Economic Rights and Duties of States. "You cannot pursue any longer a policy which is in disharmony with the rest of the world."<sup>312</sup>

The situations in South Africa and Rhodesia were additionally complicated by events elsewhere on the continent. In Angola the departing Portuguese—undergoing their own "Carnation Revolution" following the removal of right-wing dictator Antonio Salazar in 1974—left opposing nationalist factions to fight their way to power. Each side soon received arms: the pro-U.S. National Liberation Front of Angola (FNLA) from the CIA, and the pro-Soviet Peoples Movement for the Liberation of Angola (MPLA) from Cuba. It was a classic Cold War proxy battle and, for that reason, an apparent defiance of détente.<sup>313</sup>

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<sup>312</sup> *FRUS* 1969-1976, Volume E-14, Part 1, Documents on the United Nations, doc. 18. <https://history.state.gov/historicaldocuments/frus1969-76vol14p1/d18>.

<sup>313</sup> Sargent, *A Superpower Transformed*, 220-21.

The State Department's Africa bureau doubted the benefits of intervention, but Kissinger pressed forward. When Congress got wind of the secret program in late 1975 and banned any additional military aid to the FNLA, the U.S. lost its only bit of leverage. Kissinger was caught in a bind. Most African governments opposed U.S. intervention, but they also opposed Soviet influence in Angola—the reason why several governments, including Nigeria, Ghana, and Tanzania, gave their own aid to the MPLA.<sup>314</sup> At the same time, the U.S. Embassy in Ethiopia reported, many African governments believed that the U.S. and South Africa were in “de facto collusion, if only because both support opponents of [the] MPLA regime.”<sup>315</sup> The stakes were therefore high for Angola's outcome. “[A] communist victory in Angola would quicken events in southern Africa, encourage radicalism and discourage moderates,” Kissinger explained to Ford. “When you added to that the Cuban troops and the congressional action preventing us from giving further support in Angola, we left our OAU supporters high and dry and all trends toward radicalization in Africa were speeded up.”<sup>316</sup>

Hovering over Angola and apartheid in early 1976 was the North-South dialogue, and the inability of U.S. strategists to address each problem discretely was a clear demonstration of the new realities of global interdependence. While Latin America took a larger share of overall American exports, African commodities—especially coffee, cocoa, cobalt, chrome, iron ore, and diamonds—were essential to American industrial production and household consumption. “Thirty to sixty percent of our consumption” of

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<sup>314</sup> *FRUS* 1969-1976, Volume E-6, Documents on Africa, 1973-1976, doc. 34.  
<https://history.state.gov/historicaldocuments/frus1969-76ve06/d34>.

<sup>315</sup> *FRUS* 1969-1976, Volume E-6, Documents on Africa, 1973-1976, doc. 31.  
<https://history.state.gov/historicaldocuments/frus1969-76ve06/d31>.

<sup>316</sup> *FRUS* 1969-1976, Volume E-6, Documents on Africa, 1973-1976, doc. 44.  
<https://history.state.gov/historicaldocuments/frus1969-76ve06/d44>.



those commodities comes from Africa, Kissinger reported to Ford; the figures were even higher for Europe.<sup>317</sup> As major raw materials producers African states played a particularly important role in international commodity negotiations, especially since, unlike the Organization of American States, the Organization of African Unity debated and developed common positions independently of American input or influence. “There are only two states with which we have any major military assistance role, that is, Kenya and Zaire,” Kissinger told Congressional leaders. “For the rest of Africa what is needed is a sense of direction and a sense of confidence in the United States.”<sup>318</sup> That sense of direction was expected to come from three new policies: first, clear support for a transition to majority rule in South Africa and Rhodesia; second, a withdrawal of American arms in Angola; and third, a new commitment to the continent’s economic development. In exchange, Kissinger expected African leaders to resist Soviet and Cuban interference in Angola, South Africa, and elsewhere, as well as back down from confrontational tactics in North-South negotiations.<sup>319</sup>

For these reasons, Kissinger planned a multi-country trip to Africa that would conclude with a major North-South policy speech, delivered as the keynote for the fourth meeting of the UN Conference on Trade and Development in late April. While the CIEC’s membership was restricted to a “Group of 19” from the South and a “Group of 8” from the North, UNCTAD, which had met every four years since its founding in 1964, was a permanent and open UN-affiliated forum where the heterogeneous developing

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<sup>317</sup> *FRUS*, Ibid.

<sup>318</sup> GFPL (I), Memcon, Ford, Kissinger, and Congressional leadership, “Report on Secretary’s Trip to Africa,” May 12, 1976, folder: Africa, Box 1, International Economic Affairs Staff, NSA.

<sup>319</sup> *FRUS* 1969-1976, Volume E-6, Documents on Africa, 1973-1976, doc. 42.  
<https://history.state.gov/historicaldocuments/frus1969-76ve06/d42>.

countries of the G-77 (their actual count was 111) could organize largely on their own terms. “UNCTAD as an organization has special meaning for the developing world,” the State Department explained, “having prepared the intellectual foundations of much of the New International Economic Order and frequently being the LDC’s preferred vehicle for carrying out policies ranging from commodities to technology.”<sup>320</sup> In fact, after the U.S. agreed to resume CIEC talks at the Seventh Special Session several developing countries sponsored a General Assembly resolution “designed to create a link between the CIEC and the UN... where they have equal representation, an equal chance to be heard, opportunities to coordinate their positions, extensive secretariat support, and the majority vote.”<sup>321</sup> For these reasons, it was important to ensure that UNCTAD IV concluded with as little acrimony as possible. The “alternative,” State warned, would be “a complete breakdown in [the] North-South dialogue which would [include] [the] CIEC.”<sup>322</sup>

Not only would Kissinger’s presence mark the first time a cabinet-level U.S. official visited an UNCTAD meeting; it was also his first official visit to Africa.<sup>323</sup> Thus, the trip was the subject of a great deal of flurried interdepartmental and intergovernmental coordination. In March and April Kissinger held a series of meetings with the NSC, Treasury Department, congressional leaders, and 38 African ambassadors to solicit input on a strategy. “There are two burning issues in Africa,” Liberia’s Ambassador to the US told Kissinger, “first of all independence and majority rule and second, economic development.” The Somali Ambassador also emphasized “liberation

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<sup>320</sup> *FRUS*, 1969-76, vol. XXXI, Foreign Economic Policy, 1973-76, doc. 301.  
<https://history.state.gov/historicaldocuments/frus1969-76v31/d301>.

<sup>321</sup> GFPL (1), Briefing Paper, State Department, “Relationship of CIEC and Other International Agencies,” undated, folder: State Department (1), Box 105, Paul W. MacAvoy Files, Council of Economic Advisors.

<sup>322</sup> *FRUS*, 1969-76, vol. XXXI, Foreign Economic Policy, 1973-76, doc. 304.  
<https://history.state.gov/historicaldocuments/frus1969-76v31/d304>.

<sup>323</sup> Kissinger, *Years of Renewal*, 925.

on two scales” as the “two major ideas” animating the continent. Although Kissinger’s own motives and sympathies varied—while he told Ford of his “basic sympathy with the white Rhodesians,” he also recognized that “black Africa is absolutely united on this issue”<sup>324</sup>—his framing of the trip to African ambassadors was a clear repudiation of the Moynihan/neoconservative approach toward the South in general and Africa in particular:

The relationship between the developed and developing nations (which is one of the crucial problems of our period) must find its reflection—and its solution—in Africa.... This cannot be done in an atmosphere of confrontation on either side. We are not going there in an attitude of confrontation, nor are we going there to tell Africans how to organize their internal affairs. We are going there... to see whether we can respond to the economic needs of Africa and the political aspirations for majority rule of the African peoples.

Where just months prior Moynihan had identified African unity as a shameful enabler of anti-Semitism and authoritarianism, Kissinger now praised its central role in bringing about human rights and economic development. “We think that the future of Africa can best be achieved by Africans,” he repeated, “and for this we believe that African unity is essential.”<sup>325</sup>

Kissinger emphasized this morally inflected vision of American foreign policy in his visits to African capitals. “President Ford has sent me to this continent to witness firsthand the aspirations of the peoples of Africa for national dignity, racial justice, and economic advance,” he told an audience in Liberia. “America’s own moral values summon us to this policy.”<sup>326</sup> That policy, he explained in Zambia, now included “the

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<sup>324</sup> *FRUS* 1969-1976, Volume E-6, Documents on Africa, 1973-1976, doc. 44.

<https://history.state.gov/historicaldocuments/frus1969-76ve06/d44>.

<sup>325</sup> *FRUS* 1969-1976, Volume E-6, Documents on Africa, 1973-1976, doc. 39.

<https://history.state.gov/historicaldocuments/frus1969-76ve06/d39>.

<sup>326</sup> “America and Africa,” April 30, 1976, in *Department of State Bulletin*, Vol. LXXIV, no. 1927, 679.

<https://www.fordlibrarymuseum.gov/library/document/dosb/1927.pdf#page=3>.

unequivocal commitment of the United States to human rights, as expressed in the principles of the U.N. Charter and the Universal Declaration of Human Rights,” and U.S. “support [for] self-determination, majority rule, equal rights, and human dignity for all the people of southern Africa—in the name of moral principle, international law, and world peace.”<sup>327</sup> Privately Kissinger called human rights “sentimental nonsense,” but the speech reportedly brought Zambian President Kenneth Kaunda to tears. After decades of U.S. support for white rule, Kaunda remarked, “We could not believe this was a Secretary of State from Washington, D.C.”<sup>328</sup>

Kissinger also insisted that the U.S. was ready to respond to the Third World’s multidimensional vision of rights, in which political independence and economic development went hand in hand. Like at the Seventh Special Session, he made sure that his own language—if not his actual intentions—matched those of his African counterparts. “I have come here to make clear that the United States associates itself with the two great aspirations of the independent nations of Africa,” Kissinger stated upon his arrival in Nairobi, “the aspiration to human dignity and racial equality and the aspiration to economic progress.”<sup>329</sup> Thus, the U.S. would work with African governments, he insisted in Lusaka, “to help them achieve the economic progress which will give meaning to their political independence and dignity to their struggle for equality.” Kissinger then promised a series of new measures for African development in particular and Third World development in general, which he would reveal at the UNCTAD meeting in Nairobi. “This is the first time that an American Secretary of State... [has] come on such

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<sup>327</sup> “United States Policy on Southern Africa,” April 27, 1976, in *Ibid*, 674.

<sup>328</sup> Sargent, *A Superpower Transformed*, 206, 225.

<sup>329</sup> “Press Conference by Secretary Kissinger and British Foreign Secretary Crosland,” April 24, 1976, in *DOS Bull.*, Vol. LXXIV, no. 1927, 691.

a mission,” he emphasized, “reflecting the importance we attach to the economic development of southern Africa.”<sup>330</sup>

#### **UNCTAD IV, April-May 1976**

The idea of “liberation on two scales” was front and center when the delegates convened at the Kenyatta Centre, at the time Kenya’s tallest building, in late April 1976 for UNCTAD IV. Over 500 journalists were in attendance as was UN Secretary General Kurt Waldheim. The significance of the conference’s location and timing—in addition to its temporal proximity to the CIEC talks, it was also the first UNCTAD meeting after the NIEO’s announcement—was something which Western delegates were compelled to acknowledge. “The achievement of political independence does not represent the end of the struggle,” Waldheim told the delegates at the beginning of the conference. “We are now engaged upon the achievement of economic decolonization, and upon the creation of a new international economic order.”<sup>331</sup>

After the developed countries tried to reduce divergence on North-South matters at the Rambouillet summit, in February 1976 the Group of 77 met in the Philippines to strengthen their own common front before UNCTAD. Two contentious issues emerged from the Manila Declaration. First, the G-77 proposed an “integrated programme for commodities” that aimed to manage commodity price fluctuations through the use of a “Common Fund”—essentially a bank whose task would be to support prices by buying and selling a wide range of commodities centrally held in buffer stocks (hence, “integrated”). This was not a new proposal from developing countries—they had been

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<sup>330</sup> “United States Policy on Southern Africa,” in *Ibid*, 677.

<sup>331</sup> B. P. Menon, *Global Dialogue: The New International Economic Order* (Pergamon, 1977), 20.

calling for a “comprehensive strategy,” including a “central fund to finance a number of international buffer stocks,” since UNCTAD II in 1968—but it was the first time that the Fund would be seriously discussed post-oil crisis and post-NIEO.<sup>332</sup> Second, the G-77 agreed that their growing debt burdens were not simply the result of high oil prices, as the U.S. and others had insisted. Rather, they viewed their debt problems as “springing from the system of international economic relations in which they were such unequal and disadvantaged partners.” The developing countries therefore called for an international debt conference to be held under UNCTAD’s aegis, so that debt could be dealt with comprehensively and with equal participation from debtors. Specifically, they argued for writing off the debts of the poorest “most seriously affected” (MSA) countries and waiving service payments on debts from other MSA’s until the UN lifted the appellation.<sup>333</sup>

The developed countries—“Group B” in UNCTAD parlance—were by no means united on the issue of the Common Fund. The Netherlands and Norway endorsed the G-77’s approach, which West Germany staunchly opposed. France supported the creation of individual commodity agreements, but suggested that “after a while the creation of a Central Fund [sic] may reveal itself as convenient.”<sup>334</sup> All, however, recognized the consequences of a flat-out rejection of the Common Fund and Integrated Programme. At CIEC discussions in Paris the 19 developing countries warned that the conference would be jeopardized without “substantial results” at UNCTAD; similarly, UNCTAD Secretary

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<sup>332</sup> Gamani Corea, *Taming Commodity Markets: The Integrated Programme and the Common Fund in UNCTAD* (Manchester and New York: Manchester University Press, 1992). Speaking of UNCTAD II, Corea writes, “The ideas and the analysis presented there established the basis of UNCTAD’s approach to the commodity problem and UNCTAD’s efforts in the subsequent period—right up to UNCTAD IV in 1976—were essentially to win acceptance of this [comprehensive] approach” (24).

<sup>333</sup> Menon, *Global Dialogue*, 23-25.

<sup>334</sup> Menon, *Global Dialogue*, 26.

General Gamani Corea called negotiations in Nairobi “the first—and perhaps last—test to measure the validity of the entire concept of cooperation between producers and consumers in terms of commodities.”<sup>335</sup>

Kissinger’s new policy on commodities was twofold. First, he accepted the G-77’s argument that a “piecemeal approach” to commodities was inadequate and agreed that some “integrated commodities program was necessary.” But rather than rejecting the Common Fund—which, importantly, he never mentioned by name—Kissinger proposed his own “comprehensive approach,” the central element of which was an International Resources Bank (IRB) for commodity financing. The IRB approached commodity prices from a different angle: instead of financing the creation of buffer stocks, as the Common Fund proposed, the IRB would “mobilize capital for sound resource development projects” by issuing “commodity bonds” for private and public investors. Those bonds would in turn be supported by a \$1 billion capitalization from OPEC and the developed countries and guarantees from the World Bank, with which the IRB would be associated. Kissinger did not rule out buffer stocks all together, but suggested that if they were necessary, they could fall under the IRB’s aegis.<sup>336</sup> Kissinger did not expect to end developing countries’ support for the Common Fund, but he did hope that the IRB would at least demonstrate that the U.S. took seriously their concerns. The idea was to, as the *New York Times* put it, “[give] an inch to avoid going the mile.”<sup>337</sup>

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<sup>335</sup> For “substantial,” Gwennyth Williams, *Third World Political Organizations: A Review of Developments* (Springer, 1987), 35. For “first,” Garavini, *After Empires*, 223.

<sup>336</sup> “UNCTAD IV: Expanding Cooperation for Global Economic Development,” May 6, 1976, in *DOS Bull.*, Vol. LXXIV, no. 1927, 622-23.

<sup>337</sup> Ann Crittendon, “Kissinger’s Trade-Off on Aid, *New York Times*, May 7, 1976, <http://www.nytimes.com/1976/05/07/archives/kissingers-tradeoff-on-aid-plan-for-resources-bank-is-viewed-as.html>.

While the Group B countries showed some flexibility on commodities, they were close to united in their opposition to the G-77's proposals on debt. Although OPEC continued to deny responsibility for the sharp rise in the Third World debt, the numbers were hard to ignore: by 1976, just two years after the oil crisis, developing countries' public debts had grown from \$9 billion to \$35 billion.<sup>338</sup> It was also true that the volume of that debt was relatively concentrated: just ten oil-importing, or "NOPEC," nations accounted for over 64% of developing countries' public and publicly guaranteed debts.<sup>339</sup> Of course, for every debtor there was a lender, and overwhelmingly those lenders were New York, London, and Paris banks looking for higher returns than were available in developed country markets for the petrodollars they accumulated from OPEC during and after the 1973 shock.<sup>340</sup> Again, Kissinger gave an inch, endorsing the idea of an "appropriate forum" to "examine problems of acute financing and debt service difficulties" but rejecting writing off existing debts or committing to any proposed guidelines. "The United States stands ready to help countries suffering acute debt services problems with measures appropriate to each country's needs," he told the conference, but "generalized rescheduling of debts is not the answer."<sup>341</sup>

Secretary-General Corea regretted the conference's focus on the Common Fund, which, he recalled, "dominated the Conference in a manner that was quite without precedent." His own hope was to gain "an acceptance, even if qualified, on the principle of a Fund," so that progress could also be made on other, suddenly more urgent,

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<sup>338</sup> Garavini, *After Empires*, 202.

<sup>339</sup> Paul Hallwood and Stuart Sinclair, *Oil, Debt, and Development: OPEC in the Third World* (Routledge, 1981), 84. Those countries, in order of size, were Mexico, Brazil, India, Israel, Korea, Pakistan, Egypt, Argentina, Turkey, and Chile.

<sup>340</sup> Garavini, *After Empires*, 222.

<sup>341</sup> "UNCTAD IV," in *DOS Bull.*, Vol. LXXIV, no. 1927, 670.



matters—namely, debt. The Fund came to overshadow debt and other commodity issues for several reasons, including an “air of militancy and a disposition to bring matters to a head” from developing countries and the fact that few developed countries had come to the conference with a definite position on it.<sup>342</sup> The official Group B line eventually fell back to endorsing commodity price stabilization on a “case-by-case basis,” to which the G-77 reacted angrily. “Even a man on a galloping horse,” Ambassador Herbert Walker of Jamaica charged, “would see that there was no Common Fund there!”<sup>343</sup>

Deadlock over the Common Fund required extending the conference for two additional days, during which time a deal was finally hammered out between a select group of G-77 and Group B leaders.<sup>344</sup> In exchange for Group B formally endorsing the Integrated Programme for Commodities and agreeing to begin serious discussions in UNCTAD toward establishing a Common Fund, the Group of 77 agreed to refer

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<sup>342</sup> Corea explains,

There are several factors that played their part in bringing about this extraordinary phenomenon. One of these relates to the very psychology of exceptionally large conferences which are often seen as occasions to test political will as much as to find solutions for specific problems. A single identifiable subject that lends itself to a ‘yes’ or ‘no’ answer serves easily as such a test.... Another factor was the extent to which the Common Fund captured the imagination of the developing country delegations as the one innovative element that could change past experience in commodity negotiations and without which there could be no meaningful change in the international approach to commodity problems...

It was not only the developing countries that rallied around the Fund. A memorable moment of the Conference was the announcement by Martin Huslid, the Norwegian representative, of Norway’s decision to contribute financially to the Fund and the sustained applause with which it was greeted. The non-governmental organizations too played a significant role in highlighting the issue of the Common Fund. They were present in Nairobi and had established a coalition to support the aims of the Conference... Their ‘sticker’ in support of the Common Fund was widely distrusted and sported by many of the participants (*Taming Commodity Markets*, 53-54).

<sup>343</sup> Corea, *Taming Commodity Markets*, 52-57.

<sup>344</sup> From the G-77, Herbert Walker of Jamaica, Layachi Yaker of Algeria, Manuel Perez Guerrero of Venezuela, Wijojo Nitisastro of Indonesia and “certain others.” From Group B, Charles Robinson of the U.S., Frank Judd of Britain, Jean Francois-Poncet of France, Jan Pronk of the Netherlands, Hans Friderichs and Egon Bahr from Germany, C. Lindbom of Sweden, and B. Yoshino of Japan. Corea, *Taming Commodity Markets*, 59.

Kissinger's counterproposal, the International Resource Bank, to the "permanent machinery of UNCTAD for further study."<sup>345</sup> Both of these decisions were reflected in formal resolutions at the end of the conference.

Corea saw a silver lining in UNCTAD IV's results. "Despite the tension that marked its adoption," he remarked,

the resolution on the Integrated Program for Commodities marks a milestone in the history of international commodity policy and of UNCTAD. It signifies the acceptance by the international community of an approach to commodity policy that the developing countries and the Secretariat had been championing ever since the Second Session of UNCTAD.

Although what the developed countries would make of their promise to negotiate a Common Fund remained unanswerable, "for the first time, a comprehensive and interrelated framework" for dealing with commodity price fluctuations had been established. This was meaningful for two reasons. The resolution's adoption was indeed a "reflection of the climate of the times, the new atmosphere created by the goal of a New International Economic Order, the change in international economic relations following the rise of oil prices, the sense of leverage among the developing countries, and the desire of the developed countries for co-operation in North-South relations."<sup>346</sup> In other words, Third World advocacy and solidarity since the oil crisis had not been for nothing. But the Integrated Programme resolution—and the binding negotiations it promised—also marked a culmination of UNCTAD's efforts since its founding to be more than just an

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<sup>345</sup> Corea, *Taming Commodity Markets*, 59-60.

<sup>346</sup> Corea, *Taming Commodity Markets*, 63.

ideas generator and debating forum.<sup>347</sup> “Resolution 93(IV) amply fulfilled this goal,” Korea maintained, making it a “matter for deep satisfaction.”<sup>348</sup>

The same could not be said for debt, about which Korea was “quite frankly... disappointed.”<sup>349</sup> Although forced to commit to something resembling a Common Fund, Group B countries appreciated the consequent lack of focus on debt. “The resolution of the confrontation over the common fund combined with Conference schedule pressure, resulted in an agreement on LDC debt problems which was far less forthcoming than we had anticipated,” lead U.S. negotiator Charles Robinson wrote to Kissinger. The G-77 did secure Group B acceptance of a special meeting on debt within UNCTAD, which during the Carter Administration led to the cancellation of some of the poorest countries’ debts. But this committed the U.S. to nothing beyond the old “case-by-case” policy it had going in. “I believe this to be a most favorable result,” Robinson stated, “particularly given the determination of the LDCs to achieve a more meaningful concession.”<sup>350</sup>

Nor, for that matter, did U.S. officials see themselves as all that committed to the Common Fund. From Robinson’s perspective, all that the U.S. delegation had promised was that it would attend more meetings:

Largely as a result of U.S. efforts we finally negotiated a proposed resolution which provided for tentative steps toward the common fund and individual commodity agreements. However, in these negotiations I insisted that all negotiations on commodities or a common fund be preceded by a series of preliminary meetings for prior consideration of the objectives and modalities. Furthermore, I insisted upon wording which

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<sup>347</sup> This is the source of the old joke in UN circles regarding UNCTAD’s name: “Under No Circumstances Take Any Decisions.” The General Agreements on Tariffs and Trade were also mocked as “General Agreements to Talk and Talk.” For UNCTAD, see Thomas George Weiss, *UN Voices: The Struggle for Development and Social Justice* (Bloomington: Indiana University Press, 2005), 421. For GATT, see Robert Kuttner, “Another Great Victory of Ideology Over Prosperity,” *The Atlantic*, October 1991.

<sup>348</sup> Corea, *Taming Commodity Markets*, 66-68.

<sup>349</sup> Menon, *Global Dialogue*, 28.

<sup>350</sup> *FRUS*, 1969-76, vol. XXXI, Foreign Economic Policy, 1973-76, doc. 304.  
<https://history.state.gov/historicaldocuments/frus1969-76v31/d304>.

allowed any nation to decide whether or not it could support the agreed objective and modalities, and thus, whether or not it would elect to participate in the subsequent negotiation. I was even able to gain G-77 acceptance of a statement in the resolution that there were differences of views as to such objectives and modalities. Therefore, I believe that this solution did not in any way conflict with basic U.S. principles.

The U.S. had no more committed to establishing a Common Fund on the G-77's terms, Robinson was saying, than the G-77 had agreed to dropping the Fund and adopting the International Resources Bank—the resolution for which several G-77 countries had, to the Americans' chagrin, voted against in the final count. Although the U.S. would attend the Common Fund meetings, every effort would be made to “bring increasing pressure on the G-77 with the objective of gaining support for the IRB,” including in the preparatory meetings themselves.<sup>351</sup> Nor was the IRB the Common Fund competitor it had been presented as. “The IRB was called a ‘bank’ only to give it more sex appeal with the LDCs,” Robinson explained a few months later, “and we agree that we should avoid [the] establishment of a new international bureaucracy.”<sup>352</sup> With all of this in mind, then, the American chief delegate could declare the conference a “reasonable success.” The U.S. had set out to prevent the “complete collapse” of the conference, and with it the CIEC—in other words, it had tried to buy time—and in this it had succeeded.<sup>353</sup>

## Conclusion

In June 1980—exactly four years after the United States and other Group B countries accepted the G-77's Integrated Programme for Commodities and committed themselves toward its realization—the participating developed and developing countries

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<sup>351</sup> *FRUS*, Ibid.

<sup>352</sup> GFPL (II), Memo, Robinson to Kissinger, “Discussion with Giscard on North-South Relations,” May 17, 1976, folder: France (2), Box 1, International Economic Affairs Staff, NSA.

<sup>353</sup> *FRUS*, vol. XXXI, doc. 304.

signed the final agreement to establish the Common Fund. There were, of course, limitations, the most obvious of which was the Fund's limited capital base—down to \$400 million for its “First Window” instead of the hoped for \$6 billion—which diminished its ability to stabilize prices through stockpiling.<sup>354</sup> Still, for Gamani Corea, who shepherded the Fund's “long and arduous” negotiation in UNCTAD, “Two facts, both highly positive, stand out”:

First, an agreement was eventually reached to establish, subject to ratification procedures, a Common Fund with agreed objectives, capital structure, and modes of operation. Second, the agreement was arrived at on the basis of a consensus that embraced all the country groups in UNCTAD. Such an outcome was, on any reckoning, an outstanding achievement.

Considering developed countries' hard, and after Nairobi, soft opposition to creating the Fund; divisions over the Fund's objectives, importance, and financing within the G-77 itself; the non-attitude of the Communist Bloc toward the Fund and similar commodity initiatives; and, no less crucially, OPEC's failure to deliver on its promises of massive diplomatic and economic support, the Fund's very existence was indeed an achievement.<sup>355</sup>

The Common Fund was expected to begin operations no more than two years later, but a more urgent issue quickly and dramatically transformed the priorities of North and South alike. In August 1982, eleven months after 22 world leaders met in Cancun to try to revive what had become a stale and stalled North-South dialogue, Mexico's finance

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<sup>354</sup> Corea, *Taming Commodity Markets*, 112. The Fund's financing for stockpiling came instead came from contributions made by producer and consumer countries participating in International Commodity Agreements (ICA) for single commodities. This meant that if there was not an ICA for a commodity, or that ICA was weak, there would be few resources available for the Common Fund to intervene to stabilize prices (114).

<sup>355</sup> Corea, *Taming Commodity Markets*, 110.

minister announced that his country was no longer able to service its debt.<sup>356</sup> Sensing a continent-wide crisis, commercial banks in New York, London, and Paris abruptly halted their lending to Latin America and demanded payment on existing short-term loans.<sup>357</sup> The result was a dramatic loss of income, wages, and GNP across the South and in Latin America and Africa in particular, the effects of which would make the 1980s “a lost decade of development for most of the developing world.”<sup>358</sup>

“Regrettably, in the light of the crisis of later years,” Corea reflected, “UNCTAD’s lone and prophetic warnings [at UNCTAD IV] on the emerging debt situation were ignored by all sides—by developed and developing countries alike.”<sup>359</sup> This assessment is incomplete. In fact, as soon as the Nairobi negotiations concluded in May 1976, debt competed with indexation as the top issue for the 19 developing countries at the re-opening of the CIEC. “[Former UNCTAD Secretary-General and CIEC Co-Chair] [Manuel] Pérez-Guerrero and other G-19 delegates said that the G-19 now views G-8 acceptance of its demands on these two issues as important tests of our ‘political will’ in CIEC,” the State Department explained in July, “and that without a satisfactory solution the commissions cannot begin their substantive work in September.”<sup>360</sup> The discussions continued into December but without any meaningful progress, and in a General Assembly resolution that month developing countries’

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<sup>356</sup> Robert A. Pastor (ed), *Latin American Debt Crisis: Adjusting for the Past or Planning for the Future* (Boulder, CO: Lynne Rienner, 1987), 9.

<sup>357</sup> The crisis and its role in the North-South dialogue are discussed in the Epilogue.

<sup>358</sup> Donella H. Meadows, *The Global Citizen* (Washington, D.C.: Island Press, 1991), 77.

<sup>359</sup> Corea, *Taming Commodity Markets*, 52.

<sup>360</sup> GFPL (I), State Department, “Briefing Paper on CIEC,” July 26, 1976, folder: International Organizations, Box 1, International Organizations, WHCF.

registered their “profound concern at the adverse effect which the failure of the conference will have on international economic co-operation.”<sup>361</sup>

There was one more reason why the G-19 wanted to postpone discussions: the 1976 U.S. presidential elections.<sup>362</sup> The North-South dialogue per se was not a major issue in either the primaries or the general election, but American policy toward the Third World certainly was. On the conservative right Ronald Reagan blasted incumbent Gerald Ford over his administration’s—really, Kissinger’s State Department’s—efforts to renegotiate the Panama Canal treaties. “We built it, we paid for it, it’s ours, and we’re going to keep it!” Reagan exclaimed during the Florida Republican primary. In 1975 neoconservatives, still committed to retaining their influence in the Democratic Party, once again rallied around Henry “Scoop” Jackson as their candidate. Coalition for a Democratic Majority members Ben Wattenberg and Elliott Abrams ran Jackson’s campaign, while the rest of the CDM “did all it could to support him without crossing the legal line of open endorsement.” After Jackson’s defeat by the little-known Georgia Governor Jimmy Carter, the CDM focused their efforts on rewriting the Democratic Party convention platform. “Moynihan, who had just joined the CDM,” Vaisse writes, “worked with Wattenberg... to achieve a moderate platform that would not yield on foreign policy issues to pro-Third World leftists... The platform contained no hint of American guilt or apology and no mention of moral equivalence.”<sup>363</sup>

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<sup>361</sup> Menon, *Global Dialogue*, 32.

<sup>362</sup> “Brazil, Venezuela, Argentina, India, Indonesia, Zaire, and Zambia,” the State Department reported in April 1977, “all indicated that their support for postponement was based on expectations that the new Administration will soften the U.S. position on LDC debt rescheduling and ask Congress for increased U.S. contributions to the World Bank’s ‘soft loan’ facility.” Jimmy Carter Presidential Library (JCPL), RAC, NLC-24-59-2-4-4, Telegram, State to Embassies, April 1977.

<sup>363</sup> Vaisse, *Neoconservatism*, 125.

Neoconservatives claimed to have seen Carter as a blank slate in 1976 and were surprised at his foreign policy positions after the nomination.<sup>364</sup> In fact, in the general election Carter endorsed several of the neoconservatives' key themes, such as suspicion of détente and support for the human rights of Eastern Bloc dissidents. Carter also adopted the neoconservatives' moralistic language, but his usage suggested an interpretation drawn much more from the Party's new social egalitarianism and world order liberalism than from the views of the "right wing Democrats" that had written the convention platform. Like Moynihan before him, Carter attacked the Ford Administration's actions during the 1974 World Food Conference. But while Moynihan accused the Administration of doing too much to placate the Third World, Carter said it had done too little. Instead of being the "arms merchant of the word," Carter insisted during the televised foreign policy debate with Ford in October, America's "strength derive[s] from doing what's right—caring for the poor, providing food, becoming the breadbasket of the world."<sup>365</sup>

The neoconservatives should not have been too surprised. As the next chapter explains, Carter's vision in 1976-77 was exactly the one promoted by the prophets of world order liberalism at the Trilateral Commission, who had been advising him on foreign policy since he began attending Commission meetings in 1974. They were joined in the campaign—and after Carter was elected, the Administration—by a number of economists, academics, and former foreign policy officials from the Overseas

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<sup>364</sup> Vaisse, *Neoconservatism*, 126. CDM member Penn Kemple explained, "Carter was not elected with any real ideological views, he was just somebody all people could coalesce around, and this was very uncomfortable for us, because we didn't have much confidence in Carter, we were against him, we were for [Henry] Scoop [Jackson]."

<sup>365</sup> Transcript, "The Second Ford-Carter Presidential Debate, October 6, 1976," <http://www.debates.org/index.php?page=october-6-1976-debate-transcript>.



Development Council, the first U.S. think tank devoted entirely to the study and advocacy of international development. These groups' largely shared view of an "interdependent" world being shaped chiefly by engagement between the "trilateral" countries of the North—the U.S., Western Europe, and Japan—and the developing South dominated the interpretation and implementation of Carter's main foreign policy initiatives, especially toward the Third World.

Their overall approach to North-South policy—a renewed emphasis on "trilateral" cooperation with Western Europe and Japan; concessions on trade and increased foreign aid to developing countries; and the resolution of "symbolic" global issues like apartheid and the Panama Canal—was not substantially different from Kissinger's after the Seventh Special Session.<sup>366</sup> But the decision to make human rights a serious consideration in the making of U.S. foreign policy—to at last define the political, economic, and strategic roles and limits of human rights—produced major distinctions that would open up new possibilities in the North-South dialogue while closing off older ones. As we will see in Chapter 5, humanitarian goals such as access to food, shelter, health care, and other "basic human needs" were elevated, while action on global structural issues like the Common Fund and debt repayment were not. Those decisions would have profound consequences for the course of international development, finance, and trade in the 1980s, during which UNCTAD's "lone and prophetic warnings" about a looming crisis would come to fruition.

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<sup>366</sup> The NSC's Guy Erb, an ODC alumnus, conceded that Kissinger's approach at the Seventh Special Session "ended the rhetorical fireworks at the UN, led to the creation of [the] CIEC, and, in effect, bought nearly three years for the beleaguered OECD countries." JCPL, NLC-15-108-2-1-3, Guy Erb to Brzezinski, "North-South Policies: Assessment and Recommendations," February 11, 1978.

## Chapter 4: Interdependence, Development, and Jimmy Carter, 1972-76

### Introduction

When Governor Jimmy Carter announced his candidacy for the Democratic nomination for President at the end of 1974, even the leading newspaper in his home state of Georgia couldn't resist poking fun at his chances: "Jimmy Who is Running for What!?", its headline read the next day.<sup>367</sup> Six months later, Carter's name recognition registered at 2% nationally.<sup>368</sup> Nevertheless, absent any clear front-runner, the one-term governor and born-again Christian played up his "outsider" status to defeat well-known Democrats like California Governor Jerry Brown and Senators Frank Church and Henry Jackson for the nomination.

Carter continued to play the role of Washington outsider in the general election, running as a reformer against unelected insider Gerald Ford. He persistently associated Ford with the network of corruption surrounding Richard Nixon, and Ford's pardon of his predecessor shortly after taking office provided Carter with a powerful symbol. Throughout 1976 Carter directed his attacks at the "Nixon-Kissinger-Ford" style of foreign policy, which, he explained, meant neglecting allies in Western Europe and Japan, selling out human rights in the Soviet Union for détente, and failing to engage the developing countries in a cooperative and mutually productive dialogue. More potent were the moral charges. The "Nixon-Kissinger-Ford" moniker deliberately placed the Secretary of State in the middle: "The President is not really in charge," Carter's talking points for an October debate read. "Our policies are Kissinger's ideas and his goals,

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<sup>367</sup> <http://millercenter.org/president/biography/carter-campaigns-and-elections>.

<sup>368</sup> Zbigniew Brzezinski, *Power and Principle: Memoirs of the National Security Advisor, 1977-1981* (New York: Farrar, Straus, and Giroux, 1983), 7.

which are often derived in secret.” This “covert, manipulative, and deceptive” foreign policy ran “against the basic principles of this country, because Kissinger is obsessed with power blocs, with spheres of influence.”<sup>369</sup> Rather than secretly aiding Nixon-Kissinger-Ford’s “friendly dictators,” Carter promised instead “a government that is as honest and decent and fair and competent and truthful and idealistic as are the American people.”<sup>370</sup>

Carter indeed began his campaign as an outsider in all senses. Unlike his competition, he grew up on a farm in a small, segregated town; he did not attend an Ivy League college or law school; he had spent relatively little time in Washington; and, most of all, he lacked fluency in the politics, history, and vocabulary of foreign policy that his more experienced rivals had picked up through decades of experience in the Capitol. The Ford campaign and many in the press frequently cited his inexperience in national and foreign affairs and called his emphasis on morality in foreign policy naïve, even dangerous.

Carter’s ambitious and righteous rhetoric surely contrasted with the carefulness and occasional dark humor that Kissinger normally fed to the press, but under the surface was a set of policies informed by some of the very best and brightest of the liberal internationalist establishment. This chapter focuses on two influential foreign policy networks, the Trilateral Commission and the Overseas Development Council, which together provided Carter with a coherent, if abridged, education in foreign affairs during

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<sup>369</sup> Gerald Ford Presidential Library (GFPL), White House Special Files Unit, Box 2, Second Debate – Carter on Foreign Policy – Briefing Book (1), October 6, 1975.  
<https://www.fordlibrarymuseum.gov/library/document/0010/1554419.pdf>.

<sup>370</sup> For “friendly dictators,” Jimmy Carter Presidential Library (JCPL), Carter-Mondale Campaign Committee, Eizenstat Subject Files, Box 3, Commodities, 6/74-10/76, Gardner to Eizenstat, 10/12/76. For “a government,” <http://millercenter.org/president/biography/carter-campaigns-and-elections>.

the campaign (as well as dozens of highly educated and experienced staff for his Administration).

Both of these groups were formed in reaction to aspects of Nixon's foreign policy, which they thought inadequate to deal with the increasing challenges of economic and political interdependence. Both were also transformed by the twin events of 1973-74—the first oil crisis and the campaign for a New International Economic Order (NIEO). To them, these events globalized the challenges of interdependence and demanded new and comprehensive global solutions for the poverty they believed was destabilizing and radicalizing the South. During the Carter Administration, their policies were supposed to transform both the North-South dialogue and America's relationship with the Third World. As we will see, their gains were uneven, as Carter officials proved unable to translate progress on human rights, the Panama Canal, and foreign aid into moderation on the NIEO and other global economic issues.

### **Carter, Interdependence, and the Trilateral Commission**

The most central concept to Carter's foreign policy before and during his presidency was interdependence. In its initial and most basic meaning, interdependence referred to the interaction between traditional security objectives (especially in Europe) and foreign economic policy. The term gained currency within the study of international relations with the publication in 1968 of a book by Richard N. Cooper, who later served as one of Carter's main foreign policy advisors. Cooper was concerned about the growing divide in transatlantic relations during the 1960s, as the Johnson Administration shifted attention and resources toward Southeast Asia and away from Western Europe. He identified economic disagreements between the industrial countries—the U.S. and Japan

on textiles, the U.S. and European Community on agriculture, France and Germany on monetary policy—as the greatest threat to the Western alliance, an essential pillar of world stability that successive American administrations had taken for granted during two decades of economic growth and political consensus.<sup>371</sup>

By the early 1970s most of the foreign policy establishment accepted interdependence as a useful conceptual device, though its precise meaning varied. In 1969 President Nixon suggested to the United Nations that interdependence meant greater burden sharing on defense—a jab at the “free-riding” Europeans who refused to back the U.S. war in Vietnam.<sup>372</sup> By 1973 Nixon’s thinking was closer to Cooper’s. In September Nixon voiced “[concern] about the foreign policy repercussions” of America’s agricultural policy, particularly with Europe but also with the developing countries.<sup>373</sup> Transatlantic relations had been neglected by Nixon-Kissinger initiatives in pursuit of détente with the Soviet Union, normalization with China, and peace with North Vietnam, and in early 1973 Kissinger set out to renew that partnership. In his “Year of Europe” speech Kissinger kept his references to interdependence mostly within the Atlantic framework, suggesting that a “new Atlantic Charter” would renew the alliance and promise global stability. But the growing energy crisis in late 1973 and NIEO declaration in May 1974 pushed Kissinger to acknowledge a “new age of interdependence,” in which, he told the UN General Assembly in September, “inflation and the threat of global

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<sup>371</sup> Richard N. Cooper, *The Economics of Interdependence* (New York: Columbia University Press, 1968).

<sup>372</sup> Address by President Nixon to the General Assembly, September 18, 1969, <http://www.state.gov/p/io/potusunga/207305.htm>.

<sup>373</sup> *Foreign Relations of the United States, 1969–1976*, Volume E-14, Part 1, Documents on the United Nations, 1973-1976, Document 129. <https://history.state.gov/historicaldocuments/frus1969-76vol14p1/d129>.

decline hang over the economies of rich and poor alike.”<sup>374</sup> By the time Carter launched his campaign for the Democratic nomination, it was not just the U.S. and Europe who were interdependent. Both developed and developing countries now spoke of a world that was interdependent in a newly profound way between rich and poor, North and South.

Before Nixon and Kissinger pivoted back to the West, a network of transatlantic elites from business, academia, and government organized around the idea of reasserting U.S.-European-Japanese cooperation in global affairs. The Trilateral Commission was launched in 1972 as an initiative of David Rockefeller, then CEO of Chase Manhattan and Chairman of the influential foreign policy organization, the Council on Foreign Relations. Like other establishment internationalists, Rockefeller was a staunch Atlanticist concerned with the effects of Nixon’s foreign economic policy on the “trilateral” alliance of the U.S., Western Europe, and Japan. David’s brother Nelson, a former governor of New York, was a longtime patron of Henry Kissinger, whom he valued as a brilliant scholar with fresh views on maintaining transatlantic relations. However, David Rockefeller was disturbed by Nixon’s willingness to dismantle the Bretton Woods system, impose economic controls, and introduce tariffs without consulting other trilateral leaders. Kissinger’s well-known aversion to international economics—his overwhelming focus in academia and government had been on security—and preoccupation with Southeast Asia and China did not suggest a sudden change in priorities. Thus, two years before finance ministers from the U.S., Britain, Germany, France, and Japan began informal “Library Group” discussions at the White

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<sup>374</sup> Henry Kissinger, “An Age of Interdependence: Common Disaster or Common Community,” Speech before the 29<sup>th</sup> UN General Assembly, September 23, 1974, <https://www.fordlibrarymuseum.gov/library/document/dosb/1842.pdf#page=8>.

House—the precursor to the formal G-7 summits between trilateral heads of state—Rockefeller institutionalized his own forum bringing together trilateral elites to confront the “growing interdependence” of their countries’ economic and foreign policies.

To help with the project, David Rockefeller selected a young Columbia University professor and noted Sovietologist, Zbigniew Brzezinski. Like Kissinger, Brzezinski was a brilliant immigrant from Europe who believed that his adopted country had a special role to play in ensuring global stability. Both were also deeply affected as young men by witnessing the rise of the Nazi Party: Kissinger as a middle class Jew in a small town in Bavaria, Brzezinski as the son of a prominent Polish diplomat posted in Berlin. After receiving his undergraduate degree at McGill University in Montreal, Brzezinski moved to Harvard for his Ph.D., then to Columbia in 1961 where he led their new Institute for Communist Affairs. At this time Brzezinski joined the Council on Foreign Relations, where he and Kissinger became friendly rivals.<sup>375</sup>

In 1970 Brzezinski entered the interdependence debate with the publication of *Between Two Ages: America’s Role in the Technetronic Era*. Its focus on new transnational forces changing the parameters of states’ economic and political autonomy fit with the conclusions of other scholars writing on interdependence, such as Cooper, Charles Kindleberger, and Raymond Vernon, though it also contained a great deal of futurist speculation bordering on eugenics that Brzezinski soon dropped; the book was out of print by 1976. What caught David Rockefeller’s attention was a section on a developing “planetary consciousness” among transnational elites. Because of the U.S.’s strength, Brzezinski argued, rivals (friendly or otherwise) will unite in blocs to challenge

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<sup>375</sup> Greg Grandin, *Kissinger’s Shadow: The Long Reach of America’s Most Controversial Statesman* (New York: Metropolitan Books, 2015), 130.

America from a position of collective strength. Europe was already doing it, but current American foreign policy threatened the orientation of the elites behind the project, who might continue with the kind of regionalism and economic nationalism that leads to a world of closed economies, technologies, and societies. Still, Brzezinski expected that with U.S. leadership, a new class of “transnational elites... highly internationalist or globalist in spirit and outlook” would form a genuine and self-conscious “community of the developed nations” to manage collectively the challenges of global economic and technological transformation.<sup>376</sup>

The Trilateral Commission began operations in 1972 with the explicit intention of fostering that community. “The more Atlanticist part of the American foreign policy community” behind the Commission, *Foreign Affairs* noted, believed that “the relative balance of economic strengths had so changed [under Nixon] that the United States could no longer play the role of [sole] economic leader.”<sup>377</sup> Such pro-Atlanticists who joined included future Carter campaign advisors and Administration officials Richard Cooper, Fred Bergsten, Henry Owen, Gerard Smith, Richard Gardner, Cyrus Vance, Harold Brown, and of course Brzezinski, the Commission’s first Executive Director; many other future Carter officials, such as Robert Bowie and Samuel Huntington, contributed to Commission reports.

For the Commission at its founding, managing interdependence was an overwhelmingly Northern problem and responsibility. “Persons from other nations,”

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<sup>376</sup> For “planetary consciousness,” see Stephen McGlinchey, “Review—Brzezinski’s Technetronic Era,” July 22, 2011, in E-International Relations, <http://www.e-ir.info/2011/07/22/review-between-two-ages-america%E2%80%99s-role-in-the-technetronic-era/>. For “community of the developed nations,” see Andrew Gavin Marshall, “Controlling the Global Economy,” August 3, 2009, Center for Research on Globalization, <http://www.globalresearch.ca/controlling-the-global-economy-bilderberg-the-trilateral-commission-and-the-federal-reserve/14614>.

<sup>377</sup> Richard Ullman, “Trilateralism: Partnership for What?” *Foreign Affairs*, October 1976, 3-4.



members agreed in July 1972, would only be “brought into the work of the Commission at appropriate times.” In these early meetings some talked about new Marshall Plans and Monnet Plans for the trilateral countries, and even “a new ‘conception’ of the international order as fresh as that once posited by Keynes.”<sup>378</sup> The reference to Keynes and Bretton Woods was apt: as in 1944, few of the representatives considered what that order would mean for the developing countries, and none spoke of the developing countries’ participation in shaping this “new ‘conception.’”

This changed in 1973. Just as it had done with Kissinger, the oil shock and NIEO (and subsequent “unholy alliance” of the developing countries and OPEC) transformed the priorities of the Trilateral Commission. “There are critical turning points in history when the lives and fortunes of large numbers of human beings hang upon the decisions by a small handful of national leaders,” Richard Gardner wrote in July 1974, in the Commission’s third report.

The oil embargo—the fourfold increase in fertilizer prices—the higher costs and severe shortages of food and fertilizer—the unprecedented concurrence of acute inflation and recession across the industrialized world—these events have gravely strained the fabric of international economic relations. In particular, they have detonated an explosion in North-South economic relations that has been building up for years... In short, they have raised the most troubling questions about the world’s ability to manage its interdependence through peaceful international cooperation.<sup>379</sup>

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<sup>378</sup> JCPL, Zbigniew Brzezinski Collection, Gerard Smith Subject Files, Box 1, Gerard Smith File-Chron File, 5/11/72-2/28/73, “Meeting on Proposed Trilateral Commission,” July 23-24, 1972.

<sup>379</sup> Richard N. Gardner, Saburo Okita, and B. J. Udink, “A Turning Point in North-South Economic Relations: A Report of the Trilateral Task Force on Relations with Developing Countries to the Executive Commission of the Trilateral Commission,” 11.  
[http://trilateral.org/download/doc/economic\\_relations\\_19741.pdf](http://trilateral.org/download/doc/economic_relations_19741.pdf).

Over the next two years, eight of the first 12 reports of the Commission's "task forces" reported on North-South issues, including energy, commodities, trade, finance, international institutions, and Law of the Sea negotiations.

Despite some fresh ideas, the task forces' rhetoric largely matched that of Kissinger's. They recognized the need for a "general restructuring of North-South relations" including a mutual recognition of interdependence, "cooperation instead of confrontation," and "burden-sharing between the Trilateral world and the OPEC countries." Though their concern for development may have been less cynical than Kissinger's, their solutions were fairly similar, if more ambitious. The first North-South report focused on the most immediate effects of the oil crisis in the developing world, namely, the "some thirty low-income countries of the 'Fourth World' who have been particularly hard hit by skyrocketing costs of oil, food, fertilizer and industrial goods." In particular, the Commission recommended "an extraordinary act of cooperation" between the trilateral countries and OPEC, in which both would contribute \$1.5 billion to a special action fund to meet the emergency needs of the resource-poor Fourth World in 1974-75.<sup>380</sup>

The Commission's multipurpose, multilateral development fund did not happen. Instead, at the World Food Conference in November 1974, Kissinger called OPEC's bluff on their concern for oil-importing developing countries. Together they negotiated a significantly more limited and less-capitalized fund, the International Fund for Agricultural Development. The IFAD would not come into existence until 1977, after the worst effects of the immediate crisis had passed (in part due to the UN's Emergency

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<sup>380</sup> Gardner et al., *Turning Point*, 9, 15.

Fund, approved by the General Assembly during the Sixth Special Session announcing the NIEO). Thus, in a follow-up report, also written by Gardner, the Commission directed attention to “the problem of North-South development beyond the emergency period,” that is, 1976-80, the next president’s term. The “much more formidable” problem was how to increase Official Development Aid by \$6 billion a year, per the recommendations of World Bank Governor Robert McNamara. More formidable indeed, since, the report pointed out, from 1963-73 OECD citizens’ real incomes grew by 60%, while the real value of OECD aid declined by 7%. Aid from the trilateral countries was getting smaller during times of plenty; there was even less appetite for more aid in a time of scarcity and uncertainty. As Kissinger had argued to Ford’s economic advisors when they opposed his initiatives at the World Food Conference, the report concluded that only increases in real aid levels would give the trilateral countries “any credibility in aid discussions with OPEC members.”<sup>381</sup> But even if the \$3 billion could be raised in the North, OPEC was not likely to match it. The World Bank estimated the combined GNP of OPEC countries (excluding Nigeria and Indonesia) for 1980 at just 6% of the combined GNP of the trilateral countries. Under any formula, relative to ODA-to-GNP levels in the North, OPEC was already doing more than its share.<sup>382</sup>

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<sup>381</sup> An NSC memorandum for the President sent just days before the World Food Conference explained Kissinger’s logic.

State believes that without a commitment to increase the quantity of food aid, our position at the Conference will look hollow. Reflecting Secretary Kissinger’s very strong view, State argued that the US must demonstrate its willingness to use its food resources constructively if its position in trying to get OPEC countries to use oil responsibly is to have any credibility. It emphasized that our food aid commitment will be seen as a major test of America’s willingness to resolve the global food crisis. (GFPL, Files of the National Security Adviser, Presidential Subject File, Box 6, Food/Food Aid/World Food Conference (3), Scowcroft to the President, “Results of Meeting to Review Issues in World Food Conference Speech,” November 2, 1974.)

<sup>382</sup> Richard N. Gardner, Saburo Okita, and B. J. Udink, *OPEC, The Trilateral Countries, and the Developing Countries: New Arrangements for Cooperation 1976-1980*, 9-12.

The Commission's solution was "another major act of cooperation between the Trilateral countries and the OPEC countries" for long-term development financing. By 1975 Kissinger had largely abandoned this course, choosing instead to focus on outmaneuvering the G-77 at their preferred forums—the UN Conference on Trade and Development (UNCTAD) and the upcoming Conference for International Economic Cooperation (CIEC)—but the prophets of interdependence at the Commission remained optimistic. Their "wholly new approach" involved recycling OPEC's financial surplus, sitting in New York, London, and Paris commercial banks, through a "Third Window" facility in the World Bank that would lend on terms in between its regular lending operations (the Bank's "First Window") and those of the International Development Association (the "Second Window"). Basically, the Third Window's managers in the World Bank would borrow the estimated \$3 billion from OPEC at 8% interest and it lend it to the Fourth World at 3%; the \$3 billion would be raised by bonds in OPEC governments and Trilateral capital markets where OPEC funds were held.<sup>383</sup> The World Bank did take up the idea and established the Third Window facility in 1975. It began operations once sufficient funds were received from the Netherlands, Canada, Britain, and France in the North, and Saudi Arabia, Kuwait, and Venezuela in the South, but the Ford Administration declined to contribute. By 1977 it appeared not to be lending at all.<sup>384</sup>

This substantial but low-key focus on technical issues of finance in U.S.-dominated institutions, rather than confronting the South head on at the UN and CIEC,

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<sup>383</sup> Ibid, 13-14.

<sup>384</sup> A. van de Laar, *The World Bank and the Poor*, Institute of Social Studies Series on the Development of Societies, Vol. 6 (Boston, The Hague, London: Martinus Nijhoff Publishing, 1980), 30-1.

matched the recommendations of other Commission task forces. A report on the reform of international institutions, authored by future Carter Assistant Treasury Secretary C. Fred Bergsten, advocated this approach for the IMF and GATT. International economic upheaval, the report began, had brought a “renewed emphasis throughout the world on national sovereignty” in especially the South but also the North. Reducing this tension—“between the imperatives of interdependence and the quest to retain adequate degrees of national autonomy”—required committing more political and economic resources to institutions that, while multilateral, were also weighted toward U.S. thinking. Bergsten advised:

Politicization of issues is better avoided in functionally specific institutions [like the IMF and GATT] simply because of the consensus that such institutions are the best, perhaps only, places where serious business could be done. The same countries which will indulge in fanciful rhetoric in a broad, multipurpose organization (such as various UN agencies) will often be negotiating seriously and cooperatively in another organization (such as GATT) on the same issue at the very same time. The more technical focus, and lesser public awareness, of such organizations promotes such a result.<sup>385</sup>

The UN had a “quite different role to play,” that of “legitimizing broad concepts” about international economic reform and arrangements. In other words, the General Assembly could call for a New International Economic Order, but it would not be allowed to legislate one. Only by downgrading key global forums operating as a “Committee of the Whole” (like the UNGA and UNCTAD) and focusing resources on Northern-dominated multilateral institutions and arrangements (like the IMF and GATT), could the trilateral

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<sup>385</sup> C. Fred Bergsten, Georges Berthoin, Kinhide Mushakoji, and John Pinder, “The Reform of International Institutions,” 6. [http://trilateral.org/download/doc/reform\\_of\\_international\\_institutions.pdf](http://trilateral.org/download/doc/reform_of_international_institutions.pdf).

countries meet the Commission's ambitious task: "to make the world safe for interdependence."<sup>386</sup>

It is unlikely that the technical details of commodity agreements and petrodollar recycling contained in these and other Commission reports would have been of great interest to Governor Carter. However, the Commission was interested in him. "We wanted a forward-looking Democratic governor who would be congenial to the trilateral perspective," Brzezinski explained, and he invited Carter to an early meeting. Both left impressed. "I became an eager student," Carter recalled, "and took full advantage of what Brzezinski had to offer.... We got to know each other well."<sup>387</sup> Brzezinski remembered discussing Carter's membership with Gerard Smith and George Franklin, the Commission's Secretary for North America. Carter's interest in expanding trade between the state of Georgia and the Common Market, as well as his reputation as "courageous on civil rights and reportedly a bright and upcoming Democrat," made Carter an attractive candidate for membership. "Well, he's obviously our man," Brzezinski told Franklin, and Carter accepted their offer.<sup>388</sup>

Brzezinski became the single most important influence on candidate and President Carter's foreign policy. His intellect and ability to "express complicated ideas simply," especially the "broad historical trends affecting the industrialized nations," helped Carter understand and speak about interdependence in a way that distinguished him from Kissinger, whose own strategy emphasized short-term measures to diffuse conflict with OPEC over long-term North-South collaboration.<sup>389</sup> "What we would be saying [to

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<sup>386</sup> Ibid, 2

<sup>387</sup> Jimmy Carter, *Keeping Faith: Memoirs of a President* (New York: Bantam Books, 1982), 51.

<sup>388</sup> Brzezinski, *Power and Principle*, 5.

<sup>389</sup> Carter, *Keeping Faith*, 51.

OPEC],” Kissinger explained his strategy for the World Food Conference, “is that if you cooperate [on oil], we won't have to talk about food.”<sup>390</sup>

After Carter declared his candidacy for the Presidency, Brzezinski reached out to offer him advice, and Carter accepted.<sup>391</sup> While still directing the Commission, Brzezinski worked as Carter’s main foreign policy advisor and speechwriter throughout the Democratic primaries and then the race against Ford. During the campaign, Carter recalled, “I would study [Brzezinski’s] position papers on foreign affairs in order to develop my answers to those questions all candidates had to face.” Brzezinski became “a frequent visitor to Plains” and accompanied Carter to his national security debate with President Ford.<sup>392</sup>

Carter’s association with the Commission was also a powerful signal to the foreign policy establishment that the Georgia governor was to be taken seriously in foreign affairs. He accompanied Brzezinski to a Commission meeting in Kyoto in June 1975, after which he asked Brzezinski to appear with him at an upcoming press conference with American newspapers. “I was a little surprised at the time,” Brzezinski said, “but concluded that he probably wanted to show the newspapermen that his candidacy was being taken seriously and that he could count on expert advice in the campaign.” Although as president he downplayed his association with the Commission, which became an obsession of the far right and far left for its “globalist” rhetoric and Wall Street connections, during the campaign Carter played up this connection to the press. “Service on the Trilateral Commission,” he insisted in a widely-publicized 1976

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<sup>390</sup> *Foreign Relations of the United States 1969-76*, Volume E-14, Part 1, Doc. 147. <https://history.state.gov/historicaldocuments/frus1969-76ve14p1/d147>.

<sup>391</sup> Brzezinski, *Power and Principle*, 5.

<sup>392</sup> Carter, *Keeping Faith*, 51-52.

autobiography promoting his candidacy, “gave me an excellent opportunity to know national and international leaders in many fields of study concerning foreign affairs.”<sup>393</sup> The Commission association also gave Carter the credibility and support of its other prominent members. Men like Richard Cooper, Richard Gardner, and Fred Bergsten were widely recognized and respected in foreign policy circles for their scholarship on international economics and interdependence; it made sense to bring this brain trust into State, Treasury, and the NSC following the election. There, they could (and did) attempt to work out the recommendations they made in Commission reports in order to “make the world safe for interdependence,” with Brzezinski filling in the big picture.

Brzezinski crafted the big picture’s frame in December 1975, when Carter asked him “to develop for me the outline of a basic speech/statement on foreign affairs... I agree with your order of priorities.” Brzezinski replied with three interrelated priorities, recommending that:

(1) as the first priority a stable inner core for world affairs, based on closer collaboration among the advanced industrial democracies (open-ended trilateralism); (2) secondly, to shape on the above basis more stable North-South relations, which means (i) more cooperation with the emerging Third World countries (the richer and more successful), through such devices as the tripartite Paris conferences,<sup>394</sup> etc.; (ii) compassionate aid to the Fourth World, which the U.S. should grant as a matter of conscience as well as interest, but in which it ought to also engage other states on a multilateral basis; (3) thirdly, to promote détente with the Soviet Union and to court China.

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<sup>393</sup> Jimmy Carter, *Why Not the Best?: The First 50 Years* (New York: Bantam Books, 1976), 141-42. Historian Douglas Brinkley explains in the introduction to a 1996 reprint, “Almost as a matter of policy Carter would ask reporters about to interview him if they had read his book.” When a reporter asked Carter if he had a “master plan” for his presidency, Carter “snapped, ‘It’s in the book... how I decided to run for the presidency, and the plans are in the book. There’s no point in talking about these things when they’re in the book.’”

<sup>394</sup> Brzezinski is referring to the Conference on International Cooperation, which first met in Paris from December 16-19, 1975.



These priorities matched the hierarchy developed by the Trilateral Commission during the 1973-74 crisis. Brzezinski placed the highest emphasis on trilateral cooperation; from that could come better North-South relations, which would require making some concessions, but which would also be different from the past. “Compassionate aid” would be directed toward the poorest countries with the worst humanitarian problems, while the U.S.’s standing in the North-South dialogue would be improved through cultivating bilateral ties with “the richer and more successful” developing countries, who had the greatest stake in preserving international economic stability. Since they were relatively stable and not as much of a threat to interdependence, U.S.-Soviet and U.S.-Chinese relations were comparatively downgraded. “Détente, of course, is desirable but it ought to be more reciprocal,” Brzezinski concluded. “Moreover, since the element of rivalry remains a reality, it cannot be the basis for coping with global problems.”<sup>395</sup>

Carter approved this “skeleton,” and Brzezinski and Richard Gardner went to work on a speech that Carter would deliver to the New York Foreign Policy Association on June 23, 1976, where Kissinger had spoken on North-South relations two months earlier. “The speech was Carter’s major statement on foreign policy,” Brzezinski wrote, “and it foreshadowed many of his actions and concerns as President.”<sup>396</sup>

Aside from a few personal additions—against Brzezinski’s recommendation, Carter insisted on the phrase “‘Lone Ranger’ foreign policy” to describe the “Nixon-Ford” Administration; Brzezinski apologized for his opposition after a positive response from the press—the speech matched Brzezinski’s initial framework, progressing from trilateral relations, to North-South, to East-West. Carter also included the Commission’s

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<sup>395</sup> Brzezinski, *Power and Principle*, 7.

<sup>396</sup> Ibid.

plans for OECD-OPEC cooperation on increased multilateral aid, as well as a “World Development Budget” inside the World Bank, which would become a feature of G-7 discussions in his administration.<sup>397</sup>

The reorientation of aid toward the poorest countries—“those in direct need”—was also a feature of Brzezinski’s framework, but further elaboration of this idea came from elsewhere. The “basic human needs” approach to development was the contribution of another influential group advising Carter during his campaign, the Overseas Development Council (ODC). Emphasizing aid for food, shelter, and education channeled directly to the “bottom half” in developing countries allowed Carter to call for increased foreign aid while also providing a counter to public and Congressional criticism that U.S. aid rarely reached those for whom it was intended. As Carter was fond of saying, “I’m not in favor of taxing the poor people in our rich country to send money to the rich people in poor countries.”<sup>398</sup> Basic human needs promised a multilateral solution that would avoid both politics in the donor country and rent-seeking in the recipient country; the reality, of course, was much more complicated.

### **Carter, Basic Needs, and the Overseas Development Council**

The Overseas Development Council was founded in Washington in 1969 by James P. Grant, a former US Agency for International Development (USAID) administrator. Its founding mission was to increase support among the U.S. public and

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<sup>397</sup> “Relations between the World’s Democracies,” Speech to the New York Foreign Policy Association, in *FRUS 1977-80*, Volume I, Foundations of Foreign Policy, Document 6, <https://history.state.gov/historicaldocuments/frus1977-80v01/d6>.

<sup>398</sup> “‘Ask President Carter’: Remarks during a Telephone Call-in Program on the CBS Radio Network,” March 5, 1977, in *Public Papers of the Presidents of the United States: Jimmy Carter, 1977* (Washington, D.C.: Federal Register Division, National Archives and Records Service, General Services Administration, 1977), 313.

Congress for more multilateral development aid, at a time when U.S. contributions were in steep decline. The ODC was well-connected with the liberal internationalist establishment: like the Trilateral Commission, it was supported by the Ford and Rockefeller Foundations, and counted David Rockefeller and a number of other notable internationalists as board members.<sup>399</sup>

The ODC began its work at a hinge moment in international development. In 1961 President Kennedy announced a “decade of development” at the UN, and new institutions like the UN Development Program, the Inter-American Development Bank, the Alliance for Progress, USAID, and the Peace Corps soon followed. These and other aid programs were informed by an intellectual paradigm, modernization theory, that prescribed an evolutionary path to liberal capitalism through investment in large infrastructure and industrial projects, importation of foreign technology and capital, and strengthening of the bureaucratic apparatus of the state, as well as the encouragement of Western cultural values, standards of behavior, and modes of thought. Countries would proceed through a set of “stages of development” toward a gradual withering away of economic controls, more and more varied economic activity, the creation of a consumer society, and full participation in the international economy. Equally important, its proponents in the Kennedy and Johnson administrations believed, modernization would prevent Third World societies—in the throes of a “revolution of rising expectations”—from turning to communism, which promised its own accelerated path to industrialization. It mattered that the theory’s most important text, MIT economist and

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<sup>399</sup> Edward S. Berman, *The Influence of the Ford, Rockefeller, and Carnegie Foundations on American Foreign Policy: The Ideology of Philanthropy* (Albany: SUNY Press, 1983), 140.

Johnson advisor Walt Rostow's *The Stages of Growth*, was subtitled *An Anti-Communist Manifesto*.

Although this approach dominated thinking inside the World Bank and White House throughout the 1960s, it also had a critical Third World corollary—dependency theory. Dependency theorists did not reject modernization theory *per se*; the two shared more or less the same state-based model of growth. Their criticism focused on the West's overemphasis on domestic factors of production and lack of appreciation for external (or “structural”) barriers to development, which, they held, rich countries created and maintained for their own benefit. Inspired by the writings of Argentine economist Raúl Prebisch and German economist Hans Singer, they saw an international economic system, or division of labor, rooted in centuries of unequal political relationships set against the interests of commodity producers (largely in the South) and for those of industrial producers (largely in the North). Their side of the “terms of trade” debate alleged a secular decline in the prices of commodities against rising prices for manufactured goods, meaning that as the industrial countries got richer (benefitting from cheap imported commodities) the developing countries got poorer (receiving less for their exports while prices for industrial imports increased). Third World development would never succeed, dependency theorists argued, until the rules of global trade and finance were renegotiated on an even playing field.

Many elites in newly decolonized countries were attracted to dependency theory's implicit anti-imperial message and emphasis on global structural barriers to development. Support for its basic tenets was widespread in governments across countries with wildly different capital endowments (some had oil, others had valuable minerals, still others,

nothing), labor forces (some had relatively high levels of education, while in others the majority could not read or write), and historical ties (some had endured hundreds of years of colonialism, others had remained independent). The leaders of these countries also spoke the language of dependency theory in the United Nations, where decolonization had changed the balance of the General Assembly and other UN forums. Dependency theory dominated the politics of the developing country's UN caucus, the Group of 77, which argued on their behalf at UNCTAD (Prebisch was its founding Secretary General, serving from 1964-69).

Dependency theory's international agenda included various measures of reform to global trade and finance, ranging from support for commodity prices and debt forgiveness to increasing the economic decision-making powers of the UNGA. Domestically, many of the theory's supporters urged Import Substitution Industrialization (ISI), essentially a more statist form of modernization theory, which promised reduced dependence on imported industrial goods through heavy state investment and high tariffs in select industries. It was expected that eventually those industries would become cost-effective and internationally competitive, but as various ISI experiments (particularly in Latin America) would show, high government subsidies protected inefficient firms and other rent-seekers, accelerated inflation, and prompted excessive foreign borrowing to meet current account deficits.<sup>400</sup> ISI was not uncritically supported by all dependency theorists; Prebisch himself warned against taking ISI too far, which he correctly

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<sup>400</sup> Javier A. Reyes, W. Charles Sawyer, *Latin American Economic Development* (New York: Routledge, 2016), 281.

speculated would leave Latin American countries in massive debt.<sup>401</sup> Nevertheless, in one form or another, modernization theory—in its Northern liberal or Southern statist variant—defined international development for most of the 1960s.

By 1968, the core premise of modernization theory—that national economic growth would alleviate poverty, lessen inequality, and promote stability—was under attack from many sides, but especially in the North. Attitudes toward the aid programs that funded these efforts were one indicator: in the U.S., support for foreign aid remained consistently high in the first half of the decade, with well over half the country in favor; a few years later, that support, along with the U.S. foreign aid budget, had significantly declined.<sup>402</sup> There are many explanations, including tight government budgets and inflation due to President Johnson’s War on Poverty and “bitch of a war” in Vietnam. Congress, frustrated with the failure of aid to produce foreign policy results, demanded cuts, and many Americans questioned, perhaps for the first time, whether “they” really wanted to be “just like us.” American forces in Vietnam were winning battles but not the war; their economic development and aid programs seemed capable of winning neither.

Vietnam was an especially potent example of modernization theory’s weaknesses. Johnson Administration development programs, such as plans for a “TVA on the Mekong,” were taken straight out of Rostow’s playbook, promising to save Vietnam from communism in the way the New Deal once saved American capitalism from itself. Thus, when the most important non-military effort in America’s most expensive war failed, it

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<sup>401</sup> John Toye and Richard Toye, *The UN and Global Political Economy: Trade, Finance, and Development* (Bloomington: Indiana University Press), 13, and “Raul Prebisch: Latin America’s Keynes,” *Economist*, March 5, 2009, <http://www.economist.com/node/13226316>.

<sup>402</sup> Colm Foy and Henry Helmich, *Public Support for International Development* (Development Centre of the Organisation for Economic Co-operation and Development, 1996), 71.

was, in one scholar's words, "a body blow to the consensus on development."<sup>403</sup> Public disillusionment with aid was matched by scathing critiques from conservative economists like P. T. Bauer, who attacked modernization theory's statist premises and susceptibility to corruption.<sup>404</sup> Modernization's unintended consequences for population and the environment produced additional critiques, with the "Green Revolution" in agriculture coming under particular fire. At the UN, developing countries united against the developed countries' inattention to external barriers to development, amplifying their arguments in the General Assembly, UNCTAD, and the International Labor Organization. In the mainstream development community, there was a pervasive sense of crisis—in the words of development officials at a 1967 meeting, "a clear and present danger, an emergency," and a "paralysis of leadership."<sup>405</sup>

Robert McNamara stepped into this paralysis at the World Bank in April 1968, two months after his painful resignation as Johnson's Secretary of Defense. Surveying the hostility toward aid among the U.S. Congress and public, criticism and confusion in development circles, and a growing economic and political divide between developed and developing countries, McNamara concluded to the Bank's Board of Governors that the will to provide aid "was never lower."<sup>406</sup>

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<sup>403</sup> David Ekbladh, *The Great American Mission: Modernization and the Construction of an American World Order* (Princeton: Princeton University Press, 2010), 190.

<sup>404</sup> Bauer published many of his earlier critiques as a single book in 1971. See P. T. Bauer, *Dissent on Development: Studies and Debates in Development Economics* (London: Weidenfeld and Nicolson, 1971). He was also active in neoconservative circles and penned many criticisms of U.S. development and North-South policy in *Commentary* throughout the 1970s. According to Livingston (1992), in the Reagan Administration a top State Department official recalled receiving "'many position papers of the P. T. Bauer variety'" on foreign aid. Wickstead (2015) has also noted Bauer's relationship with and influence on Margaret Thatcher.

Wickstead claims that his views on development aid were particularly influential on Thatcher, though (Myles A. Wickstead, *Aid and Development: A Brief Introduction* (Oxford: Oxford University Press, 2015).

<sup>405</sup> Ekbladh, *Mission*, 244.

<sup>406</sup> Devesh Kapur, John P. Louis, *The World Bank: Its First Half Century: History* (Washington, D.C.: Brookings Institution Press, 1997), 233.

Two contrasting initiatives emerged during McNamara's first year in office. One was the publication in 1969 of the Pearson Report, named for its chairman, former Canadian Prime Minister Lester Pearson. Shortly before McNamara joined the World Bank, his predecessor, George Woods, had called for a "grand assize" to assess just what had gone wrong under the Development Decade. The report acknowledged new problems—it recognized that growth had limits for a society's overall welfare, and that developing countries faced certain external constraints to development—but offered no novel solutions.<sup>407</sup> "The Pearson Report," *Business Week* commented, "is neither very dramatic nor very fresh. Its primary recommendations are for a doubling of the amount of aid funneled through such multinational organizations as the World Bank, and for developed countries to boost their infusions of official and private capital to the developing lands to 1% of their Gross National Product by 1975."<sup>408</sup>

A second initiative came from outside the World Bank. Two years before the Pearson Report was published, concerned members of the U.S. foreign aid community proposed the formation of a "Development House" that would be formally independent from the U.S. government and international organizations.<sup>409</sup> The Ford and Rockefeller Foundations took the lead in funding the new organization, soon incorporated in Washington, D.C. as the Overseas Development Council. The ODC board was filled with members of the "development establishment," including former Tennessee Valley Authority administrator David Lilienthal, former World Bank President (1948-63) Eugene Black, former USAID Director David Bell, Harvard economist Edward Mason,

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<sup>407</sup> Edward Ramsamy, *World Bank and Urban Development: From Projects to Policy* (New York: Routledge, 2006), 61-63.

<sup>408</sup> *Business Week*, "World Banking McNamara-Style," September 27, 1969, 100.

<sup>409</sup> Ekbladh, *Mission*, 245.



and David Rockefeller.<sup>410</sup> Father Theodore Hesburgh, President of Notre Dame University, was the board's first chairman until he left to serve as Carter's ambassador to an important North-South event, the United Nations Conference on Science, Technology, and Development. James P. Grant, a high-ranking USAID administrator with extensive on-the-ground experience in China and Southeast Asia—his last job was leading AID's failing programs in Vietnam—was President.

“Authoritative, widely respected,” Hesburgh's biographer writes, “the ODC was one of the most effective institutions in the United States as a source of information about Third World countries.” It used its status to critique the development consensus that, regardless of widespread acknowledgement of its failure, was being upheld by U.S. government and World Bank policies. McNamara “really believes that aid promotes economic growth which promotes stability, democracy, and good international behavior,” one critic of the Pearson Report observed. “None of the links can be proved.”<sup>411</sup> Despite rapid economic growth in developing countries, by the end of the 1960s income inequality between North and South had only widened; despite large increases in food production from the Green Revolution, most developing countries were still highly vulnerable to price shocks. “If we are to develop a firm deterrent to anarchy and subversion in two-thirds of the world seized by the revolution of rising expectations,” Grant wrote in 1971, “something more fundamental than [US]AID is required.”<sup>412</sup>

Grant and the ODC argued for a rethinking of development policy that looked beyond GDP figures, industrialization, and other measures of “modernization” and

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<sup>410</sup> Berman, *American Foreign Policy*, 140; Ekbladh, *Mission*, 245.

<sup>411</sup> *Business Week*, “World Banking McNamara-Style,” September 27, 1969, 100.

<sup>412</sup> Berman, *American Foreign Policy*, 140.

towards more basic, people-oriented indicators like access to health care, education, shelter, and food. In doing so the ODC matched other efforts, at the time largely outside of the World Bank, beginning to push for a “basic human needs” (BHN) approach to development. Advocates believed that a BHN approach would not only benefit a larger share of the population than traditional development projects, but would also enable greater overall productivity by freeing individuals from the constraints of meeting their immediate social and economic needs. Sussex University’s Institute for Development Studies was one new group that debated the “meaning of development,” and it collaborated with the International Labor Organization (ILO) on a series of country reports from 1970-75 in which the BHN idea was further refined.<sup>413</sup> The ILO project also included prominent development economists Amartya Sen, Dharam Ghai, and Hans Singer—one half of the “Singer-Prebisch” terms of trade hypothesis—and their recommendations became the basis for the ILO’s definition of BHN at the 1976 World Employment Conference in terms of food, clothing, housing, education, and public transportation.<sup>414</sup>

The ODC did not singlehandedly invent basic human needs, but it did distinguish itself through its powerful network in American political, business, and academic circles. “[Grant] used his post at the ODC to cultivate ideas gaining credibility internationally,” Ekhbladh explains.<sup>415</sup> The ODC enlisted support from a variety of critical development experts, promoting Barbara Ward’s essay “A ‘People’ Strategy of Development,” and

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<sup>413</sup> Kapur et al, *World Bank*, 227-28.

<sup>414</sup> Thomas G. Weiss, Tatiana Carayannis, Louis Emmerij, and Richard Jolly, *UN Voices: The Struggle for Development and Social Justice* (Bloomington: Indiana University Press, 2005), 240-42; and Louis Emmerij, “The Basic Human Needs Development Strategy,” Background Paper, UN World Economic and Social Survey 2010, [http://www.un.org/en/development/desa/policy/wess/wess\\_bg\\_papers/bp\\_wess2010\\_emmerij.pdf](http://www.un.org/en/development/desa/policy/wess/wess_bg_papers/bp_wess2010_emmerij.pdf).

<sup>415</sup> Ekhbladh, 245.

according to the World Bank the ODC “engineered” the collaboration between Edgar Owens and Robert Shaw, authors of the influential 1972 book, *Development Reconsidered*.<sup>416</sup> “A major rethinking of development concepts is taking place,” Grant observed, “compelled by a single fact: the unparalleled growth rates achieved by most developing countries during the 1960’s had little or no effect on most of the world’s people, who continue to live in desperate poverty.” By favoring large landowners, civil servants, and skilled industrial workers, he argued, the development process empowered interests with a disincentive for large-scale redistribution, while countries that had introduced massive welfare programs could no longer pay for them. A “new development strategy” would increase the poorest half of the population’s position in the development process, by supporting small farmers and entrepreneurs, making best use of scarce capital and technology, and ensuring the availability of basic education and health care.<sup>417</sup>

The ODC also cultivated members of Congress like Minnesota liberal Donald Fraser, who participated in several ODC meetings in the early 1970s while serving as Chairman of the House Subcommittee on International Organizations.<sup>418</sup> (Fraser’s wife later edited an ODC publication on women and basic needs.)<sup>419</sup> With the ODC’s help, in 1973 Fraser introduced the “New Directions” legislation for U.S. foreign aid.<sup>420</sup> Also known as the “Basic Human Needs mandate,” the legislation intended to redirect aid

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<sup>416</sup> Kapur et al, *World Bank*, 229.

<sup>417</sup> James P. Grant, “Growth From Below: A People-Oriented Development Strategy,” ODC Development paper 16, December 1973, 5-6.

<sup>418</sup> Donald Mackay Fraser, An Inventory of His Papers at the Minnesota Historical Society, <http://www2.mnhs.org/library/findaids/00290.xml>.

<sup>419</sup> Arvonne Fraser, Hudson Perditia (eds.), *Third World Women Speak Out: Interviews in Six Countries on Change, Development, and Basic Human Needs* (New York: Prager for the Overseas Development Council, 1979).

<sup>420</sup> Brian H. Smith, *More than Altruism: The Politics of Private Foreign Aid* (Princeton: Princeton University Press, 1990), 67-68.

toward rural development, nutrition, family planning, health, and education. Though initially hailed as a “significant departure” from the 1960s development consensus, its long-term impact is less clear, with successive administrations (Carter included) dipping into BHN funds when bilateral aid was needed for security objectives.<sup>421</sup>

Like the Trilateral Commission, the events of 1973-74 transformed the ODC’s conceptualization of development and interdependence. Both groups saw those years as, in the words of one ODC report, “A point in time when actual choices will shape the future of relations among states and peoples for years to come.”<sup>422</sup> In its first few years the ODC pressed for “people-based” development, but, in the absence of a global organizational framework, their recommendations mostly involved immediate changes to the administration of development policy within Northern governments and institutions. Its first *Agenda for Action* in 1973 “had as its central theme the growing interdependence of nations”; its second “evaluated the economic shocks of 1973-74—energy, food, and inflation—and foretold their tragic toll on... the ‘Fourth World.’” The authors “urged [the developed] nations not to set aside long-term work on the root problem of human poverty” in the face of mounting economic difficulties at home and “outlined a series of measures to repair the damage done by the economic crises of the moment.”<sup>423</sup>

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<sup>421</sup> Mark F. McGuire and Vernon W. Ruttan, “Lost Directions: U.S. Foreign Assistance Policy Since New Directions,” Economic Development Center, University of Minnesota, August 1989, <http://ageconsearch.umn.edu/bitstream/7465/1/edc89-05.pdf>. The authors explain, “The Carter administration and the Congress soon began to reallocate resources away from BHN to more U.S. security-dominated interests; and they regarded with skepticism the value to the United States of multilateral development assistance. Thus there was initiated a dramatic shift to bilateral economic and security assistance” (2).

<sup>422</sup> James W. Howe, *The United States and the Developing World: Agenda for Action, 1974* (New York: Prager for the Overseas Development Council, 1974), v.

<sup>423</sup> James W. Howe, *The United States and the Developing World: Agenda for Actions, 1975* (New York: Prager for the Overseas Development Council, 1975), v.

When the ODC published its 1975 *Agenda*, the evolving North-South dialogue had already transformed the stakes of the crisis and the possibilities for action. “It is only within the past 18 months [since the NIEO’s announcement],” Grant and Hesburgh explained, “that a new search for economic equality has opened in earnest.” With economic prospects in the North worsening and confrontation with the South increasing, “The world [was] on the verge of one of the great economic, social, and political discontinuities in history... it is as if the molecular structure of the world order were changing.” In contrast to its first two reports, the “greatly intensified efforts of the nations of the South to secure more equality” demanded a rethinking of interdependence that “includes, but goes beyond [its] immediate consequences”:

Interdependence among nations is evolving to the point where the salient factor in our relations with developing countries should no longer be premised on paternalistically helping them with ‘their problem’ of underdevelopment. Now the dependence of each nation on jointly managed international systems is so great that *their* lack of development frequently becomes *our* problem—just as our waste, pollution, and deepening recession often become their problem. Increasingly their problems and our problems are becoming common problems that can afflict the whole world and that can best be treated by joint action.

In other words, interdependence could not be managed by the trilateral countries alone; the South’s challenge, and the global inequalities motivating it, required a serious and sustained joint response. Implementing a strategy of basic human needs would have to proceed together with North-South collaboration to redesign international institutions and agreements, “*with such ingenuity that all parties gain.*” The “too frequent U.S. view of that challenge as a ‘zero-sum game,’” Grant and Hesburgh wrote, “must be laid aside in favor of a broader vision.”<sup>424</sup>

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<sup>424</sup> Ibid, v-vii. Emphasis in original.

During these crucial years for international development, the ODC expanded its ties to the Democratic Party, particularly to the new chairman of its 1974 Congressional and Gubernatorial Campaign Committee, Governor Jimmy Carter. At Carter's request, Georgia lawyer Stuart Eizenstat (later Carter's Chief Domestic Policy Advisor) compiled a list of position papers critical of Nixon for use in the 1974 midterms. "I collected a small file cart box-full of names of people like Brzezinski and Henry Owen and people that later came into the administration who agreed to do papers for us," Eizenstat recalled.<sup>425</sup> In addition to supplying papers from him and other Trilateral Commission members, following the NIEO's announcement in May Owen reached out to the ODC's Jim Howe, lead author of the annual *Agenda* series, for a lengthy report for Carter on current U.S. development policy.<sup>426</sup> By the time Carter announced that he was seeking the Democratic nomination for president, he had already developed a close friendship with the ODC's Father Hesburgh. Shortly after, Hesburgh sent Carter his correspondence with President Ford regarding U.S. policy at the 1974 World Food Conference.<sup>427</sup>

Not surprisingly, the charismatic clergyman exerted a pronounced influence on Carter, and arguably, the country. Probably the most visible American theologian of the 1970s, Hesburgh was also the ODC's "political executive," giving speeches, writing articles, and going on television to explain the stakes and scope of global economic inequality. Hesburgh translated the ODC's policy objectives into a moral language that Americans could understand and relate to, while also inspiring them to demand action

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<sup>425</sup> JCPL, "Stuart Eizenstat Exit Interview," January 10, 1981, <http://www.jimmycarterlibrary.gov/library/exitInt/Eizenstat.pdf>.

<sup>426</sup> JCPL, Carter-Mondale Campaign Committee, Eizenstat Subject Files, Box 16, Foreign Policy, 10/73-8/74, Owen to Eizenstat, 4/17/74.

<sup>427</sup> JCPL, Carter-Mondale Campaign Committee, Eizenstat Subject Files, Box 3, Commodities, Hesburgh to Ford, 11/74-3/75.

from their representatives. When asked on the “Today Show” why Americans should give aid to poor countries, he replied simply, “[We] ought to do it because it’s the right thing to do. It’s being human; it’s being Christian... [It’s] doing the kind of thing that human beings ought to do, being compassionate toward one another.” Contrasting the South’s food crisis with the North’s energy crisis, he said in another well-publicized speech, “If you run out of gas, you can’t go on a picnic in the country, but if you run out of food, you die.” Hesburgh’s moralism—he asked Americans for “a little moral leadership” on the food crisis, calling it “the moral imperative of our day”—appealed to Carter’s own emerging emphasis on morality in foreign policy, as well as his desire to get Americans to realize that the world’s resources—and America’s right to them—are not unlimited. When asked in spring 1976 what he would like the two presidential candidates to say, Hesburgh responded, “I’d like them to speak to the idealism of the American people and demand some sacrifices.” He then cited a study saying that in 1974 Americans spent \$3.3 billion on flowers, seeds, and potted plants, and just \$3.4 billion on foreign aid.<sup>428</sup>

ODC work for the Carter campaign accelerated in 1976, as James Grant worked with Trilateral Commission members Richard Gardner and Henry Owen to write Carter’s speeches on interdependence, North-South relations, and human rights. On this last subject Hesburgh was particularly influential for Carter. “He was preaching the need for international human rights long before Congress or President Jimmy Carter discovered it,” Hesburgh’s biographer argues, “and he strongly endorsed Carter’s human rights

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<sup>428</sup> Michael O’Brien, *Hesburgh: A Biography* (Washington, D.C.: The Catholic University of America Press, 1998), 144-45.

campaign.”<sup>429</sup> At the Ford-Carter foreign policy debate in October 1976, less than a month before the election, Gardner and Grant urged their candidate to connect Ford’s North-South and human rights records, characterizing both as interrelated consequences of Ford-Kissinger amoralism; their long statement, adapted by Carter at the debate, echoed Hesburgh’s persistent linking of human rights and development. They accused Ford, Kissinger, and Secretary of Agriculture Earl Butz of a “lack of morality” and “moral leadership” in failing to commit the U.S. to more food aid at the World Food Conference, while also alleging that Ford did not forget to “help out his friendly dictators in Chile, South Korea, and the Southeast Asian countries.”<sup>430</sup> Instead of being the “arms merchant of the word,” Carter insisted during the debate, American “strength derive[s] from doing what’s right—caring for the poor, providing food, becoming the breadbasket of the world.”<sup>431</sup>

Hesburgh saw human rights as inseparable from development, and he saw development through the morally inflected paradigm the ODC had been pushing since its founding, basic human needs. He wrote a few years later that

We in the northern part of the globe worry about overproducing Ph.D.’s; many children in the Southern Hemisphere never enter a school. We speak of heart and kidney transplants; they never see a doctor from birth to death. Half the children already born in the poorest countries will die before the age of five. We are often overfed and overweight; they are undernourished from birth.... We spend more annually on foolish armaments, devilishly devised to destroy human life, than they have annually available to maintain life.

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<sup>429</sup> O’Brien, *Hesburgh*, 148.

<sup>430</sup> JCPL, Carter-Mondale Campaign Committee, Eizenstat Subject Files, Box 3, Commodities, 6/74-10/76, Gardner to Eizenstat, 10/12/76.

<sup>431</sup> Transcript, “The Second Ford-Carter Presidential Debate, October 6, 1976,” <http://www.debates.org/index.php?page=october-6-1976-debate-transcript>.



“Early in his administration,” Hesburgh’s biographer writes, “President Carter was an unabashed supporter of Fr. Ted, seeking his counsel, offering him a place in the State Department, and appearing at Notre Dame three times in slightly more than a year.” In return, Hesburgh defended Carter against his critics, calling them “cynical” and insisting that the United States had always been a country of idealists. “And for the first time in ages,” Hesburgh explained to the press, “Americans are giving young people around the world a new ideological choice they cannot get from Communism—mainly freedom and respect for human rights. It may be troublesome at times, but so was the Declaration of Independence.”<sup>432</sup>

It was for good reason, then, that Carter delivered the first major human rights speech of his presidency at the commencement for Notre Dame’s Class of ’77. Carter explained to the new graduates how the end of colonialism had “transformed... the daily lives and aspirations of most human beings,” who, “freed from traditional constraints... have been determined to achieve, for the first time in their lives, social justice.” The developed countries could not ignore these demands, for both strategic and moral reasons: under the new interdependence, “traditional issues of war and peace” were inseparable “from the new global questions of justice, equity, and human rights.”

After reaffirming “America's commitment to human rights as a fundamental tenet of our foreign policy,” Carter laid out his policy toward the developing countries:

More than 100 years ago, Abraham Lincoln said that our Nation could not exist half slave and half free. We know a peaceful world cannot long exist one-third rich and two-thirds hungry. Most nations share our faith that, in the long run, expanded and equitable trade will best help the developing countries to help themselves. But the immediate problems of hunger, disease, illiteracy, and repression are here now.

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<sup>432</sup> O’Brien, *Hesburgh*, 148.

The Western democracies, the OPEC nations, and the developed Communist countries can cooperate through existing international institutions in providing more effective aid. This is an excellent alternative to war.

We have a special need for cooperation and consultation with other nations in this hemisphere--to the north and to the south. We do not need another slogan. Although these are our close friends and neighbors, our links with them are the same links of equality that we forge for the rest of the world. We will be dealing with them as part of a new, worldwide mosaic of global, regional, and bilateral relations.<sup>433</sup>

This formulation combined the approaches of the ODC and Trilateral Commission. First, Carter downgraded the developing countries' insistence on global structural inequalities in favor of meeting the "immediate" (and less political) problems of basic human needs. Second, Carter brought back the Trilateral Commission's optimistic plans for OECD-OPEC joint funding for development, which had largely failed when Kissinger tried it. Third, Carter promised to transcend the North-South dialogue by rejecting "another slogan" and instead improving regional and bilateral relations, especially with the richer countries in Latin America. In short, Carter's approach at Notre Dame was basically the Brzezinski-Gardner speech for the New York Foreign Policy Association, plus the Grant-Hesburgh material on basic human needs for the Ford debates.

## **Conclusion**

Governor Jimmy Carter pitched himself as an outsider to the foreign policy establishment, but it was a certain wing of that establishment that gave him the background and support he needed to win the 1976 Presidential election. When Carter announced his candidacy, both the world and America's place in it were undergoing their most profound transformations since World War II. Carter was able to cast the "Nixon-

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<sup>433</sup> Jimmy Carter, Commencement Address, University of Notre Dame, May 22, 1977, <http://www.presidency.ucsb.edu/ws/?pid=7552>.

Kissinger-Ford” administration as not only unable to deal with the strategic complexities of interdependence, but also its moral dimension. “In food, population, freedom of the seas, international trade, stable monetary systems, environmental quality, access to commodities and energy and so forth,” Carter told a crowd in Louisville, Kentucky, “we've got to be part of [the solution].” Instead of “military might... political power... [or] economic pressure,” he insisted, U.S. foreign policy “ought to be based on the fact that we are right and decent and honest and truthful and predictable and respectful; in other words, that our foreign policy itself accurately represents the character and the ideals of the American people.”<sup>434</sup>

Zbigniew Brzezinski and the Trilateral Commission provided Carter with a comprehensive hierarchy of foreign policy imperatives intended to distinguish him from Ford but especially Kissinger, the real target of his charges. “Our neighbors in this hemisphere feel that they've been neglected; the Japanese feel that we've ignored their interests; the European nations feel that our commitment to them is suspect,” Carter told *Time* in May 1976, “plus there's no attitude of respect or natural purpose toward the developing nations.” The Ford Administration’s foreign policy “is primarily comprised of Mr. Kissinger's own ideas, his own goals, most often derived and maintained in secrecy,” he repeated. “I don't think the President plays any substantial role in the evolution of our foreign policy.”<sup>435</sup>

Carter’s charges of cynicism and amorality had some weight, but they also obscured Kissinger’s actions over the last two-and-a-half years, which more or less

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<sup>434</sup> GFPL, White House Special Files Unit, Box 2, Second Debate – Carter on Foreign Policy – Briefing Book (1), October 6, 1975, <https://www.fordlibrarymuseum.gov/library/document/0010/1554419.pdf>.

<sup>435</sup> Ibid.

adhered to the Trilateral Commission's guidelines. Against the objections of Ford's economic advisors (and with Ford's support), Kissinger led efforts to establish and institutionalize the G-7 summits among transatlantic leaders; encouraged fiscal stimulus and the "locomotive theory" for world recovery; attempted to organize OECD-OPEC multilateral aid; pushed for a greater U.S. aid commitment at the World Food Conference; publicly accepted that the NIEO voiced legitimate concerns, if illegitimate demands; recommitted the U.S. to the Conference on International Economic Cooperation after talks broke down in the planning stage; and became the first cabinet official to address UNCTAD, where he rejected apartheid in South Africa and linked human rights to development. Carter's National Security Council admitted as much in a February 1978 review of the administration's North-South policies. Kissinger's "conciliatory" speech at the UN Seventh Special Session on Development in September 1975, the NSC's Guy Erb (a former ODC official) conceded, "ended the rhetorical fireworks at the UN, led to the creation of [the] CIEC, and, in effect, bought nearly three years for the beleaguered OECD countries."<sup>436</sup>

A genuine belief in human rights was where Carter most distinguished himself from Kissinger. Kissinger could talk about human rights in the Third World, which he did only in the last year of the Ford Administration, but his reputation and record made it impossible to take him seriously. In 1975 the State Department did establish a new Office of Humanitarian Affairs—the consequence of a 1973 resolution introduced by Donald Fraser—but Kissinger made it clear to subordinates that human rights would remain

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<sup>436</sup> JCPL, NLC-15-108-2-1-3, Guy Erb to Brzezinski, "North-South Policies: Assessment and Recommendations," February 11, 1978.

largely at the level of rhetoric.<sup>437</sup> “Tell Popper to cut out the political science lectures,” he remarked upon learning that the U.S. Ambassador to Chile had raised human rights concerns with Augusto Pinochet’s Defense Minister.<sup>438</sup> In June 1976, shortly before Kissinger was scheduled to speak on human rights at a meeting of the Organization of American States, he assured Pinochet in private, “Your greatest sin was that you overthrew a government that was going communist... We wish your government well.”<sup>439</sup>

For Carter, this was exactly the lack of “respect or natural purpose toward the developing nations” that sowed distrust in North-South relations. Even more important for Carter, it was a betrayal of basic American values and unworthy of a country destined to lead the world by example. Like Hesburgh, Carter frequently boiled the pursuit of human rights down to individual conscience and basic Christian principles. “You don’t plot murder and I don’t plot murder,” Carter told the *Atlantic* one month after Kissinger lightly admonished Pinochet in his OAS speech, “so why should our government plot murder against some foreign leader?” “We have set a different standard of ethics and morality as a nation than we have in our own private lives as individuals who comprise the nation,” he said on another occasion, “and that ought to be changed.”<sup>440</sup> While Carter also insisted that his human rights policy would not be governed by “rigid moral maxims,” statements like the above defined the public’s perception of that policy during

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<sup>437</sup> Lars Schoultz, *Human Rights and United States Policy toward Latin America* (Princeton: Princeton University Press, 1981), 122.

<sup>438</sup> Arthur Schlesinger, Jr., “Human Rights and the American Tradition,” *Foreign Affairs*, Fall 1978, 512.

<sup>439</sup> Lucy Komisar, “Kissinger Covered Up Torture,” *Guardian* (Manchester), February 28, 1999, <http://www.theguardian.com/world/1999/feb/28/theobserver3>.

<sup>440</sup> GFPL, White House Special Files Unit, Box 2, Second Debate – Carter on Foreign Policy – Briefing Book (1), October 6, 1975, <https://www.fordlibrarymuseum.gov/library/document/0010/1554419.pdf>.

the campaign—as well as fueling criticism when strategic concerns overrode human rights with allies like Indonesia, Iran, the Philippines, and South Korea.<sup>441</sup>

Carter’s commitment to trilateralism was never controversial, but the tension between moral maxims and strategic imperatives ensured that his human rights policy would be. Congressional supporters of human rights, such as Donald Fraser and Tom Harkin, introduced legislation requiring the U.S. to use its power in international financial institutions to vote against loans to “serial abusers.” Though not necessarily endorsing those abusers, many developing countries objected to what they viewed as the politicization of development aid—a fair point when the Administration inconsistently applied the new guidelines and sought to water them down in Congress.

Further, Carter was not the only one connecting human rights and development. For years, Third World leaders had been advancing their own conception of economic rights in conflict with Carter’s prioritization of basic human needs. In December 1974, half a year after the NIEO’s announcement, Third World states voted overwhelmingly in the UN General Assembly for the Charter of Economic Rights and Duties of States. The Charter was presented as a legal foundation for the NIEO by G-77 leader and President of Mexico, Luis Echeverría, who had helped draft it two years before at UNCTAD III in Santiago, Chile.<sup>442</sup> In contrast to Carter’s emphasis on the individual, the Charter and the NIEO were “a competitor vision of universal justice” in which “the central object was an augmentation of the southern state, deploying the internationalist language of rights and solidarity to enhance the status not of the citizen but of the sovereign.” To the dismay of American feminists like Gloria Steinem and Arvonne Fraser, Third World representatives

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<sup>441</sup> Schoultz, *Human Rights*, 118.

<sup>442</sup> <http://www.un-documents.net/a29r3281.htm>.

turned the proceedings of the 1975 World Conference for the International Women's Year into a pro-NIEO rally. Echeverría asked women delegates "to look at the true origin of the problem," which was not governments' disrespect for the individual rights of women, but the international system's disregard for the economic rights of states. He and other delegates employed their own interdependence logic, arguing that "the problems of the role of women in society, food, population, environment, human settlements, health and education are not single problems ... Each is a component part of the complex system." In other words, ensuring economic sovereignty, and through that economic development and modernization, were the preconditions for ensuring political and social rights and meeting the basic needs of citizens. "It is not possible to postulate in realistic terms the universal triumph of human beings," Echeverría charged, "as long as we do not give form to a New International Economic Order." A U.S. diplomat summarized the G-77 position: "Problems of women are the problems of society ... problems of society ... are caused by unjust world economic order; therefore to improve the situation of women we must first achieve ... [a] new, more just and equitable economic order."<sup>443</sup>

Competing conceptions of justice and rights—political or economic; the citizen or the sovereign—would play a major role in determining the content and direction of North-South politics during Carter's presidency. The "equity" issue proved particularly divisive, as the Carter Administration emphasized equal opportunity of individuals via basic human needs over the equal opportunity of states via global structural reform pushed by the G-77. The South "ridiculed" this approach, Roger Hansen, an official in

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<sup>443</sup> Roland Burke, "Competing for the Last Utopia?: The NIEO, Human Rights, and the World Conference for the International Women's Year, Mexico City, June 1975." *Humanity: An International Journal of Human Rights*, Vol. 6, No. 1 (Spring 2015): 1, 50-53.

the NSC's North-South "cluster" and contributor to ODC reports, explained in 1980, "as an attempt to interfere with developing country sovereignty, to limit the process of Southern industrialization by stressing such goals as rural development, basic education and preventive medicine and to dismiss further consideration of the need for the broader structural reforms desired by the South." In turn, the North "caricatured the Southern stress on structural reform as nothing but an attempt to rig markets and mechanisms."<sup>444</sup>

Problems emerged early in Carter's term, as the NSC and State Department found themselves working at cross purposes to define Carter's North-South, human rights, and Latin America policies for the next four years. Success in the North-South dialogue was increasingly equated with watering down the South's proposals—such as the limited version of a Common Fund for Commodities agreed upon at UNCTAD V in 1979—thereby defining progress in mostly negative terms. Some Carter officials, especially those from the ODC, found a lack of momentum frustrating after so much buildup during the campaign. It was one thing to declare that the world and its problems were interdependent; it was another to put together a coherent response while also attending to numerous bilateral and regional initiatives. The next chapter details the process within the Carter Administration to define its North-South policy in the context of its most public first priority: reshaping America's relationship with Latin America, where human rights, democracy, development, and the North-South dialogue intersected more directly than anywhere else in the world.

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<sup>444</sup> Roger D. Hansen, "North-South Policy—What's the Problem?" *Foreign Affairs*, Summer 1980, 1111.



## **Chapter 5: Debt, Development, and Human Rights: The Dialogue in Latin America, 1974-81**

### **Kissinger's "New Dialogue"**

Jimmy Carter was not the first president to rethink U.S.-Latin American relations in the 1970s. In 1969, Richard Nixon told the Inter American Press Association that the time had come for a "more mature partnership" between the U.S. and Latin America, "in which all voices are heard and none is predominant." Drawing from the recommendations of Nelson Rockefeller, who had a long-time interest in Latin American affairs, Nixon called for reducing trade barriers, increasing multilateral aid, and elevating Latin America's importance in the State Department's portfolio.<sup>445</sup>

The "Nixon approach" was short-lived. The new Treasury Secretary, John Connolly, opposed giving Latin America any kind of preferential treatment in trade and blocked efforts by National Security Council staff to send the required legislation to Congress. Matters were made worse by Connolly's abrupt introduction of Nixon's "New Economy Policy" in August 1971, which called for a 10 percent reduction in foreign aid and a 10 percent surcharge on imports. Like the U.S.'s allies in Western Europe, Latin Americans were angered at the Administration's failure to consult with them before announcing the policy, as Nixon had promised in his speech two years prior.<sup>446</sup>

As we have seen, the twin crises of 1973-74—OPEC's oil embargo and the New International Economic Order (NIEO)—sparked a major rethinking of U.S. global power in American foreign policy circles. The first energy crisis showed that the U.S. could no longer assume developed country solidarity in the face of the Third World's economic

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<sup>445</sup> Henry Kissinger, *Years of Renewal* (New York: Simon & Schuster, 1999), 707-709.

<sup>446</sup> Kissinger, *Ibid*, 709.

demands. During the Yom Kippur War, France and Germany declined to allow U.S. planes on the way to resupply Israel to refuel in their countries; by the end of 1973, Britain, France, Germany, and Japan had each signed or promised separate oil deals with Saudi Arabia, Iran, Iraq, Kuwait, Abu Dhabi, and Algeria.<sup>447</sup> In consequence, restoring the unity of the developed countries was Kissinger's lead priority following his promotion to Secretary of State.

Kissinger also sought to improve the other "special relationship," that is, with Latin America. "One [reason]," Kissinger wrote in his memoirs, "was the growing insistence of developing countries on bringing about a redistribution of the world's wealth by votes in international forums."<sup>448</sup> Latin Americans had been at the center of these efforts throughout the 1950s and 60s. The UN Economic Commission on Latin America (ECLA) was established in 1948 as a mechanism to encourage regional cooperation on development. Argentinian economist Raúl Prebisch—whose "terms of trade" hypothesis formed the basis of dependency theory<sup>449</sup>—was ECLA's Executive Secretary from 1950 to 1963, when he departed to head the UN Conference on Trade and Development (UNCTAD), the General Assembly's new forum to study development issues largely from a Third World perspective. These efforts culminated in the adoption of the Charter of Economic Rights and Duties of States, developed at UNCTAD in 1972

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<sup>447</sup> *Foreign Relations of the United States*, 1969-76, vol. XXXVI, Energy Crisis, 1969-74, doc. 299. <https://history.state.gov/historicaldocuments/frus1969-76v36/d299>.

<sup>448</sup> Kissinger, *Renewal*, 710.

<sup>449</sup> Prebisch's influence on dependency theory is introduced in Chapter 4. It was not an overstatement when in 2009 *The Economist* dubbed him "Latin America's Keynes." Like Keynes, his theories were both hugely influential and often misunderstood. To date only one biography of Prebisch exists, Edgar Dosman's excellent *The Life and Times of Raúl Prebisch, 1901-1986* (Montreal: McGill-Queen's University Press, 2010).

and presented to the General Assembly by Mexican President Luis Echeverría shortly after the NIEO's announcement in May 1974.

Kissinger's strategy toward the NIEO was to use targeted concessions and bilateral appeals to break the "unholy alliance" of developing countries with oil (namely, OPEC) and developing countries without. Latin America represented this nexus better than anywhere else. Venezuela—one of the most advanced, democratic, and from the oil shock, cash-rich Latin American countries—used its status to promote the South's agenda for trade and development in both global and regional forums. Finance Minister Manuel Pérez-Guerrero had been a delegate at both the Bretton Woods and San Francisco conferences and served as Secretary-General of the UN Conference on Trade and Development (replacing Prebisch in 1969) and as co-chair of the 1975-77 Conference on International Economic Cooperation.<sup>450</sup> Others, such as Mexico and OPEC's newest member Ecuador (it joined in 1973), also used their status as oil-boom beneficiaries to promote OPEC-LDC solidarity on issues of trade and finance.<sup>451</sup>

On September 24, 1973, two days after being sworn in as Secretary of State, Kissinger pledged to the UN General Assembly that the U.S. would "give new vigor to our policy of partnership in the Western Hemisphere."<sup>452</sup> A week later, he informed Latin American foreign ministers of his desire to foster "a new dialogue... based on equality and on respect for mutual dignity." Kissinger made clear the reason behind his sudden attention to Latin America, citing the "revolution of [the world's] patterns" of trade,

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<sup>450</sup> Christopher Dietrich, *Oil Revolution: Anticolonial Elites, Sovereign Rights, and the Economic Culture of Decolonization* (New York: Cambridge University Press, 2017), 277-78.

<sup>451</sup> Kissinger, *Renewal*, 710.

<sup>452</sup> Henry Kissinger, "A Just Consensus: A Stable Order, A Durable Peace," made before the 28<sup>th</sup> session of the United Nations General Assembly, September 24, 1973, in *Department of State Bulletin*, Vol. 69, No. 1790, October 15, 1973, pp. 469-73.

energy, and food that brought the problems—and thus the demands—of developing countries to the front of the developed countries’ agenda:

And the basic problem we face is whether we will choose the road of nationalism or the road of cooperation, whether we will approach it from the perspective of each party trying to get the maximum benefit for itself, or whether we can take a common view based on our common needs. And this is why our relations in this hemisphere are so crucial for all of us in this room and for all the rest of the world as well.

The future of North-South relations—or more specifically, the potential for the South to win concessions from the North—Kissinger was arguing, would depend in large part on how cooperative Latin Americans would be with the U.S. in international forums. “So if the technically advanced nations can ever cooperate with the developing nations,” Kissinger reiterated, “then it must start here in the Western Hemisphere.”<sup>453</sup>

The following day the State Department Bureau of Inter-American Affairs provided an outline of its “new conceptual approach” to Latin America. A policy of “Pan-Americanism,” the report explained, “has guided U.S. policy towards the countries of Latin America for over a century.” This system had worked well into the postwar period, by providing “a philosophical rationale as well as a juridical basis for what was in fact a hegemonic power system with the U.S. at its head.”<sup>454</sup>

The problem, the Bureau argued, was regionalism: whereas bilateral relations were still “quite satisfactory,” multilateral relations had sharply deteriorated, to the point where even the friendliest of Latin American countries sided with the “radicals” against the U.S. in the UN and elsewhere. This was exactly the kind of regionalism that Zbigniew

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<sup>453</sup> Henry Kissinger, “A Western Hemisphere Relationship of Cooperation,” October 5, 1973, *Department of State Bulletin*, Vol. 69, No. 1792, October 29, 1973, p. 543.

<sup>454</sup> *FRUS* 1969-76, Vol. XXXVIII, Part I, Foundations of Foreign Policy, doc. 18, <https://history.state.gov/historicaldocuments/frus1969-76v38p1/d18>.

Brzezinski described the same year in *Between Two Ages*, in which he predicted that the increasing unity of the European Community would spread to other regions.<sup>455</sup> “Farthest along in Europe,” the State Department explained, “the regional bloc concept is taking hold in Latin America as well,” where the “Latins [sic]... slavishly attempt[ed] to imitate Europe and form a common market.” As with the EC, the U.S. had to accept the “inevitable,” that is, that the U.S. could no longer seek to participate in Latin American multilateral politics “on an equal footing with all of the other countries.” Only through limiting paternalistic assumptions of diplomatic compliance and mutuality of interests, which had harmed in the past both U.S.-Latin American relations and North-South relations more broadly, could the U.S. hold on to a diminishing regional hegemony, the deterioration of which was having increasingly global consequences. “There would be ‘linkage’ but not 100% membership,” the report concluded. “The relationship would not be unlike the one we are seeking to establish with Western Europe.”<sup>456</sup>

There were some similarities with transatlantic relations. Both regions had taken on a new importance at the outset of the Cold War, and in both cases the U.S. developed new mutual defense treaties—in Europe, NATO; in Latin America, the Rio Pact—intended to deter foreign (namely, Communist) attacks on signatories. The U.S. claimed a “special relationship” in each instance that justified greater involvement in domestic and regional political developments, and the U.S. used economic and military aid to foster a firm anti-communist consensus and discourage Soviet interventionism.

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<sup>455</sup> See Zbigniew Brzezinski, *Between Two Ages: America's Role in the Technetronic Era* (New York: Viking Press, 1970).

<sup>456</sup> *FRUS* 1969-76, Vol. XXXVIII, doc. 18.

However, the State Department's comparison obscured crucial differences, dating back to the 1820s. "Of the 50 times the United States sent troops outside North America during the nineteenth century," one scholar notes, "43 instances were in Latin America and the Caribbean." The U.S. economic presence expanded side by side, so that by the end of World War I more than half of all U.S. foreign investment was in Latin America and the Caribbean—as well as more than 60 percent of American diplomats stationed abroad.<sup>457</sup>

Due in part to President Franklin Roosevelt's "Good Neighbor" policy, most Latin American countries were reliable partners during World War II as suppliers of commodities to the Allied powers.<sup>458</sup> However, the outbreak of the Cold War quickly brought a reassertion of American power throughout the region. The 1947 Rio Treaty applied NATO's Article V obligation of mutual defense to Latin America and was formalized the following year with the establishment of the Organization of American States. Socialist governments and even electorally competitive communist parties were tolerated in Western Europe, but in the case of Latin America their presence led to CIA interventions (Guatemala, 1954; Cuba, 1961) and even the landing of U.S. troops (Panama, 1964, Dominican Republic, 1965-66).<sup>459</sup>

At the same time that the U.S. claimed extraordinary powers for intervention, it also pledged a special obligation to Latin America's economic development. A first step was the establishment in 1959 of the Inter-American Development Bank, a sort of mini-World Bank for Latin America; like the World Bank, the U.S. retained an effective veto

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<sup>457</sup> Abraham Lowenthal, "The United States and Latin America: Ending the Hegemonic Presumption," *Foreign Affairs* 55., no. 199, 1976-77, 202.

<sup>458</sup> Odd Arne Westad, *The Cold War: A Global History* (New York: Basic Books, 2017), 344.

<sup>459</sup> Hal Brands, *Latin America's Cold War* (Cambridge: Harvard University Press, 2012), 13, 58-59.

power. In 1961, President Kennedy proposed a ten-year development program for Latin America, the Alliance for Progress, designed to prevent the spread of “Castroism” by promoting economic growth, social and institutional reform, and democracy.

The Alliance’s high hopes for economic growth and democratic stabilization ran into the same contradictions as other U.S. development projects. By 1963 Kennedy Administration officials predicted that the goals of development and democracy would prove incompatible in several Alliance countries; the Johnson Administration confirmed this in 1964 when it sent U.S. naval support to right-wing military officers in Brazil seeking to overthrow the left-leaning nationalist government of João Goulart.<sup>460</sup> The contradiction was obvious: “The U.S. had promised change through another democratic revolution while training the armies to prevent it.”<sup>461</sup>

The economics of the Alliance was subject to its own inconsistencies. The focus on foreign investment was not lost on the American business community, which convinced the U.S. Congress to place strict limits on any competitive imports and to ensure that those countries could only use Alliance funds to buy American-made capital goods.<sup>462</sup> Further, despite meeting the Alliance’s target of 2.5% annual growth in regional output per capita, social indicators like income distribution, land reform, and wage levels were relatively unaffected.<sup>463</sup> Because the majority of Alliance investment was channeled through American corporations, only \$1.9 billion of the \$7.1 billion in income received in private investment between 1961 and 1968 was reinvested in Latin America, the

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<sup>460</sup> Westad, *The Cold War*, 349-51.

<sup>461</sup> John W. Young, John Kent, *International Relations Since 1945: A Global History* (Oxford: Oxford University Press, 2013), 149.

<sup>462</sup> Ronald W. Cox, *Power and Profits: U.S. Policy in Central America* (Louisville: University Press of Kentucky, 1994), 83-85.

<sup>463</sup> Peter H. Smith, *Talons of the Eagle: Dynamics of U.S.-Latin American Relations* (Oxford: Oxford University Press, 1999), 150-52.

remaining \$5.2 billion repatriated to the United States. What was left was sent to pay off growing public debts, which by 1966 had climbed to over \$12 billion; servicing those debts amounted to about 90 percent of total public and private grant disbursements. At the same time, due to Congressional restrictions on competitive imports, between 1960 and 1968 U.S. merchandise imports from Latin America *fell* from 27.2 percent to 15.8 percent, lending support to arguments made by Latin American economists in ECLA and UNCTAD about North-South terms of trade. “When you look at net capital flows and their economic effect, and after all due credit is given to the U.S. effort to step up support in Latin America,” U.S. Ambassador to the Organization of American States William T. Denzer confessed to Congress in 1969, “one sees that not much money has been put into Latin America after all.”<sup>464</sup>

These unbalanced and heavy-handed efforts to foster a Pan-American consensus on security and trade contributed to the regionalism identified by Kissinger’s State Department. American governments had always asserted a natural harmony of interests with Latin Americans, and indeed American markets were essential to Latin American producers and vice versa. However, the U.S. resisted lowering its own tariffs to any competition from Latin American-produced industrial goods, the production of which had picked up rapidly under Import Substitution Industrialization (ISI) policies in the 1930s and 40s that U.S. policy tolerated as the price of access to raw materials. Merwin L. Bohan, a member of the U.S. delegation to the 1945 conference establishing the Inter-American Economic and Social Council, admitted at the time: “The United States has promoted the industrialization of Latin America not only as a matter of general policy,

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<sup>464</sup> International Commission for Central American Recovery and Development, *Central American Recovery and Development Task Force Report* (Durham, NC: Duke University Press, 1989), 352-53.



but specifically through lending capital and technical assistance. However, when the governments of Latin America take measures to protect the industries thus created, there is a disposition to frown on all forms of protectionism.”<sup>465</sup>

Thus, contrary to the State Department’s analysis, regionalism was not simply the consequence of paternalistic rhetoric or a desire to “slavishly imitate” the EC. Informed by the theories of the new UN Economic Commission for Latin America and its leader, Raúl Prebisch, in the 1950s Latin American governments understood economic union as the only way to continue industrialization in the face of U.S. and European protectionism. In 1960 the Latin American Free Trade Association (LAFTA) was established with seven members and was soon expanded to eleven; in the same year, five Central American countries created a Common Market (CACM) to promote free trade and establish a uniform Central American tariff. Seven years later Latin American leaders pledged to establish a full Latin American Common Market by 1985, which would integrate LAFTA and CACM. This was followed by further efforts at Caribbean integration in 1968 and the formation in 1969 of the Andean Common Market (or Andean Pact) by Chile, Colombia, Ecuador, and Peru.<sup>466</sup> Regional economic integration gained an international component in 1971, when the Latin American members of the Special Latin American Coordinating Commission (CECLA)—established in 1969 to form collective bargaining positions in external economic affairs—joined with the European Community to announce a “permanent dialogue” to coordinate bilateral and regional trade relations, as well as to

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<sup>465</sup> As cited in John Toye and Richard Toye, *The UN and Global Political Economy: Trade, Finance, and Development* (Bloomington: Indiana University Press, 2004), 143-44.

<sup>466</sup> Robert D. Bond, “Regionalism in Latin America: Prospects for the Latin American Economic System (SELA),” *International Organization*, Vol. 32, No. 2 (Spring, 1978), p. 402.

consult on Latin American economic policy in international organizations.<sup>467</sup> “Either we must achieve the integration of Latin America,” Carlos Andrés Pérez announced after committing his country to the Andean Pact in 1973, “or the transnational companies will do it for us.”<sup>468</sup>

Despite several setbacks—in 1968 LAFTA was “deadlocked” over intercountry trade disputes, and in 1969 the CACAM was “wrecked” by conflict between El Salvador and Honduras—integration continued alongside Kissinger’s New Dialogue discussions.<sup>469</sup> On October 17, 1975, all 25 Latin American and Caribbean governments announced the creation of the Latin American Economic System (SELA). SELA was intended to bring together Latin American regional and international economic objectives, which suffered from the proliferation of sub-regional organizations during the 1960s. The establishment of SELA in 1975 was critically important because, as the North-South dialogue developed, pro-NIEO leaders like Pérez and Echeverría were able to use it to foster regional and global solidarity in new negotiating forums like the Conference on International Economic Cooperation.

SELA’s formation was also a reaction to the U.S. Congress’ 1974 Trade Reform Act, which included a provision excluding *all* OPEC members from the Generalized System of Preferences granting developing nations special tariffs—despite the fact that Venezuela had continued to ship oil to the United States during the 1973-74 OPEC boycott. Throughout 1974 Pérez had been defending OPEC against Ford’s charges at the

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<sup>467</sup> “SPECIAL LATIN AMERICAN COORDINATING COMMITTEE (CECLA) -EUROPEAN COMMUNITIES: DECLARATION ESTABLISHING MACHINERY FOR DIALOGUE ON SYSTEM OF COOPERATION.” *International Legal Materials* 10, no. 4 (1971): 873-76

<sup>468</sup> Judith Ewell, *Venezuela and the United States: From Monroe’s Hemisphere to Petroleum’s Empire* (Athens, GA: University of Georgia Press, 1996), 219.

<sup>469</sup> Bond, “Regionalism in Latin America,” 402.

UN that “wealthy” oil producers were gouging consumers, including developing countries, for their own benefit.<sup>470</sup> In response to Ford’s UN remarks, in September 1974 Pérez took out a full page ad in the *New York Times* to explain the developing countries’ position: “Each year we, the countries which produce coffee, meat, tin, iron, copper, or petroleum, have been handing over a larger amount of our products in order to obtain imports of machinery and other manufactured goods, and this has resulted in a constant and growing outflow of capital and [the] impoverishment of our countries.... Great countries have created the economic confrontation by denying equal participation to developing nations who need to balance their terms of trade.”<sup>471</sup>

Regardless of the actual economic impact of the Trade Act’s anti-OPEC provision—90 percent of Venezuela’s exports already entered the OAS tariff-free, the U.S. delegate to the OAS remarked—Pérez quickly organized a regional response. At a special OAS session in January 1975, delegates from 20 Latin American countries denounced the measure as “discriminatory and coercive,” and several even said that the issue was serious enough to call off Kissinger’s New Dialogue, on which there had been much talk but no specific policy changes. Their final resolution, approved by all delegations except the U.S., expressed “deep concern over the deterioration of inter-American solidarity cause by the [Act’s] provisions... [which] run counter to the fundamental provisions of the charter of the OAS.”<sup>472</sup> Inspired by this act of unity, two months later Echeverría hosted Pérez in Mexico City, where they agreed on the need for

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<sup>470</sup> Ewell, *Venezuela and the United States*, 204-5.

<sup>471</sup> “The President of Venezuela Responds to the President of the United States,” *New York Times*, September 25, 1974.

<sup>472</sup> David Binder, “20 Latin Countries Condemn U.S. Trade Act,” *New York Times*, January 24, 1975, p. 3.

an omnibus organization—SELA—that would represent Latin American regional interests within the context of global solidarity with the developing countries.<sup>473</sup>

After the OAS resolution, Venezuela and Ecuador announced that they would not attend the upcoming New Dialogue foreign ministers meeting in Buenos Aires; Mexico and Chile dropped out shortly after, and the meeting was cancelled. With one fell swoop, the New Dialogue—never on firm ground anyway—was over. “Ironically,” Kissinger concluded, “the Trade Act had managed to unify Latin America to a far greater degree than the New Dialogue.”<sup>474</sup>

Kissinger’s main goal in the New Dialogue was to diffuse Latin American regional support for the NIEO, organized primarily by Pérez and Echeverría and supported by left-leaning governments in Peru, Ecuador, and elsewhere. “In conception,” he explained,

the motive was at the same time defensive and constructive. It was defensive because we were seeking to prevent a coalition of commodity producers whose objective would be a general rise of commodity prices; it was constructive in the sense that the special relationship was designed to create an alternative to the confrontational policy urged in Third World forums.

Regardless of that rhetoric of mutual respect and meeting as equals, the alternative that Kissinger proposed was unacceptable to Latin Americans, mainly because there was not much “new” about it. “The Europeans are forming blocs,” Kissinger insisted to Treasury officials: “We are the only multilateralists left and that plays into the hands of the countries that are forming blocs.” The New Dialogue pledged to recognize Latin America as an independent bloc, but Kissinger refused to abandon the concept of a natural

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<sup>473</sup> Arthur S. Banks et al., *Political Handbook of the World 1998* (London: Palgrave, 1998), Entry on “SELA,” 1120.

<sup>474</sup> Kissinger, *Renewal*, 730.

hemispheric “community” with mutually compatible interests, an idea that American policymakers had asserted all the way back to Henry Clay. Was it a proposal for a new institution, Venezuela’s foreign minister wondered at the February 1974 New Dialogue meeting of foreign ministers in Mexico City, or was it a new word for existing arrangements?<sup>475</sup> It was, in fact, the latter: as Winston Lord, head of Policy Planning at the State Department, put it to Kissinger in January 1975, the New Dialogue was simply “old wine in new bottles.”<sup>476</sup>

After the fallout from the OAS resolution, the State Department examined the failure of its regionalist strategy. One problem was the fundamental “ambiguity” of the special relationship. Another was the growing diversity of Latin American countries. Despite the proliferation of sub-regional and regional efforts at economic integration, several Latin American countries had incomes matching or exceeding some in Western Europe. These countries were also the most vocal and influential supporters of Third World economic demands in international organizations. Yet, because of 1) their new wealth and 2) a protectionist American Congress, the U.S. lacked bilateral leverage just where it needed it the most. “The three countries where our interests are greatest: Brazil, Mexico and Venezuela, are rightly no longer eligible for concessional AID programs, just as they have received no grant military equipment since 1968,” Winston Lord and William P. Rogers, Assistant Secretary of State for Inter-American Affairs wrote to Kissinger in September 1975. Nor had the U.S. been responsive “to their clamor for ‘trade, not aid,’” due to “competing domestic and international pressures.”<sup>477</sup> In other

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<sup>475</sup> Kissinger, *Renewal*, 724.

<sup>476</sup> *FRUS*, Foundations, 1973-76, doc. 63, Footnote 3, <https://history.state.gov/historicaldocuments/frus1969-76v38p1/d63#fn3>.

<sup>477</sup> *FRUS*, Foundations, 1973-76, doc. 63.

words, if the U.S. could or would not lower its trade barriers, why would Latin Americans endorse Kissinger's emphasis on "reciprocity" and give up the regional and international influence they possessed as some of the South's lead economic negotiators?

Kissinger had better success on another longstanding problem in U.S.-Latin American relations. Ever since its signing by an unauthorized representative of the Panamanian government, the 1903 Hays-Bunau-Varilla Treaty, establishing permanent American rights over the Panama Canal zone, played a major role in defining U.S.-Latin American relations. American control over the Canal Zone was a powerfully enduring example of Yankee imperialism, and was consistently opposed by not just successive Panamanian governments but virtually all Latin American governments, friendly or otherwise. After violent riots over the Canal in 1964, the Johnson Administration began negotiations with Panamanian representatives to find a mutually acceptable agreement for a continued American presence. Talks fell apart in 1968 following two changes of government, one through elections, the next, eleven days later, through a military coup.

The new government was led by General Omar Torrijos, a Panamanian military officer who had received training at the notorious anti-communist American military institute, the School of the Americas. Torrijos, who positioned himself as a left-leaning nationalist, soon expressed interest in re-opening the negotiations. In 1973 Richard Nixon appointed Ellsworth Bunker, a respected diplomat who had served as U.S. Ambassador to the OAS under Lyndon Johnson, to represent the new American position, which was to ensure permanent American use of, rather than control over, the Canal.<sup>478</sup>

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<sup>478</sup> Russel Crandall, *Gunboat Diplomacy: U.S. Interventions in the Dominican Republic, Grenada, and Panama* (Lanham, MD: Rowan and Littlefield, 2006), 184.

Kissinger placed great emphasis on the negotiations and established a personal relationship with Torrijos based on the mutual interest both had in reaching a new agreement. In 1974 few Americans had any knowledge whatsoever of the Canal; the “small minority” who did, he explained to Torrijos, was “violently opposed to the agreement, but no group is really for it.”<sup>479</sup> But the Canal was tremendously important for Latin Americans, and therefore, for Kissinger’s goal of reducing Latin American support for developing countries’ strategy of confrontation at the UN. “If these [Canal] negotiations fail,” Kissinger explained to Ford in 1975, “we will be beaten to death in every international forum and there will be riots all over Latin America.”<sup>480</sup> Torrijos also had to tread carefully. “There is a large group of people [in Panama] whose mission it is to see to it that there is no agreement,” he told Kissinger. “They live off this problem.”<sup>481</sup> Nevertheless, negotiations proceeded slowly throughout 1975, and it was clear that even if both sides reached agreement on a new treaty, neither would risk bringing it to the U.S. Senate during an election year. The final negotiations and signing of the treaty would have to wait for the next President, Jimmy Carter, whose administration had its own idea of what Latin Americans really needed from the United States.

### **The Carter Approach: A Global Policy for Latin America**

Kissinger’s private efforts could not prevent Panama Canal negotiations—a relatively bipartisan, if low-key, issue up to that point—from becoming a part of the 1976 Presidential elections. Ronald Reagan, Gerald Ford’s challenger for the Republican

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<sup>479</sup> Kissinger, *Renewal*, 716.

<sup>480</sup> State Department, “The Panama Canal and the Torrijos-Carter Treaties,” <https://history.state.gov/milestones/1977-1980/panama-canal>.

<sup>481</sup> Kissinger, *Renewal*, 716.

nomination, used opposition to the negotiations as a way to fire up the Republican base. “We built it, we paid for it, it’s ours, and we’re going to keep it!” Reagan thundered during the Florida Republican primary. Even Carter was unwilling to take a strong stand in favor of a new agreement. “The Panamanian question is one that’s been confused by Mr. Ford,” Carter alleged during their foreign policy debate in October 1976. “He had directed his diplomatic representative to yield to the Panamanians full sovereignty over the Panama Canal Zone at the end of a certain period of time.”<sup>482</sup> Here, Carter was the one confused. Although neither wanted to admit it, both candidates supported—and Carter eventually signed—agreements returning the sovereignty of the Canal to Panama at a later date, in exchange for a guarantee of permanent American access: the same conditions under which Ellsworth Bunker had begun negotiations in 1973.

Despite Carter’s reticence during the campaign, concluding the Panama Canal treaties was the first official policy decision to emerge from his National Security Council’s inaugural meeting. Just as Kissinger had emphasized to Ford, Secretary of State Cyrus Vance and National Security Advisor Zbigniew Brzezinski both urged Carter to settle the negotiations as the necessary first step in reshaping U.S.-Latin American relations.<sup>483</sup> The implications were especially important for U.S. relations with “regional influentials” like Brazil, Mexico, and Venezuela, who, in addition to their role in the North-South dialogue, together accounted for almost 70 percent of all U.S. trade with Latin America and over half of all U.S. investment in the hemisphere.<sup>484</sup> “Latin America

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<sup>482</sup> Transcript, “The Second Carter-Ford Presidential Debate,” October 6, 1976, <http://www.debates.org/index.php?page=october-6-1976-debate-transcript>.

<sup>483</sup> Zbigniew Brzezinski, *Power and Principle: Memoirs of a National Security Advisor* (New York: Farrar, Straus & Giroux, 1983), 51.

<sup>484</sup> Abraham Lowenthal, “Latin America—A Not So Special Relationship,” 110.



has become our primary LDC market for machinery, consumer goods, and chemical products—almost as large, in fact, as the entire European Common Market, and larger than Japan,” the State Department wrote in early 1977. “Venezuela (for its huge financial reserves) and Brazil (one of the world’s largest economies) have global roles that match or exceed many of the Western European countries.”<sup>485</sup> The treaty’s urgency was confirmed during the transition by a joint cable sent from the Presidents of Venezuela and Mexico describing it as “the crucial test of the degree of sincerity of a good inter-American policy of the United States.” “The Panamanian cause is no longer the cause of that nation alone,” they insisted. “Its intrinsic merits have made it the cause of all Latin America.”<sup>486</sup>

Carter was also urged to make the Canal a priority by the conclusions of the independent U.S. Commission on Latin American Relations, or Linowitz Commission. The Commission took its name from its chairman, Sol M. Linowitz, a former business executive who left his job running the Xerox Corporation to replace Ellsworth Bunker as U.S. Ambassador to the OAS. Other members included future Carter Administration officials W. Michael Blumenthal, Richard Gardner, Samuel Huntington, and Father Theodore Hesburgh, as well as several former U.S. government officials and scholars.<sup>487</sup>

The Linowitz Commission issued two separate reports in 1974 and 1976, both of which called for an end to the “paternalism and so-called ‘special relationship’” that had guided U.S. policy in the past. The authors of the second report recognized that Kissinger

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<sup>485</sup> JCPL, RAC, NLC-24-65-3-8-9, “Review of U.S. Policy Toward Latin America,” undated, but matches other documents from February-March 1977.

<sup>486</sup> Robert A. Pastor, “The Carter Administration and Latin America: A Test of Principle,” the Carter Center, July 1992, 12-13, <http://www.cartercenter.org/documents/1243.pdf>.

<sup>487</sup> Commission on United States-Latin American Relations, “The United States and Latin America, Next Steps: A Second Report,” Center for Inter-American Relations, December 20, 1976.

had initiated a “more appropriate and effective policy,” but determined that its largely defensive nature missed the point:

This Commission believes the new administration should focus early attention on improving U.S. relations with Latin America not because of hidden dangers but because of latent opportunities. Latin America represents the United States with a good chance to fashion a coherent and constructive approach to the fundamental issues of North-South relations more generally.

Instead of a regional approach that sought to co-opt a Latin American “bloc” in global forums, the authors recommended a new strategy that focused on pressing global issues with regional implications, such as commodity policy, debt, food, technology, arms sales, and human rights. “The primary aim of United States policy in the Western Hemisphere,” they explained, “should be to work with Latin American countries in dealing with this broad global agenda.” First, however, the U.S. had to resolve the “smoldering dispute” over the Canal, “unquestionably... the most urgent issue” in Western Hemispheric relations.<sup>488</sup>

After the election Linowitz sent a copy of the report to Vance, and Vance brought it to Brzezinski and the President. In early December, Brzezinski asked the 29-year-old Executive Director of the Commission, Robert A. Pastor, to join the NSC staff as head of Latin American affairs. (Linowitz was also brought on as Ellsworth Bunker’s co-negotiator.)<sup>489</sup>

Pastor’s first task was to draw up two Presidential Review Memorandums (PRMs), on Panama (PRM-1) and Latin America (PRM-17). Pastor finished PRM-1 quickly and Carter signed it on January 21, 1977. PRM-1 was essentially a refinement of

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<sup>488</sup> Commission on United States-Latin American Relations, *Ibid*, 3-5.

<sup>489</sup> Pastor, “The Carter Administration and Latin America,” 9-10.

the original U.S. negotiating terms pursued by Kissinger and Bunker. It specified that U.S. negotiators should seek to retain control of the Canal for “the longest possible period, to terminate not earlier [sic] than December 31, 1999,” and to a “right in principle” to continue defense operations for 50 years (though negotiators were permitted to go down to 20). Additional terms were set for possible expansion and access to certain water and land areas along the Canal. The negotiations were to remain confidential, but State and Defense would be in regular consultation with Congressional leaders to build support for ratification of a treaty.<sup>490</sup>

Negotiation was difficult on both sides but Linowitz and his Panamanian partners reached a final agreement on August 10, 1977, six months after Linowitz’s appointment. Two separate treaties resulted from the negotiations. The first Panama Canal treaty required the U.S. to eliminate the Canal Zone, its “state within a state,” and transfer all property and responsibility for the Canal by the year 2000, when Panama would be in full control. The “Treaty on the Permanent Neutrality of the Canal,” meanwhile, gave the U.S. and Panama joint responsibility to defend the Canal and keep it open.<sup>491</sup>

Carter was determined to put his own stamp on the Canal treaties. He decided that the signing ceremony would be held not at the White House, as Torrijos had wanted, but at the OAS headquarters. And instead of inviting the four democratic governments that had advised Torrijos during the negotiations, as Pastor and Brzezinski recommended, Carter decided to invite all Latin American heads of state, including dictators Augusto Pinochet and Anastasio Somoza. “The point of the ceremony,” Carter explained, “was for

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<sup>490</sup> National Security Council, “Presidential Review Memorandum/NSC 1,” January 21, 1977.  
<http://www.jimmycarterlibrary.gov/documents/prmemorandums/prm01.pdf>.

<sup>491</sup> JCPL, “The Panama Canal Treaties: The Terms of the Treaties,”  
<http://www.jimmycarterlibrary.gov/education/panama/terms.phtml>.

the American people to see that the treaties enjoyed complete support by all the countries in Latin America and the Caribbean.”<sup>492</sup> He stressed this in his speech at the Treaty’s signing. “This opens a new chapter in our relations with all nations of this hemisphere,” Carter declared. “We do not have to show our strength as a nation by running over a small nation.”<sup>493</sup>

Pastor’s second task was PRM-17. He quickly ran up against the State Department bureaucracy, eager to protect the powers and interests of its embassies. “The main conceptual issue,” Pastor recalled, “was whether the United States should assert a ‘special relationship’ with Latin America or adopt a single global policy for the developing world that could be adapted to the unique characteristics of the region’s past relationship with the United States.” Pastor and the NSC advocated the global approach recommended by the Linowitz Commission, while the State Department’s Bureau of American Republic Affairs favored the special relationship.<sup>494</sup> When Brzezinski wondered if “we need a Latin American policy,” Pastor said “no”:

Your question struck at the heart of the issue. *The idea of ‘Latin America’ as a region is a myth.* It is composed of extremely diverse economies and polities, which can manage to form a collective negotiating position only when there is a symbolic need to confront the U.S., such as in the Trade Act of 1974 (GSP/OPEC provision). The most important business of the governments of this hemisphere is dealt with bilaterally or globally.

“The policy that we should seek,” he explained, “is one which will help us move *from a special policy toward the region to a global North-South policy.*” Regardless, Pastor

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<sup>492</sup> Pastor, “The Carter Administration and Latin America,” 14-15.

<sup>493</sup> “Statement on the Panama Canal Treaty Signing,” September 7, 1977. <http://millercenter.org/president/carter/speeches/speech-3928>. Panamanians ratified the treaties in October, 1977, through a national plebiscite with two-thirds in favor. The U.S. Congress took longer—a resolution from a freshman congressman threatened to derail the entire effort—but the Senate approved the second treaty on March 16, 1978 and the first treaty on April 18.

<sup>494</sup> Pastor, “The Carter Administration and Latin America,” 17-19.

conceded that because of Carter's "special" emphasis on the region, any new approach would reflect in part the language and assumptions of the old one. "We cannot move from our current policy—which is indeed a 'special one,'" Pastor acknowledged, "to no policy in a single step."<sup>495</sup>

Pastor's analysis shared important similarities with that of Kissinger's State Department following the failure of the New Dialogue. In September 1975, Winston Lord and William P. Rogers recommended to Kissinger that in the New Dialogue's place

*we should approach individual countries and groups of countries in Latin America in a differentiated fashion, placing greater emphasis on bilateral and sub-regional relationships, and attempting whenever possible to implement our global economic policies in a way that will engage Latin America's new middle powers in productive commercial relationships and contain the inevitable conflicts their global emergence will entail.*

Although vague on the specifics—two of their three recommendations involved stressing the importance of Kissinger's initiatives at the UN Seventh Special Session to Latin America—their main conclusion could have been lifted straight from a Trilateral Commission or Linowitz Commission report: "Interdependence and trade rather than special relationship and aid."<sup>496</sup>

Pastor later admitted that a truly global policy was wishful thinking. "The debate had an unrealistic, theological quality," he recalled, "because one could argue that in the postwar period the United States always tilted global policies to favor Latin America, and this did not change." Nevertheless, he recommended that Carter place economic issues at the forefront of his approach to Latin America, in which all major developing country

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<sup>495</sup> JCPL, RAC, NLC-24-60-9-1-9, Memo, Pastor to Brzezinski, "'Do We Need a Latin American Policy?'" March 14, 1977. Emphasis added.

<sup>496</sup> *FRUS* 1969-76, Vol. XXXVIII, Part I, Foundations of Foreign Policy, doc. 63, <https://history.state.gov/historicaldocuments/frus1969-76v38p1/d63>. Emphasis in original.

concerns—“trade, finance, investment, science and technology, aid, human rights, arms transfers and nuclear proliferation”—would be formulated “according to global criteria.” At the same time, the U.S. should also pledge non-interventionism in Latin American affairs and tolerance of political diversity—except in the case of gross violations of human rights, where Carter should seek to isolate the worst offenders through bilateral and multilateral pressure. Since “North-South economic issues are [Latin America’s] principle preoccupation,” however, Pastor recommended global trade policies that reflected the existing economic diversity of the so-called Third World: “This means concessional assistance for the poorest countries, and increased trade prospects and improved and coordinated debt management for the middle-income developing countries, which are most of the Latin American countries. Trade, not aid.”<sup>497</sup>

Carter consolidated Pastor’s initiatives in a speech to the Organization of American States on Pan-American Day, April 14, 1977. After an introduction in Spanish, Carter acknowledged Latin America’s role as a “driving force” in North-South relations, citing as examples Raúl Prebisch’s work at ECLA and UNCTAD and Pérez-Guerrero’s current role as co-chair of the Conference on International Economic Cooperation. In place of Kissinger’s attempts to separate Latin America from the G-77, Carter pledged “not [to] seek to divide the nations of Latin America one from another or to set Latin America apart from the rest of the world.” His three point approach included respect for Latin American sovereignty; support for human rights and democratic governments; and progress on the North-South dialogue through “global policies [that] are of particular interest to other American states.” As recommended by Pastor, those policies included

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<sup>497</sup> JCPL, RAC, NLC-24-60-9-1-9, Memo, Pastor to Brzezinski, ““Do We Need a Latin American Policy?”” March 14, 1977. (His emphasis)

supporting the creation of a Common Fund for commodities; redirecting bilateral aid toward the poorest countries; increasing contributions to multilateral lending institutions for more advanced developing countries; “flexibility” on new rules for foreign investment; support for regional and sub-regional economic integration; and special treatment for developing countries in GATT negotiations. Carter also stressed reductions in conventional weapons and arrangements for nuclear fuel sharing as an element of North-South cooperation, the latter issue being of particular concern to Brazil.<sup>498</sup>

Almost by definition, the most important economic initiatives of Carter’s “global” approach to Latin America would take place outside of specifically inter-American forums. The developed countries formally consented to negotiations for the Common Fund during the Conference on International Economic Cooperation (CIEC), which concluded in June 1977; subsequent negotiations over the Common Fund were carried out over the next two years under an UNCTAD special committee. Support for basic human needs became enshrined in the State Department’s definition of human rights, which Secretary of State Cyrus Vance announced in speeches throughout 1977, but effective implementation would be held up both by Congress and the Administration itself when political developments in Africa, South Asia, and Latin America produced a reassertion of Cold War priorities. The Administration had the most success in the conclusion of the Tokyo Round of trade negotiations in 1979, where the Generalized System of Preferences was formalized in the GATT charter.

Instead, the Carter Administration’s North-South policy played out in Latin America largely as Kissinger had predicted in 1975: through bilateral, sub-regional, and

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<sup>498</sup> Jimmy Carter, “Organization of the American States Address before the Permanent Council,” April 14, 1977, <http://www.presidency.ucsb.edu/ws/?pid=7347>.

occasionally multilateral, diplomacy. Carter used bilateral relationships with key Latin American countries—namely, Mexico, Venezuela, Brazil, and Jamaica—to encourage a common position on human rights, economic development, and the Panama Canal negotiations. Carter and Vance gave new purpose to the multilateral Organization of American States—which both Pastor and Kissinger had declared essentially dead—in order to enhance the positions of the region’s most advanced economies (as well as its few emerging democracies, often one and the same) and to isolate its worst human rights offenders. First Lady Rosalynn Carter travelled to Jamaica, Peru, Ecuador, and Brazil to reiterate the themes of his OAS speech, and Carter met several times throughout 1977-79 with the Presidents of Mexico, Venezuela, and Jamaica to solicit their cooperation in cooling North-South tensions. Additionally, President Carter gave special attention to the Caribbean. In a sign of good faith, he surprised Caribbean governments in May 1977 by meeting with the region’s major sugar producers to consult with them before taking any measures to protect domestic sugar producers; the following day, he announced that the U.S. would pursue new international sugar agreements.<sup>499</sup> Carter’s Ambassador to the UN, Andrew Young, also became personally involved in the creation of the Caribbean Group for Cooperation in Economic Development, a sub-regional development bank launched in 1977 with World Bank support.

### **Human Rights and the North-South Dialogue in Latin America**

A real human rights policy was the Carter Administration’s most visible legacy in Latin America, and arguably, the world. “Nothing the Carter Administration has done has excited more hope, puzzlement, and confusion than the effort to make human rights a

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<sup>499</sup> Pastor, “The Carter Administration and Latin America,” 22.



primary theme in the international relations of the United States,” historian Arthur Schlesinger, Jr. wrote in 1977. Time has hardly cleared this confusion. Historian Tony Smith reflects one enduring and conflicting consensus on Carter’s human rights policy. While “Carter’s “abiding concern for human rights abroad” was his “finest legacy to the post-cold war world,” Smith writes, his moralism and “naïve failure to understand” the realities of global politics ensured his ultimate failure.<sup>500</sup>

Not everyone backing Carter during the campaign embraced human rights as much as he did. For most of Carter’s interlocutors at the Trilateral Commission, including Brzezinski, human rights was one of several aspects of the new interdependence, and even then it ranked below the need for trilateral economic coordination, energy cooperation and conservation, and moderating the North-South dialogue. “I shared in [Carter’s belief in human rights], up to a point,” Brzezinski explained. “Indeed, later on, when a choice between the two had to be made, between projecting U.S. power or enhancing human rights (as, for example, in Iran), I felt that power had to come first.”<sup>501</sup>

For Carter, a human rights policy implied not only ending the “Nixon-Kissinger-Ford” policy of supporting anti-communist governments regardless of their human rights records, but also actively using America’s bilateral leverage to push its non-democratic partners toward openness and reform. This failure, he believed, contributed to developing countries’ dissatisfaction with an American-led world order, in which an otherwise false coalition of Third World states united around the common denominator of American

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<sup>500</sup> Tony Smith, *America’s Mission: The United States and the Worldwide Struggle for Democracy in the 20<sup>th</sup> Century* (Princeton, NJ, 1994). For an historiographical overview of recent scholarship on the Carter Administration’s “post-Cold War” foreign policy, see David F. Schmitz and Vanessa Walker, “Jimmy Carter and the Foreign Policy of Human Rights,” *Diplomatic History*, Vol. 28, No. 1 (January 2004).

<sup>501</sup> Brzezinski, *Power and Principle*, 49.

hypocrisy. Kissinger's conciliatory speech at UN Seventh Special Session in 1975 was a start, but such gestures were undermined by the rest of the Ford Administration's policies toward the Third World, including its intervention in Angola and tacit approval of Augusto Pinochet's regime in Chile. Here, Brzezinski agreed. "I was concerned that America was becoming 'lonely' in the world," he explained in his memoirs. "I felt strongly that a major emphasis on human rights as a component of U.S. foreign policy would advance America's global interests... [in] the emerging nations of the Third World."<sup>502</sup> In other words, the U.S. could not have it both ways: in order to credibly align itself with progressive and democratic reform in the Third World, it had to match its criticism of other states' human rights records with improvements to its own.

The task of defining a human rights policy fell to an inter-agency commission chaired by Deputy Secretary of State Warren Christopher. The group worked largely from the template Carter had laid out in his Notre Dame speech, and the results reflected the importance he had given there to meeting basic human needs.<sup>503</sup> PRM-28 defined three areas of human rights: first, "the right to be free from governmental violations of the integrity of the person," such as torture and lack of fair trial; second, "economic and social rights," namely, "the right to be free from government action or inaction" which inhibits individuals from meeting "basic needs" like health care, education, and shelter; and third, "the right to enjoy civil and political liberties." There was unanimous support for including the first group, Christopher wrote, but "considerable discussion" about the

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<sup>502</sup> Brzezinski, *Power and Principle*, 124.

<sup>503</sup> The turn in international development towards meeting "basic human needs" like food, shelter, or health care—and how the Carter Administration came to embrace that approach through its association with the Overseas Development Council and Carter's friendship with Notre Dame's Fr. Theodore Hesburgh—is covered in Chapter 4.

second and third. However, Carter and Vance “expressly included them” because of their relevance for North-South relations. “A policy which subordinated these rights would not only be inconsistent with our humanitarian ideals and efforts,” Christopher explained, “but would also be unacceptable in the Third World where the tendency is to view basic economic and social rights as the most important human rights of all.”<sup>504</sup>

Although PRM-28 defined all three groups as central to the Administration’s human rights policy, the Administration suggested that priority would be given to the first set of violations. Civil and political liberties were a “long term goal” that required building strong democratic institutions, while social and economic rights were “primarily a matter of helping to stimulate economic development.” However, “in countries where the first group of rights is denied or threatened, the protection of those rights has obvious priority.”<sup>505</sup> This was especially relevant for U.S. policy in Latin America, home to both the most advanced developing economies that no longer qualified for the kind of basic needs assistance that USAID would provide, and the most blatant and well-publicized violations of “the integrity of the person” prioritized in PRM-28.

There were other important reasons why a human rights policy was implemented first—and pretty much exclusively—in the Western Hemisphere. The two countries in which the U.S. had the greatest economic stake, Mexico and Venezuela, were functioning, if imperfect democracies, and despite their leadership of the NIEO, in both instances the U.S. retained good bilateral relations. In the military dictatorships of Chile, Argentina, and Uruguay, the U.S. had few interests beyond shared anti-communism, and

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<sup>504</sup> JCPL, RAC, NLC-28-10-10-4-5, “Presidential Review Memorandum/NSC-28: Human Rights,” August 15, 1977, p. 2-3.

<sup>505</sup> JCPL, *Ibid*, 3.

the only real admirers of these regimes were other sitting or aspiring military dictators. “Venezuela’s interests are not the same as ours,” the State Department noted, “but they are closer to ours than any other regional power.” Of Pérez’s goals, only “high prices for oil and OPEC solidarity... directly conflicts with our own.” Pérez had “a much larger role to play” than other Latin American heads of state, from Canal negotiations to human rights to regional economic development. Cooperation with Pérez—the leader of the most important developing country in the most important region of developing countries—on human rights and development, State decided, “would be a model for similar projects in other developing countries.”<sup>506</sup>

Carter’s goal of creating inter-American solidarity around human rights received an early victory at the June 1977 meeting of the Organization of American States in Grenada. Intent to send a signal, within months of taking office Carter reduced military aid to Argentina and Uruguay, two of the worst abusers of the first category of human rights, violations of the person. Two weeks later, Vance himself traveled to the OAS meeting, with the intention of multilateralizing what was still only bilateral pressure. With the democratic governments of Venezuela, Costa Rica, and the Caribbean, the OAS passed a resolution declaring that “there are no circumstances that justify torture, summary execution, or prolonged detention without trial contrary to law.” Attempts by Argentina and Chile to include an amendment justifying extreme actions in the face of “terrorism” were subsequently rejected by the other members.<sup>507</sup>

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<sup>506</sup> JCPL, RAC, NLC-24-49-6-2-3, “Mrs. Carter’s Trip: The Western Hemisphere in Creative Flux,” May 23, 1977.

<sup>507</sup> Pastor, “The Carter Administration and Latin America,” 23.

The State Department viewed the OAS session as a major step forward. “We now have hard evidence that human rights concerns have genuine support in Latin America,” with “half of Latin America, including the entire Caribbean, lined up behind us.” However, there was a caveat: “The Grenada Assembly put us clearly on notice that we cannot escape the economic dimension of human rights.” The human rights resolutions were passed, but narrowly, while a resolution from Colombia calling for the promotion of human rights through economic development was “carried by acclamation” from all delegations. The rhetoric on development had been delivered by the President, the First Lady, and Vance; now, action was needed to ensure that human rights was not seen as a smokescreen for avoiding “the aspect of human rights emphasized most in Latin culture, socio-economic well-being.” “Progress on economic issues,” State concluded, “will be critical to allay fears that we are defining human rights narrowly to divert attention from basic North-South issues of growth and equity.”<sup>508</sup>

That action would be hard to effect. In fact, it would have been easier if the Administration’s slogan—“trade, not aid”—were reversed. “A decade ago,” the State Department pointed out, “aid was our major tool, and the Executive Branch could take most of the decisions.” But the President now had less authority, explicit or otherwise, to negotiate on trade and finance. “Decisions on trade are shared with Congress and critically influenced by domestic pressure-groups,” while for capital and technology transfers, “which come right after trade for the Latins... private firms and banks call the tune, not the U.S. government.”<sup>509</sup> These constrictions on the making of foreign

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<sup>508</sup> JCPL, RAC, NLC-24-61-3-5-9, Memorandum for Dr. Zbigniew Brzezinski, “Follow-up to President Carter’s Pan-American Day Speech and Mrs. Carter’s Trip,” July 19, 1977, pp. 2-3.

<sup>509</sup> JCPL, RAC, NLC-24-65-3-8-9, “Review of U.S. Policy Toward Latin America,” undated.

economic policy might have increased in the U.S. and other developed countries since the world was awakened to its growing interdependence at the beginning of the 70s, but the same analysis could be applied to the corporate- and interest group-dominated Alliance for Progress legislation in the 60s. As Carter would learn in his meetings with Latin American leaders, they would find this defense self-serving at best.

### **Debt, Development, and Human Rights: The Case of Venezuela, 1977-79**

Venezuela had long occupied a unique position in Third World politics. “At minimal risk of inciting U.S. retaliation,” one scholar explains, “Caracas could express a Third World solidarity and sometimes defy cold war policies.” During the Alliance for Progress, the progressive Romulo Betancourt was the Kennedy Administration’s chosen partner, sharing both a commitment to social and economic reform and regional anti-communism. Like other U.S. allies Betancourt condemned Cuban guerrillas and defeated his country’s own insurgents by force, but he also allowed Marxist political parties to operate freely, believing “from experience... that a policy of tolerance and flexibility could divide and weaken the communist left.” Pérez continued Venezuela’s policy of resisting Castro’s adventurism in the Hemisphere but also pursued a cautious rapprochement, opening diplomatic relations with Cuba in 1974. He also expanded Betancourt’s democratic progressivism into a strident Third World internationalism, though he distrusted the Non-Aligned Movement due to Castro’s ambitions for pro-Soviet leadership. Pérez preferred instead to use the United Nations to advocate for developing countries, where they had the best chance for both solidarity and credibility.<sup>510</sup>

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<sup>510</sup> Ewell, *Venezuela and the United States*, 209-17.

Pérez also used his international advocacy to build support for his government at home. Venezuelan television networks showed his UN speeches live, and newspapers celebrated Venezuela's outsized role in global politics. However, unlike many other countries in a Third World leadership position—especially their OPEC brethren—Venezuela abstained from the infamous 1975 UN resolution equating Zionism with racism. Instead, Venezuelan diplomats like Pérez-Guerrero and Simon Alberto Consalvi were widely respected for their approach to international economic issues in UNCTAD and the General Assembly.<sup>511</sup> Venezuela's insistence at the UN on a link between the arms race and global poverty also matched the beliefs of Jimmy Carter and many other liberal internationalists in the West. Pérez received support for his efforts from the leaders of several Christian Democratic and Social Democratic parties, including West German Chancellor Willy Brandt, who made the link a main theme of the 1980 "Brandt Commission" report, *North-South: A Programme for Survival*.<sup>512</sup>

Pérez had been elected President in March 1974, just as human rights abuses in Latin America were becoming the focus of concerted international attention and activism in the U.S. and, especially, Western Europe.<sup>513</sup> He especially welcomed Carter's focus on Southern Cone dictators like Pinochet, whom he held responsible for the death of his friend, Salvador Allende. Following Pinochet's seizure of power, Pérez "opened his

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<sup>511</sup> Ewell, *Ibid*, 209.

<sup>512</sup> In a chapter titled Disarmament and Development, the authors explained: "The build-up of arms in large parts of the Third World itself causes growing instability and undermines development. A new understanding of defence and security policies is indispensable. Public opinion must be better informed—of the burden and waste of the arms race, of the damage it does to our economies, and if the greater importance of other measures which it deprives of resources. More arms do not make mankind safer, only poorer.... If only a fraction of the money, manpower and research presently devoted to military uses were diverted to development, the future prospects of the Third World would look entirely different." (Independent Commission on International Development Issues under the Chairmanship of Willy Brandt, *North-South: A Programme for Survival* (London and Sydney: Pan Books, 1980), 117.

<sup>513</sup> Westad, *The Cold War*, 573-74.

country to a flood of [Chilean] exiles,” turning Caracas into “a central meeting place for UP [Unidad Popular] and Christian Democratic leaders, some of whom moved clandestinely back and forth from Chile.”<sup>514</sup>

From the beginning of his administration Carter wrote to Pérez regularly, describing him as his “counselor” on North-South and Latin American issues. Pérez, impressed with Carter’s sincerity and commitment to human rights, praised his counterpart as “a voice [rising] from a great nation to tell the world that human values are paramount.”<sup>515</sup> In their first official meeting in Washington, two weeks after the OAS resolution against the Southern Cone, Pérez joked to Carter that “coordination of policies might be too easy,” given their mutual interest in human rights, democracy, and development. Indeed, as they ran through bilateral and regional issues—human rights, terrorism, Caribbean development, Cuba—Carter and Pérez were mostly in agreement. Where disagreement existed, such as Pérez’s decision to reopen diplomatic relations with Cuba, both sides appeared understanding of their varying domestic and international pressures. On human rights, Pérez proposed that they issue a Joint Declaration and take additional measures to strengthen the Inter-American Commission of the OAS following the resolution at Grenada.<sup>516</sup>

Pérez continued to support Carter’s human rights policy throughout 1977. He publicly supported Carter’s non-proliferation and arms control agendas, increased contributions to the OAS Inter-American Human Rights Commission, and backed a Carter Administration proposal to grant the Commission “automatic, on-site investigation

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<sup>514</sup> John Dinges and Saul Landau, *Assassination on Embassy Row* (Open Road Media, 2016).

<sup>515</sup> Pastor, “The Carter Administration and Latin America,” 24.

<sup>516</sup> JCPL, RAC, NLC-7-35-2-4-0, Memorandum of Conversation, “President Carter’s First Meeting with the President of Venezuela during His State Visit,” June 28, 1977.



of alleged abuses in individual countries.”<sup>517</sup> Yet, State Department fears about the “economic dimension of human rights” persisted, for good reason. In past years, the U.S. had not come close to meeting the 0.7% of GDP target for Official Development Assistance (ODA) recommended by the UN, and in fact rejected the target as unfair since the U.S. gave more aid in absolute terms than any other country.<sup>518</sup> Most important, in June 1977, the much-hyped CIEC, co-chaired by Pérez-Guerrero, concluded with modest results.

As Kissinger had done at UNCTAD IV,<sup>519</sup> Secretary of State Vance delivered a well-received opening speech at the CIEC committing the U.S. to a new era of North-South cooperation. The U.S. delegation generally held to the positions advocated by the ODC and Trilateral Commission during the campaign—which, in fact, were not far off from Kissinger’s stance in 1975. U.S. officials agreed to a Common Fund, but left its content and capitalization ambiguous; they supported a Special Action Program for the Fourth World worth \$1 billion, with the U.S. contribution at \$375 million (subject to Congressional approval); and they pledged to increase ODA aid to multilateral agencies, with Vance promising to double bilateral and multilateral assistance within five years—also, of course, subject to Congress. No substantial agreements were reached on energy—the most important issue for the U.S.—and debt—the most important issue for developing countries. “At the Conference’s last plenary meeting,” the IMF’s Executive Director reported in *Foreign Affairs*, “a hastily drafted, and uncommonly bland, report

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<sup>517</sup> JCPL, RAC, NLC-5-15-1-1-8, Memo, Christopher to Carter, “Visit by Venezuelan President Carlos Andres Perez,” June 23, 1977.

<sup>518</sup> JCPL, RAC, NLC-24-63-8-2-5, “North/South Dialogue, Resource Transfer,” undated.

<sup>519</sup> Kissinger’s speech at UNCTAD IV, which met in May 1976 in Nairobi, is covered in Chapter 3.

was presented for adoption to a glum and exhausted audience.” The report was “approved but not applauded by the delegates.”<sup>520</sup>

The State Department was “reasonably satisfied” with the CIEC’s results, in that blandness, not acrimony, dominated its concluding resolutions. The real failure was in the persistence of bloc politics, “on which the state of bilateral relations between the U.S. and particular countries has had only a rough bearing.” For instance, Iran and Saudi Arabia were “helpful” at the CIEC, namely because any major plan for debt relief would negatively impact their own status as creditors. “Mexico and Venezuela,” two countries especially attuned to the growing debt problem in Latin America—the result of excessive lending of Arab petrodollars from the Washington, London, and Paris banks who held them—“were not [helpful].”<sup>521</sup>

In fact, CIEC discussions had been postponed near the end of the Ford Administration for this very reason. “Brazil, Venezuela, Argentina” and others, the NSC remarked, “all indicated that their support for postponement was based on expectations that the new Administration will soften the U.S. position on LDC debt.”<sup>522</sup> By 1977 the debt problem had eclipsed the Common Fund as a priority for more than just the oil-importing developing countries. In the 1970s Washington banks saw oil-rich Venezuela as a safe bet, and under Pérez the country’s external debt expanded from just \$0.7 billion in 1974 to \$6.1 billion in 1978.<sup>523</sup> Venezuela, Nigeria, and other indebted oil exporters

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<sup>520</sup> Jahangir Amuzegar, “A Requiem for the North-South Conference,” *Foreign Affairs*, Oct. 1977, 136-37.

<sup>521</sup> JCPL, RAC, NLC-128-12-9-3, Christopher to Carter, Memorandum (Untitled), June 4, 1977.

<sup>522</sup> JCPL, RAC, NLC-24-59-2-4-4, Telegram, State to Embassies, April 1977.

<sup>523</sup> “Carlos Andres Perez,” *The Economist*, January 6, 2011, <http://www.economist.com/node/17848513>.

argued that action on debt at CIEC would greatly improve the climate of future North-South discussions at UNCTAD, UNCLOS, and the GATT.<sup>524</sup>

However, instructions from the State Department made it certain that no substantial agreements would be reached at CIEC. “Because of its temporary nature and restricted membership,” State explained, “it is not a forum for negotiating binding commitments. It should not be expected, therefore, that CIEC will provide final answers to any of the outstanding North/South issues.” The CIEC could provide “general guidelines” on issues underway in other forums, like commodities (UNCTAD), basic human needs (World Bank), external financing (IMF), and trade (GATT), but on debt, negotiators had no instructions beyond opposition: “We see no prospect of action in CIEC or elsewhere on generalized debt relief.”<sup>525</sup>

In March 1978, Carter made his third official trip to Venezuela to consult on human rights and the North-South dialogue. After a series of press conferences, Carter gave a major speech on the North-South dialogue to the Venezuelan Congress, in which he recommitted the U.S. to the (limited) agreements reached at the CIEC, emphasized meeting basic human needs, and proposed new cooperation on science and technology sharing.<sup>526</sup>

North-South issues again dominated Carter’s private meeting with Pérez. Despite their harmony on human rights, a serious divide had emerged on the future direction of the dialogue. “Since [the CIEC] virtually nothing has happened,” Pérez complained,

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<sup>524</sup> JCPL, RAC, NLC-24-59-2-2-7, “New Strains Ahead as North-South Dialogue Resumes?” Undated.

<sup>525</sup> JCPL, RAC, NLC-24-59-2-4-4, Telegram, State to Embassies, April 1977.

<sup>526</sup> Jimmy Carter, Remarks Before the Venezuelan Congress, March 29, 1978, in *Public Papers of the Presidents of the United States: Jimmy Carter, 1978*, 619-623. Upon his return, Carter tapped Fr. Hesburgh as his special ambassador to the UN Conference on Science, Technology, and Development. This conference is covered in Chapter 6.

adding that he felt “pessimistic” about the future. “What worries us is that the North-South dialogue has stagnated.” Pérez-Guerrero, the former UNCTAD Secretary General and CIEC co-chair, explained why:

We have the impression... that even the U.S. at times was more inclined to defend the status quo than create new solutions. There seemed to be at times those who looked to poverty as the problem rather than to structural changes. But while poverty and the need for aid should be attended to, a change in the rules of the game to permit nations to develop more equitably was also important.

“Concern over the poor is understood,” Pérez added, “but poverty is a symptom not a cause.”

Venezuela’s criticisms of the U.S.’s emphasis on basic needs and poverty over the developing countries’ structural agenda for trade and finance put Carter on the defensive. He blamed the G-77 for wanting “all or nothing” in the North-South dialogue and being unaware of the “practical limitations that exist,” especially in the U.S. Congress. In a way, Carter’s criticisms of the Nixon-Kissinger-Ford style of foreign policy had painted him into a corner. Kissinger and Ford had been “prepared to cooperate more with the developing world than Congress,” Carter explained, whereas he had pledged closer cooperation and consultation with Congress on foreign policy. Carter also blamed the lack of progress on the diversity of the developing countries’ coalition, which lead to an “inability for the DC’s to negotiate with any semblance of order or mutual understanding with 90 different nations.” He and Vance recommended “smaller groups” to work out proposals on issues like commodities and debt, and UNCTAD did establish a body to work through the Common Fund as agreed to at the CIEC. But without a commitment from the U.S. to back a specific forum for dealing with debt, nothing substantial could

occur. On debt, the U.S. was prepared to do exactly what Pérez-Guerrero suspected, and what Vance had indicated behind the scenes at the CIEC: defend the status quo.<sup>527</sup>

The Carter Administration's decision on debt would have profound consequences for both Latin America and the South in general. If not exactly blameless, Pérez was the first to fall. He entered office with an unprecedented 48.7% of the vote, a plurality not seen since Betancourt's victory in 1958, and his *Acción Democrática* party controlled both houses of Congress. Pérez used this mandate to nationalize Venezuela's oil and iron industries, giving his government control over the massive revenues flowing in from a global commodity boom.<sup>528</sup>

As part of his "Great Venezuela" program, Pérez embraced a populist social policy, subsidizing education, health care, and a nationalist industrial policy involving large subsidies to existing and new state-owned enterprises. By 1978 Pérez's government had managed to reduce the poverty rate to 10% and unemployment to 5.5%, and Venezuela had a per capita income equaling that of West Germany.<sup>529</sup> With an eye to rising inflation, Pérez established the Venezuelan Investment Fund to reinvest oil profits in various regional development projects and to provide aid to Latin American and Caribbean oil importers.<sup>530</sup>

The boom did not last. Efforts to "sow the oil" through industrial policy, such as an attempt to build up a Venezuelan auto industry, required far more investment than could ever be expected in profits. Pérez ended up putting more money into industry and

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<sup>527</sup> JCPL, RAC, NLC-24-47-2-11-9, Memorandum of Conversation, President Carter and President Perez of Venezuela, March 29, 1978.

<sup>528</sup> In early 1974, the State Department commented on the nationalizations that "never in history has such a transfer of resources occurred without a war." Ewell, *Venezuela and the United States*, 204.

<sup>529</sup> Patrick Bond, *Confronting Global Neoliberalism: Third World Resistance and Development Strategies* (SCB Distributors, 2011).

<sup>530</sup> Judith Ewell, *Venezuela: A Century of Change* (Stanford: Stanford University Press, 202-03).

infrastructure than social programs, dedicating 15% less to spending on education, health, housing, and government services than his predecessor.<sup>531</sup> The focus on industrial policy left other critical sectors behind: by the end of Pérez's term, dependence on foreign foodstuffs had increased to 70 percent and food prices had risen by 16 percent, leading the government to subsidize basic foodstuffs in addition to industry.<sup>532</sup> His strategy also suffered from the vast web of patronage and corruption encouraged by ready money and lack of adequate oversight. Public corruption became the focal point of opposition to his government, including within *Acción Democrática*, which began to block his spending proposals in Congress.<sup>533</sup> Falling oil prices in 1976-77 did not help, leading Pérez to seek outside loans to meet his large domestic and foreign commitments.

In December 1978 Pérez and *Acción Democrática* were defeated by the Christian Democratic Party. The new President, Luis Herrera Campins, quickly "liberated" domestic food prices and virtually eliminated automobile production. "I inherited a country mortgaged by debts," Herrera explained to Venezuelans on the day of his inauguration.<sup>534</sup> His meetings with U.S. officials were dominated not by the North-South dialogue and human rights, but by concerns about falling oil prices and new energy cooperation measures with the United States and Mexico, which had just discovered large oil and gas reserves off its coast.

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<sup>531</sup> Bond, *Confronting Global Neoliberalism*.

<sup>532</sup> Ewell, *Venezuela*, 200.

<sup>533</sup> H. Micheal Tarver and Julia C. Frederick, *The History of Venezuela* (Greenwood Publishing Corp, 2005), 133.

<sup>534</sup> U.S. Congress, Joint Economic Committee, "Outlook on Venezuela's Petroleum Policy" (Washington: GPO, 1980).

[http://www.jec.senate.gov/reports/96th%20Congress/Outlook%20on%20Venezuela's%20Petroleum%20Policy%20\(959\).pdf](http://www.jec.senate.gov/reports/96th%20Congress/Outlook%20on%20Venezuela's%20Petroleum%20Policy%20(959).pdf).

Like Herrera, José López-Portillo— Echeverría's successor in Mexico—was “expected to moderate Mexico's flamboyant advocacy of Third World positions.” Echeverría's leadership in the North-South dialogue had become “an irritant” in its bilateral relations with the U.S. and had worried both American and Mexican investors, Carter Administration officials explained.<sup>535</sup> Calming investor fears was essential for the success of López-Portillo's plans for a gas pipeline to the United States, which involved a complicated interplay of inviting but also containing U.S. influence in the project.

López-Portillo would not return to the North-South dialogue in a significant way until 1981, when he agreed to host a North-South summit in Cancún attended by the new conservative leaders of the U.S. and Britain, Ronald Reagan and Margaret Thatcher. That North-South summit—expected to revive what little spirit of generosity the North had left after a second oil crisis, even more inflation, and the return of East-West tensions—would be the last. Less than a year later, López-Portillo's finance minister announced that Mexico was defaulting on its foreign debt, kicking off a regional debt crisis culminating in *La Década Perdida*—the Lost Decade of development for Latin America.

### **Security Crises and the End of the Global Approach, 1979-80**

Changes of government in Venezuela and Mexico were one reason why North-South issues virtually disappeared from the U.S.'s Latin America strategy by 1979. Another was a series of global and regional security crises, which would overturn fundamental assumptions about human rights and democracy central to the Carter Administration's “post-Cold War” vision.

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<sup>535</sup> JCPL, NLC-15-89-6-26-4, “President Carter's Talks with Lopez-Portillo: North/South Relations,” undated, but probably September 1979.

Many scholars have noted a “second half” of the Carter Administration, in which a series of international crises overtook its lofty goals for world order and cooperation.<sup>536</sup> Much of this centers on a Vance-Brzezinski split, in which Carter sided with the hawkish Cold Warrior Brzezinski over the more dovish Vance.<sup>537</sup> In fact, most of the impetus for a tougher stance on security came from Carter, who, frustrated with the State Department’s failure to speak out on Soviet-Cuban interventions in Angola and Afghanistan, instructed Brzezinski to take the lead.<sup>538</sup>

The first, and most serious, crisis in Latin America was Nicaragua, which had been run since the 1930s as a family dictatorship. By the mid-1970s the Somoza family had alienated virtually every group outside of its inner circle with its blatant corruption and repression. In September 1977 Anastasio Somoza, under pressure from the Carter Administration, permitted a political opening, but soon reversed course when he realized the full scope of opposition to his regime, which included not just the lower and middle classes but also the leaders of the Nicaraguan business community. Following the assassination of Pedro Joaquín Chamorro, a prominent opposition leader and newspaper editor, the business community called for a general strike that shut down the capital. However, their leadership during the strike was eclipsed when members of the Sandinista National Liberation Front (FSLN), a group of Cuban-inspired guerrillas founded in 1961,

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<sup>536</sup> See Gaddis Smith, *Morality, Reason, and Power: American Diplomacy in the Carter Years* (New York, 1986); David Skidmore, *Reversing Course: Carter’s Foreign Policy, Domestic Politics, and the Failure of Reform* (Nashville, TN, 1996); Jerel Rosati, “The Rise and Fall of America’s First Post-Cold War Foreign Policy,” in Jimmy Carter: Foreign Policy and Post-Presidential Years, eds. Herbert D. Rosebaum and Alexej Ugrinsky (Westport, CT, 1994).

<sup>537</sup> Michael Hunt makes this point in his classic *Ideology and U.S. Foreign Policy* (New Haven: Yale, 1987). One notable recent iteration of this persistent theme is Betty Glad, *An Outsider in the White House: Jimmy Carter, His Advisors, and the Making of American Foreign Policy* (Ithaca: Cornell University Press, 2009).

<sup>538</sup> Robert Pastor in Charles Gati (ed.), *Zbig: The Strategy and Statecraft of Zbigniew Brzezinski* (Baltimore: The Johns Hopkins University Press, 2013), 108-09.



seized control of the palace in August 1978, signaling the end of nearly five decades of family dictatorship.

“Caught between a dictator it refused to defend and a guerrilla movement that it would not support,” the Carter Administration sought a multilateral solution through the Organization of American States. After Somoza rejected OAS calls for a national plebiscite, the Carter Administration introduced sanctions on his regime but declined to support the FSLN, which despite representing an increasingly broad coalition proclaimed a revolutionary Marxist ideology. However, the Administration’s allies in Panama, Costa Rica, Mexico, and Venezuela supported the FSLN, as did Cuba, which supplied the guerrillas with much-needed arms. With help from Panama, Mexico, Venezuela, and others, the OAS rejected a U.S. proposal designed to limit the FSLN’s representation in a transitional government. Without support from his democratic friends, Carter decided against a unilateral solution, and on July 19, 1979, a Marxist government took power in Managua. With his country’s fortune in tow, Somoza fled first to Miami, but unlike the ailing Shah—who spent his final days in Minnesota receiving treatment for terminal cancer—the Carter Administration denied him entry. Somoza found his final residence in Paraguay, where he was assassinated one year later.<sup>539</sup>

The crisis in Nicaragua marked the turn back to Cold War worries in the Western Hemisphere, and away from the global approach urged by Robert Pastor and the Linowitz Commission. When the Marxist New Jewel movement seized control in Grenada in March 1979, Carter again asked the Latin American democracies for advice. This time, they recommended neither helping nor confronting the increasingly pro-Cuban, pro-

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<sup>539</sup> Pastor, “The Carter Administration and Latin America,” 38-39.

Soviet regime. Instead, the U.S. supported democratic governments in the Caribbean by increasing its aid programs, including the Caribbean Group for Cooperation in Economic Development (CG), promoted by UN Ambassador Andrew Young. Support in the U.S. Congress for Carter's Caribbean development policy, never on firm ground, took another hit when the U.S. "discovered" a Soviet brigade off the coast of Cuba during the 1979 Non-Aligned Summit in Havana. According to Pastor, "Castro thought the United States had concocted the entire incident to embarrass him at the Summit, but the incident was more embarrassing and politically costly to the Carter administration. As with each of the strategic confrontations in Cuba, the Soviet brigade issue had almost nothing to do with Cuba and almost everything to do with the perceived balance of power between the Soviet Union and the United States."<sup>540</sup>

There was one bright spot in the Caribbean. Since the "quite successful" start to the CG, Brzezinski reported hopefully to Carter, "the political winds in the Caribbean are definitely blowing in a moderate direction."<sup>541</sup> But this was too little, too late. According to Pastor, there was "no question" that the greatest failure of the Administration's policy was economic. "We have been criticized most vigorously not for what we have failed to do, but for what we have done," including doubling sugar duties, dumping tin, holding back funds from development banks, giving preferences on meat to Australia and New Zealand but not Latin America, and imposing countervailing duties against Brazilian

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<sup>540</sup> Pastor, "The Carter Administration and Latin America," 43-44.

<sup>541</sup> JCPL, NLC-126-22-25-1-9, Memorandum, Brzezinski to Carter, "The Caribbean Group," September 13, 1980.

exports. “These decisions do not seem terribly important to us, but each has provoked a bitter response in Latin America, and they have a cumulative effect.”<sup>542</sup>

Mexico was one example. The U.S. had failed to reduce trade barriers against Mexico during the negotiations over López-Portillo’s proposed gas pipeline. The conflict on trade expanded to disputes over border policy and weapon sales, and Carter’s unfortunate public comment on having contracted “Montezuma’s Revenge” while visiting Mexico in March 1979 compounded López-Portillo’s sense of disrespect, unnecessarily prolonging the important gas negotiations and straining U.S.-Mexico relations.<sup>543</sup> When López-Portillo refused to admit the Shah into Mexico after his operation in the U.S., reasoning that it would hurt his standing in the Third World, Carter was “outraged.” “By the end of 1980,” Pastor concludes, “the relationship that Carter had hoped to build with Mexico had become a casualty to miscalculations, divergent perceptions, and some policy differences.”<sup>544</sup>

All of the economic policies listed by Pastor had one thing in common: they were determined primarily by Congress. There was scarce public or Congressional support for liberalizing American trade with developing countries when Carter entered office; but as Kissinger had learned with the 1974 Trade Act, the one factor uniting the diverse governments of Latin America—Marxist, leftist, democratic, capitalist, liberal, nationalist, or authoritarian—was U.S. trade policy. Outside of GATT negotiations, the only real tool the President had to change trade policy was to convince Congress and the

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<sup>542</sup> JCPL, NSA, Staff Material-North/South Files, Robert Pastor Files (Latin America and the Caribbean), Box 27, Latin America, 10/77-12/78, Memorandum, Pastor to Brzezinski, “Beyond Panama: A PRC on Latin America/Caribbean?” May 8, 1978.

<sup>543</sup> Jaime Suchlicki, *Mexico: From Montezuma to NAFTA and Beyond* (Transaction Publishers, 2000), 145.

<sup>544</sup> Pastor, “The Carter Administration and Latin America,” 31-32.

American people that it was in their interests to do so. But the domestic effects of interdependence—in the form of surging energy crises, stagflation, and unemployment—contributed to support for protectionism in the U.S. not seen since the 1930s. Considering too the strong precedent of American corporate influence over economic legislation affecting Latin America, even a direct appeal to the American people would probably have had little positive effect (and almost certainly a great deal of backlash).

Carter's call for increased economic and political cooperation with the Third World proved persuasive enough in 1976, but his seeming inability to deal effectively with multiple security crises in Latin America and the Caribbean, the Middle East, and Central Asia—as well as a stagnant economy impervious to the tools of the old Keynesian playbook—exhausted public support for development before his Administration could really get started. Nor, however, did he continue to make the case for it to *Americans* after the first few months of his presidency, a fact not lost on officials in the NSC's North-South cluster.<sup>545</sup> As two public opinion analysts put it, the American public “felt bullied by OPEC, humiliated by the Ayatollah Khomeini, tricked by Castro, out-traded by Japan, and out-gunned by the Russians.” When the second oil shock hit in

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<sup>545</sup> In a lengthy North-South policy retrospective written in late 1980, the NSC's Thomas Thornton wrote: Many of us believe that this sacrifice [on foreign aid] should be made for humanitarian or other reasons but we are probably a very small minority. Americans resist this kind of thinking within their own borders and no doubt have still less sympathy for it when applied to distant parts. Nevertheless, the administration failed to test the proposition since the President was never mobilized to argue the foreign assistance case to the American public in the opening months of the Administration when he had his best chance to make a decisive impact. By the time he recognized the need himself it was too late and there were other priorities. Vance's speech [in 1979] was a case of too little and too late. (*FRUS*, 1977-1980, Vol. III, Foreign Economic Policy, doc. 354, <https://history.state.gov/historicaldocuments/frus1977-80v03/d354>.)

July 1979, the same month the Sandinistas took control of Nicaragua, Carter's popularity was lower than Nixon's two months before he resigned.<sup>546</sup>

## Conclusion

Despite claims to a global approach, the Carter Administration's strategy in Latin America never really extended beyond regionalism. It was not without its successes—the amount of violations to the first human rights “basket,” the integrity of the person, declined significantly in the Southern Cone, and Carter would leave a powerful legacy in U.S. foreign policy that would be drawn upon by both Republicans and Democrats, sometimes for opposite purposes. However, a global approach based on changing U.S. trade policies for advanced developing countries, and a basic human needs strategy for poorer developing countries, were impossible without support from Congress, which Carter neither had nor sought.

Instead, the NSC's Thomas Thornton explained, Congressional protectionism was running opposite to “the open trade policies that the situation requires.” As for the basic needs approach, not only was it “seen as patronizing, if not interventionist, by most of the poorer countries with whom we deal,” it “reflected a condescending American attitude and was therefore especially ill-suited to mesh with a key aspect of our North-South strategy—the attempt to cultivate regional influentials.”<sup>547</sup> Key developing countries remained unconvinced that Carter's emphasis on basic needs was not a tactic to avoid discussion of structural issues. Thus, Pérez's characterization of poverty as a “symptom” of international economic relations, rather than a “cause” in itself.

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<sup>546</sup> Quotes and figures cited in Pastor, “The Carter Center and Latin America,” 46, 49.

<sup>547</sup> *FRUS*, 1977-80, Vol. III, Foreign Economic Policy, doc. 354.

<https://history.state.gov/historicaldocuments/frus1977-80v03/d354#fn2>.

If the global approach never really happened, then the bilateral or regional approach was also failing to translate to other areas, namely, functionally specific forums like CIEC and UNCTAD. According to the NSC, these forums constituted the “soft” plane of North-South bargaining, and were the only places where the U.S. confronted the South as a whole. Despite warm relationships with several Third World leaders, “there is no effective link between our bilateral concerns with specific developing countries and the implementation of international economic policy on the one hand,” Guy Erb wrote to Brzezinski, “and [soft] ‘North-South’ encounters on the other.”<sup>548</sup> This made sense when considering the generally conservative position taken by the U.S. in each of the soft forums; as Manuel Pérez-Guerrero told Carter, developing countries saw the U.S. as “more inclined to defend the status quo than create new solutions.” These contradictions—between Carter’s rhetoric and bilateral relationship-building, and his diplomats’ conservatism in UNCTAD and the CIEC—produced a strategy that was “fragmented and limited,” causing division in both North-South relations and North-North relations.

Nowhere was division more likely in soft forums than on debt. From the beginning of the North-South dialogue, U.S. proposals on debt focused almost exclusively on the poorest “Fourth World” countries. However, since then official debts had skyrocketed in the 14 “upper-tier” developing countries, whose annual interest payments were estimated at \$7 billion and whose annual payments on principal were

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<sup>548</sup> *FRUS*, 1977-80, Vol. III, Foreign Economic Policy, doc 295.  
<https://history.state.gov/historicaldocuments/frus1977-80v03/d295>. Erb described the U.S. approach at CIEC and UNCTAD “as one word: containment. We seek to contain first those developed countries that wish to adopt more forthcoming approaches to negotiations with developing countries; and second, the leading developing countries, whose proposals are seen as a challenge to an economic system that has served our interests well and could also serve the interests of developing countries if given a chance.

expected to reach \$16 billion by 1979, a 45 percent increase from 1976 and nowhere near the modest amounts the U.S. had pledged for the Fourth World.<sup>549</sup>

If the U.S. was not prepared to act on debt, it would at least have to allow more exports from debtors—which it was also not prepared to do. “Without an adaptation to that need,” Erb foreshadowed, “we run the risk of threatening the viability of the international financial system.” The outlook for UNCTAD V in May-June, 1979 was not good: “The US position for the forthcoming UNCTAD meeting on international debt is currently so modest that strains within the OECD group and a confrontation with the developing countries appear inevitable.” Within the OECD, the U.S. was viewed by France, Britain, and Germany “as a conservative force whose defense of economic principles will prevent the adoption of measures that some European countries are willing to accept,” and by progressive Nordic countries like Sweden and The Netherlands “as an obstacle to real progress in the North-South Dialogue.”<sup>550</sup>

Erb then outlined three strategies that the U.S. could take. One, the U.S. could continue to “muddle through” soft forums, with the hope that G-77 disunity would prevent confrontation. Two, the U.S. could “buy some time” with “a long list of initiatives,” as Kissinger had done in his speech at the UN Seventh special Session: “Such a policy might buy some time, but our credibility would be immediately questioned, and we would be correctly perceived as retreating from stated objectives.” Third, the U.S. could embrace the theme of shared cooperation from Carter’s speech to the Venezuelan Congress. Such an approach would include stressing the “hard choices” limiting U.S. policy, such as Congressional pressure and other domestic concerns,

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<sup>549</sup> *FRUS*, 1977-80, Vol. III, Foreign Economic Policy, doc 295.

<sup>550</sup> *FRUS*, 1977-80, Vol. III, Foreign Economic Policy, Ibid.

“coupled with a serious effort to move toward mutually beneficial policy initiatives wherever possible,” especially in science and technology, food, and energy. This approach would also emphasize U.S. actions in the UN and functional organizations like the IMF, World Bank, GATT, and especially UNCTAD, in which the U.S. was most apart from both the G-77 and the OECD.

Option three would not resolve the North-South divide by itself, but it “could break the deadlock in which the OECD countries and Group of 77 now find themselves,” while also helping to “clear the air” in U.S. bilateral or regional relationships.<sup>551</sup> However, it would require a substantial change in the State Department’s conservative position in soft forums. “We approach these economic negotiations individually without any grand strategy,” Thomas Thornton elaborated.

What we need to do is find some areas where we need not be defensive. The only way to force [Undersecretary of State for Economic Affairs] [Richard] Cooper and Company to do this is to make them show their entire hand on the full range of North-South negotiations. They have a very good case to make on each individual point. The poverty of their position seen as a whole, however, will be so evident that Vance or the President will tell them to do something.<sup>552</sup>

“Firm implementation of this option would entail some bureaucratic upheavals,” Erb concluded, “but without a commitment to take that risk I see little prospect that our North-South policies will be any different in 1980 than they are now.”<sup>553</sup>

Brzezinski approved option 3, and put Pastor, Erb, and Thornton to work on an outline for a new U.S. strategy for the North-South dialogue. But would they succeed

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<sup>551</sup> *FRUS*, 1977-80, Vol. III, Foreign Economic Policy, Ibid.

<sup>552</sup> *FRUS*, 1977-80, Vol. III, Foreign Economic Policy, doc. 296.  
<https://history.state.gov/historicaldocuments/frus1977-80v03/d296>.

<sup>553</sup> *FRUS*, 1977-80, Vol. 3, doc. 295.



against bureaucratic resistance, a hostile Congress, and a skeptical public at a moment of economic crisis and foreign policy reversals?

## Chapter 6: Basic Needs and Appropriate Technology, 1977-81

### Towards a North-South Strategy, 1977-78

#### *The Path to PRM-8, 1977*

National Security Advisor Zbigniew Brzezinski liked to tell reporters that, in contrast to Henry Kissinger and Gerald Ford, he and Jimmy Carter sought “architecture” over “acrobatics” for managing America’s global responsibilities.<sup>554</sup> As he informed Carter in April 1977: “Your [foreign] policy... places emphasis not so much on maneuver, but on building new structures—new relationships with friends, with adversaries, with the developing world, even with the whole world—that we hope will have a measure of permanence. It is, therefore, an optimistic policy—we hope to build a better world—not simply survive in a hostile one. It is a policy of constructive global engagement.”<sup>555</sup>

Carter’s team entered office determined to move U.S. foreign policy beyond Cold War binaries, and North-South relations immediately became its most ambitious—and scattershot—area of policymaking. In its first year the Administration successfully pursued its “political” goals in the Third World, most importantly the resolution of Panama Canal negotiations, but failed to secure an agreement with developing countries on energy at the Conference on International Economic Cooperation (CIEC). Outside of North-South economic negotiations (the “North-South dialogue”), Carter and Secretary of State Cyrus Vance devoted significant attention to reforming U.S. foreign assistance: evangelizing the concept of “basic human needs” at home and abroad, working with

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<sup>554</sup> Brzezinski quoted in Stanley Hoffman, “The Hell of Good Intentions,” *Foreign Policy* no. 29 (1977), 4.

<sup>555</sup> Jimmy Carter Presidential Library (JCPL), RAC, NLC-12-26-6-2-2, Memo, Brzezinski to Carter, “Four-Year Goals,” April 29, 1977, (*RAC, NS, Goals/Evals, NSC-4 Year, 77pp*).

Congress to redirect aid away from large-scale development projects and toward anti-poverty programs, and setting up a world hunger initiative that declared as U.S. policy “[a] basic minimum level of health, nutrition, and family planning services should be available to the world’s poor, whether they live in rural areas or urban slums.”<sup>556</sup> At the G-7 summits in London (May 1977) and Bonn (July 1978), Carter and his counterparts pledged to increase world development budgets and resist protectionism at home, but low growth and rising unemployment left summiteers unwilling to commit to numbers. Carter’s hopes to work with Europeans on reducing the global arms trade and the spread of nuclear technology ran into firm resistance from France and West Germany, both unwilling to risk offending Third World countries with whom they had signed major arms and nuclear fuel agreements.<sup>557</sup>

Administration officials were well aware of this conceptual incoherence. “We have not devised an overall economic or political strategy,” the NSC’s new “North-South cluster” concluded in its first annual report. “Much of our policy has appeared to be in the form of isolated initiatives rather than part of a more general perspective.”<sup>558</sup> The White House had spent the better part of 1977 working through three “Tracks” of “PRM [Policy

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<sup>556</sup> *FRUS*, 1977-1980, Vol. II, Human Rights and Humanitarian Affairs, Doc. 313 (<https://history.state.gov/historicaldocuments/frus1977-80v02/d313>).

<sup>557</sup> In 1975 Helmut Schmidt helped arrange a \$4 billion contract for German firms to build a nuclear fuel reactor in Brazil. When Carter proposed joint action on restricting nuclear technology sharing at his first G-7 summit in London, Schmidt balked, predicting that countries on a “‘have not’ or ‘must not’” list would be less inclined to cooperate on North-South economic issues (G-7, London Summit, Session II, May 7, 1977, <http://www.margaretthatcher.org/document/111491>). Gray writes, “The showdown between the German Chancellor, Helmut Schmidt, and the US President widened into one of the deepest trans-Atlantic rows of the cold war, with German commercial-mindedness squared off against a zealous US non-proliferation agenda” (William Glen Grey, “Commercial Liberties and Nuclear Anxieties: The U.S.-German Feud over Brazil, 1975-7,” *International History Review* 34, no. 3 (2012): 450.

<sup>558</sup> JCPL, RAC, NLC-24-101-8-3-1, Thornton to Brzezinski, “Annual Report—North-South,” December 8, 1977.

Review Memorandum]-8,”<sup>559</sup> an attempt to set medium term (12 months) and long term (4-8 years) policies for reforming North-South political and economic relations, and morale was low. Roger Hansen, an expert on North-South relations at Johns Hopkins and Senior Fellow at the Overseas Development Council (ODC) whom Brzezinski had brought on to help with Track II, nearly quit as a result of bureaucratic turf wars and personality clashes between the State Department, the Economic Policy Group (headed by the Treasury Department), and the North-South Cluster.<sup>560</sup> “I have wasted your time and mine,” Hansen despaired to Brzezinski in July, “and it appears that no constructive purpose has been served.”<sup>561</sup>

In October 1977 Carter finally received and signed a Presidential Directive for North-South relations that declared “trade, access to capital markets, and foreign assistance the leading edge of our strategy, since these policies maximize the role of market forces and most efficiently promote development.” The document also pledged to “pursue multiple objectives in the Third World relating to our security, economic, and humanitarian concerns,” including “policies which restrict arms transfers and control

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<sup>559</sup> PRM-8 was one of the first studies called for by the NSC, of just 7 others in January 1977. A CIA analysis noted: “Of the first 24 PRMs assigned by the NSC... fully 15 dealt at least in part with ‘southern’ matters—e.g., human rights, military base rights in key LDCs, Southern Africa, and nuclear weapons proliferation prospects in such countries as India, Pakistan, Brazil, Argentina—an indication of the importance accorded issues affecting U.S. relations with the LDCs by the new administration.” (JCPL, RAC, NLC-29-42-4-10-9, *CIA Studies in Intelligence*, vol. 21, no. 4 (Winter 1977), “Anatomy of PRM-8”.

<sup>560</sup> “It has taken three weeks to get thoughtful people from key agencies to believe that this was a serious exercise,” Hansen wrote to a Brzezinski aide. “There is deep skepticism, much of it stemming from the fact that the EPG is seen as the ‘operative’ group on the issue.” (JCPL, RAC, NLC-133-225-2-4-8, NSC Memorandum, Hansen to Aaron, “My ‘Resignation,’” April 11, 1977). Hansen was not alone. The same day, Robert Pastor wrote to Brzezinski’s deputy on “The Atomization of the North-South Cluster,” complaining that “[it] is a unit only in name.” (JCPL, RAC, NLC-24-59-2-3-5, NSC memorandum, Pastor to Aaron, April 11, 1977).

\*Although few of his colleagues were probably aware, Hansen suffered from severe depression. After his tragic suicide in 1991, aged 55, college friend Calvin Trillin wrote a moving and insightful book on Hansen’s life, his struggles, and their meaning, titled *Remembering Denny*.

<sup>561</sup> *FRUS* 1977-1980, Vol. III, Foreign Economic Policy, doc. 271 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d271>).

nuclear technology,” encouraging Communist countries “to make a more constructive contribution to the amelioration of poverty,” and addressing “the basic human needs of poor people in developing countries.” In terms of the North-South *dialogue*—that is, discussions in the UN General Assembly and UNCTAD, which would hold its fifth meeting in June 1979—the Administration’s position was dismissive if not hostile. “[W]e will make an effort to channel negotiations, particularly on technical issues, in more specialized, functionally specific institutions where the environment is less politicized,” the authors emphasized. “[O]ther issues—such as commodities and official debt—are of political importance to LDCs frequently out of proportion to their potential economic significance.”<sup>562</sup>

### *Problems and Prospects, 1978*

Southern leaders did not hesitate to register their disappointment at the Administration’s less than forthcoming stance on global negotiations. At the CIEC’s conclusion in June 1977, U.S. negotiators had replayed the Kissinger card of accepting a Common Fund “in principle” while resisting proposals for a new forum to deal with developing countries’ rising sovereign debts.<sup>563</sup> “Since [the CIEC] virtually nothing has happened,” President Carlos Andrés Pérez of Venezuela told Carter when he visited Caracas in March 1978. “What worries us is that the North-South dialogue has stagnated. We have talked about ways of moving the dialogue forward in the UN. The G-77 has

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<sup>562</sup> JCPL, RAC, NLC-24-101-8-2-2, Presidential Directive/NSC, “U.S. Policies Toward Developing Countries,” undated.

<sup>563</sup> The expectation that the Administration would “soften the U.S. position on LDC debt” was the main reason Brazil, Venezuela, Argentina, Nigeria, and others postponed reconvening the CIEC in the second half of 1976. (JCPL, RAC, NLC-24-59-2-4-4, Telegram, State to Embassies, April 1977.)

pressed for an open forum. No decisions have been made to carry out the limited agreements of [the] CIEC.”<sup>564</sup>

Carter received similar feedback that summer, when he, Brzezinski, Deputy Secretary of State Warren Christopher, and UN Ambassador Andrew Young met with the heads of several Latin American countries to discuss, in Jamaican Prime Minister Michael Manley’s phrase, the “primordial issue of the North-South dialogue.” Speaking for the group, Manley listed the Common Fund, resource transfers, IMF reform, and debt rescheduling as the “four components” necessary to move the dialogue forward. Without renewed attention to the dialogue, Pérez added, “the President is likely to hear screams instead of rhetoric” from the South.<sup>565</sup>

Two months after the Manley meetings, the Carter Administration underwent its second major North-South strategy review. The most consistent observation was that the Administration’s progressive but disparate actions had done no more to change the dialogue’s agenda than those of its predecessors. “Since 1974 we have been on the defensive,” Undersecretary for Economic Affairs Richard Cooper wrote to Vance. “To a great extent this is inherent in the character of the debate, since the G-77 are the demandeurs, and we are the defenders, if not of the status quo at least of the essentials of the existing international economic system.”<sup>566</sup>

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<sup>564</sup> JCPL, RAC, NLC-24-47-2-11-9, Memorandum of Conversation, President Carter and President Pérez of Venezuela, March 29, 1978.

<sup>565</sup> *FRUS*, 1977-1980, Vol. 3, Foreign Economic Policy, doc. 306 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d306>).

<sup>566</sup> *FRUS*, 1977-1980, Vol. 3, Foreign Economic Policy, doc. 315 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d315>). The North-South cluster’s Guy Erb described the Administration’s “defensive” position another way: “containment”:

We seek to contain first those developed countries that wish to adopt more forthcoming approaches to negotiations with developing countries; and second, the leading developing countries, whose proposals are seen as a challenge to an economic system that has served

Another problem, the NSC's Thomas Thornton pointed out, was that the Administration lacked, if not the capital for "a different distribution of the world's resources and power," as the South insisted, then any "strong base of public and Congressional support for [such] policies."<sup>567</sup> But that support had to be cultivated—and in a sustained and realistic way. The Common Fund was one prominent example. "The developing countries see the Fund as the touchstone of industrial countries' attitudes toward their aspirations and our support for it as an important indication of our commitment to a constructive North/South dialogue," Vance told Carter in August 1978, and, reminding him of his commitments at the London and Bonn summits on that issue, urged the President to begin a strategy to secure its eventual ratification before the U.S. Senate.<sup>568</sup> *"Even this modest version (with a provision that excluded mandatory U.S. contributions)"* Treasury Secretary Blumenthal warned Carter at the time, *"may not be acceptable to the Congress without your heavy personal involvement."*<sup>569</sup> However, Carter never did speak to Congress in support of the Common Fund agreements and, after the conclusion of negotiations in July 1980, would not risk sending them to the Senate during election season. To no one's surprise, the Reagan Administration declined to submit for Congressional ratification the agreements signed by Carter, and the Common Fund finally become operable in 1989 without any U.S. support.

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our interests well and could also serve the interests of developing countries if given a chance.

(Ibid, doc. 295, <https://history.state.gov/historicaldocuments/frus1977-80v03/d295>)

<sup>567</sup> *FRUS*, 1977-1980, Vol. 3, Foreign Economic Policy, doc. 320 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d320>).

<sup>568</sup> *FRUS*, 1977-1980, Vol. 3, Foreign Economic Policy, doc. 314 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d314>).

<sup>569</sup> *FRUS*, 1977-1980, Vol. 3, Foreign Economic Policy, doc. 313 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d313>). Emphasis added.

In August, Cooper proposed to Vance “A Possible Orientation for North-South Strategy in 1979” that would address both problems by focusing U.S. strategy on two unique “strengths”: “[O]ur leadership in moral and humane values (in particular, our commitment to freedom of the individual and our defense of his rights against the state and other large impersonal entities) and our technological prowess.” Unlike resource- and power-transfer items like the Common Fund—which U.S. officials had a difficult enough time selling to each other, let alone Congress and the American public—new *American* proposals for combating poverty and sharing scientific knowledge could be promoted as examples of U.S. leadership consistent with individualistic values about markets and human rights.

Carter was fond of Biblical logic—and what was technology transfer but teaching a man to fish? Further, Carter and Vance had already done a good deal of legwork getting the word out on basic needs, naming the approach as official U.S. policy in several speeches throughout 1977, including Vance’s landmark human rights speech at the University of Georgia that declared “the right to the fulfillment of such vital needs as food, shelter, health care, and education” to be an essential human right.<sup>570</sup> “The President’s early emphasis on the importance of human rights as an element of American foreign policy, and the shift of emphasis in our aid program to basic human needs, have both helped us to regain the initiative in the area of moral and humane values,” Cooper continued. “Not all developing countries will like this position, but in my view it provides

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<sup>570</sup> Cyrus Vance, “Human Rights Policy,” April 30, 1977.  
[http://digitalcommons.law.uga.edu/cgi/viewcontent.cgi?article=1015&context=lectures\\_pre\\_arch\\_lectures\\_lawday](http://digitalcommons.law.uga.edu/cgi/viewcontent.cgi?article=1015&context=lectures_pre_arch_lectures_lawday)



the only possible basis for building and sustaining broad-based support for foreign assistance with the American public.”<sup>571</sup>

### **Negotiating the Stalemate at UNCTAD, 1979**

1979 was a fateful year for world order. The People’s Republic of China began opening its economy to the West, while the Soviet Union pursued a strategy of outright aggression in Afghanistan. Communist Vietnam invaded Communist Cambodia, where the U.S. and others ignored genocide until the very last minute. In Nicaragua a right-wing dictator fell to leftist revolutionaries; in Iran, a pro-Western autocracy was turned practically overnight into an anti-Western theocracy. The developed countries’ oil bill spiked once again, as did inflation and unemployment. Economic growth suffered, and so did Carter’s approval rating.

It was also a fateful year for the North-South dialogue. Ongoing Common Fund negotiations excepted, North and South had not returned to the table since the failed CIEC in 1977. That summer’s series of conferences—most importantly the fifth meeting of UNCTAD in May and the UN Conference on Science and Technology for Development (UNCSTD) in August—were highly anticipated by both sides. However, in their expectations for what the dialogue could—or should—achieve, North and South could not have been farther apart.

#### *The South Prepares for UNCTAD V*

In September 1978, representatives from the three G-77 “groups” (Latin America, Africa, and Asia) began meeting to prepare an agenda for UNCTAD that reflected shared

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<sup>571</sup> *FRUS*, 1977-1980, Vol. 3, Foreign Economic Policy, doc. 315  
<https://history.state.gov/historicaldocuments/frus1977-80v03/d315>.

priorities and reinforced group solidarity. In their first presentation in December, the ministers made clear that they expected movement on the proposals for global structural reform that North and South had been kicking back and forth since 1974. “The North-South dialogue has moved from the era of declaration to the era of negotiation,” they announced in a group statement to the press. Indeed, this was why UNCTAD V was meeting three and not four years after UNCTAD IV: the G-77 wanted to ensure that the U.S.’s negotiating capacity would not be constrained by an election year.<sup>572</sup>

In February 1979, G-77 ministers met for the fourth time in Arusha, Tanzania, after which they released to the press their agenda for UNCTAD V. In addition to a comprehensive “Framework of Negotiations,”<sup>573</sup> which would be used at UNCTAD V more or less verbatim, the lengthy “Arusha Programme” also contained a strongly worded “Plan for Collective Self-Reliance.” Its “Action Plan” called for, in effect, the establishment of a set of alternative international trade agreements, designed by UNCTAD experts and governed by and for the South.<sup>574</sup>

The Action Plan was, on its face, unrealistic, involving the creation of dozens of new organizations and agreements that the “Group B” developed countries could not

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<sup>572</sup> Robert K. Olson, *U.S. Foreign Policy and the New International Economic Order: Negotiating Global Problems, 1974-1981* (Boulder, CO: Westview Press, 1981), 36, fn. 12.

<sup>573</sup> The framework proposed eight negotiating groups, including:

- 1) structural changes and the way UNCTAD could be strengthened
- 2) abolishing Group B protectionism
- 3) revisiting North-South terms of trade
- 4) more debt relief and fewer conditionalities for loans
- 5) technology transfer
- 6) special treatment for Least Developed Countries (LLDCs)
- 7) trade between developing and socialist countries
- 8) economic cooperation among developing countries.

(Stephen Taylor, "Note of the Month," *The World Today* 35, no. 8 (1979): 311-15.)

<sup>574</sup> The Action Plan included a global system of exclusionary trade preferences among developing countries, cooperation among state trading organizations, establishment of multinational enterprises, strengthening of existing regional and sub-regional groups like the Latin American Economic System (SELA), technology sharing, and more.

possibly support. But like many bold proposals associated with the NIEO, its logic becomes clearer in light of developed country resistance to more moderate trade reforms within the existing system. A good example is the Generalized System of Preferences (GSP), a plan to grant poorer countries special, non-reciprocal trade concessions with the North that would otherwise violate GATT rules. First proposed in 1964 by UNCTAD founding Secretary-General Raúl Prebisch, the GSP was affirmed by both sides at UNCTAD II in 1968 and once again at GATT negotiations in 1971. However, Northern countries demanded their *own* concessions in return, including “the right not only to decide the products to which to extend GSP but also to withdraw the preference if domestic problems required it,” thereby nullifying the GSP’s full power.<sup>575</sup>

Further, as Chapter 5 shows, efforts at Southern regional and sub-regional organization required only the support of interested states. In response to the 1974 U.S. Trade Act, which removed special preferences for Venezuela because of its OPEC membership (despite not participating in OPEC’s anti-U.S. boycott), Latin American states formed their own regional trade pact excluding the U.S. and oriented toward Europe.<sup>576</sup> Either way, the Arusha Programme demonstrated the G-77’s profound frustration with the course of the dialogue, following Kissinger’s laundry list of promises in 1975-76 and the Carter Administration’s inability (or as many in the South saw it, unwillingness) to follow through on its own renewed pledges to increase Official Development Aid, open U.S. markets to Southern competition, and provide financing and

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<sup>575</sup> I. S. Gulati, "UNCTAD Yes, Structural Reform No." *Economic and Political Weekly* 14, no. 36 (1979): 1547.

<sup>576</sup> In a 1985 interview, Raul Prebisch, the “father” of UNCTAD, summarized the results of Latin American regional economic integration with characteristic ambivalence and wit: “It was not a failure. It was not a success. It was a mediocrity. A typical Latin American mediocrity.” (Raul Prebisch interview with David Pollock, [http://www.cepal.org/publicaciones/xml/7/20097/lcg2150i\\_Pollock.pdf](http://www.cepal.org/publicaciones/xml/7/20097/lcg2150i_Pollock.pdf)).

loans on better terms.<sup>577</sup> “The phase of petition is over,” the G-77 ministers reiterated in their joint statement. “That of organized practical action must begin.”<sup>578</sup>

### *The North Prepares for UNCTAD V*

In its own preparations, the Carter Administration effectively declared the negotiations over before they began. “We believe that by UNCTAD V, if agreement on the Common Fund can be reached, commodity and debt issues will move off center stage,” the State Department predicted in late 1978. “New issues, however, will emerge to fill the agenda. We want to be in a position to guide the selection of issues and shape the way in which they are addressed.”<sup>579</sup>

In the meantime, U.S. officials developed a list of “alternative” proposals for a post-UNCTAD North-South agenda. The objective was to move the dialogue beyond the South’s persistent emphasis on changing international economic structures and resources transfers—basically, what Northern states could do for Southern states—and towards “the alleviation of the worst physical aspects of poverty [and] the promotion of self-sustaining growth with equity”—what Southern states, with Northern states’ targeted assistance, could do for their citizens. For the State Department, the South’s adherence to the NIEO’s structural agenda and unenthusiastic reception of basic needs was the dialogue’s “central irony... that while it ostensibly centers on development, development per se is almost never discussed.” More important, a basic needs or development-focused

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<sup>577</sup> Commonwealth Secretary-General Shridath S. Ramphal said at Arusha, “We had high hopes when [U.S. Undersecretary of State for Economic Affairs] Dick Cooper joined the administration, but nothing changed. What happens to people when they get into office?” (Olson, *U.S. Foreign Policy*, 34).

<sup>578</sup> Olson, *U.S. Foreign Policy*, 33.

<sup>579</sup> *FRUS*, 1977-1980, Vol. 3, Foreign Economic Policy, doc. 321 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d321>).

approach to the dialogue would be “politically appealing, economically sound and domestically supportable,” in a way that the previous strategy of limited concessions to G-77 institutional demands—e.g., the Common Fund—had not been.<sup>580</sup>

Vance introduced the new U.S. policy in a March 1979 address titled “America’s Commitment to Third World Development.” The speech contained the usual nods to the necessity of international cooperation in an interdependent world, the U.S.’ commitment to working together with developing countries towards a more “just” economic order, and so on. Vance also listed several accomplishments of the first two Carter years, including expansion of the IMF’s lending capacities, new individual commodity agreements for coffee, tin, and sugar, easing of the debt burdens of some least developed countries (LLDCs), and Carter’s proposed International Development Cooperation Administration,<sup>581</sup> intended to streamline the administration of U.S. foreign assistance.

However, two features stood out. First, Vance made clear that the U.S. would no longer pretend to accept the New International Economic Order’s premises, dismissing “alterations in the international system and resource transfers among nations [as] ends in themselves.” In other words, the U.S. would not affix its name to any more new institutions controlled by the South than it already had. Second, Vance indicated that the

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<sup>580</sup> *FRUS, Ibid.*

<sup>581</sup> Carter himself submitted IDCA’s plans to Congress, which approved the new agency in July 1979. The idea initially came from Senator Hubert Humphrey, and the idea was to “depoliticize” foreign aid by removing USAID from the State Department and placing it under IDCA’s control. Guy Erb, an Overseas Development Council Senior Fellow and NSC North-South cluster member, was its first Deputy Director. However, according to one scholar, “President Carter did not support IDCA... [and] USAID programs were not immediately transferred from the State Department to IDCA. The end result was that the State Department co-opted IDCA.” Regardless, the Reagan Administration quickly brought IDCA, and with it USAID, back under State Department control, and, with no permanent staff or clear purpose, it was finally disbanded in 1998. (Rachel M. McCleary, *Global Compassion: Private Voluntary Organizations and U.S. Foreign Policy* (New York: Oxford University Press, 2009), 130.)

U.S. would bring to UNCTAD V an agenda that was just as unilaterally determined as the Arusha Programme:

Our progress in North-South negotiations—our progress toward a more equitable and healthy new international economic order—will turn on our common ability to avoid endless debates on sterile texts and to focus instead on concrete development problems which we can tackle together and which directly affect people's lives.

Only by focusing on practical ways to meet human needs can we remain clear about our goals and clear in explaining them to our peoples. I know that the American people will never be convinced that there is an inherent value only in resource flows among nations. They want to know, and have a right to know, how their taxes are being used to better the lives of people abroad.

In terms of resource transfers, Vance was saying, this—basic needs and technology transfer—was the only new thing on the table: “Thus while we will continue to work with the developing countries in addressing the future of the international political and economic system, we intend increasingly to concentrate on specific development goals: energy, food, health, and increasing the capacity of the developing countries to obtain and apply the knowledge and technology they need.”<sup>582</sup>

#### *Stalemate and Division at UNCTAD V*

One month after Vance's speech, 5,000 delegates and officials from over 200 states and international organizations met in the brand new Philippine International Convention Center in Manila for UNCTAD V. The Manila program (adapted from Arusha) was complex, even by UNCTAD standards. The conference agenda listed over a dozen categories including interdependence, trade, monetary and financial issues, technology transfer, Economic Cooperation Among Developing Countries (ECDC), and

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<sup>582</sup> *FRUS*, 1977-1980, Vol. 1, Foundations of Foreign Policy, doc. 115  
<https://history.state.gov/historicaldocuments/frus1977-80v01/d115>

measures for “least developed countries” (LLDCs), with numerous subcategories for each.

At UNCTAD IV Kissinger had made a major policy reversal and endorsed the G-77’s Integrated Programme for Commodities, establishing a path towards the Common Fund. The developed countries would drag their feet in subsequent negotiations—which developing countries did not hesitate in pointing out—but at least in theory, the G-77 had made real progress toward its longstanding goal of giving UNCTAD an actual mandate in international economic policy.<sup>583</sup>

The South’s hope for Manila was to extend this mandate into other areas controlled by developed countries, to bring about structural change from trade and finance to food and technology. This was the reason for the proliferation of agenda items, UNCTAD’s Secretary-General Gamani Corea explained: “In fact, structural change was not only the theme of each agenda item: it was also the subject of a separate agenda item which was intended to provide a conceptual frame for the Conference and in the context of which the international community was invited to confirm its conviction that structural changes were needed and to set up a mechanism for keeping issues in this field under review, particularly issues arising out of the interdependence of problems in the field of

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<sup>583</sup> Gamani Corea described UNCTAD’s conundrum:

On the one hand, you have UNCTAD as an organization which takes various strong positions on various issues but is really a debating house in which certain views are expressed and goals are defined. It passes resolutions, but does not get on to implement them. You then have an institution which serves a purpose but after a while but then begins to lose credibility because then the countries, including developing countries, will say that UNCTAD does not produce results. A point can be reached where developing countries themselves feel that it is not UNCTAD where they can do business. Thus UNCTAD should be not only a generator of new ideas but should also supplement this role by becoming a place where you can do business. (“Interview with Gamani Corea.” *Third World Quarterly* 1, no. 3 (1979): 10)

trade, money, and development.”<sup>584</sup> This affirmed the UNCTAD leadership’s commitment to the NIEO’s most basic objective: the redistribution of *political* power in international economic relations.

Per Vance’s speech, U.S. negotiators pursued the opposite. A State Department official involved in the negotiations summarized: “The specifics varied from issue to issue, but the policy remained the same: no funds, no institutions, no expansion of UNCTAD, no change in the present system, no impairment of U.S. autonomy, no increased international management, no invasion of the private sector.” On commodities—which accounted for over 80 percent of developing countries’ exports (95 percent for LLDCs)—the U.S. rejected G-77 proposals for new “comprehensive frameworks” for marketing and distribution (though true to Vance’s promise it remained committed to completing Common Fund negotiations). On debt, the U.S. rejected G-77 proposals for a separate commission that included creditors, still insisting that there was “no generalized debt problem” among developing countries (though it did agree to Retroactive Terms Adjustment (RTA) measures for seriously indebted countries). Where they could, U.S. negotiators stressed Washington’s hope that “the North-South dialogue would address the real issues of development [i.e., basic needs] rather than engage in sterile rhetoric.” Thus, the U.S. supported the Comprehensive New Program of Action for LLDCs, or “least developed countries,” based on the mutual recognition that most of the development programs of the 1960s had neither grown their economies nor improved living standards. The final resolution matched U.S. commitments to double its Official Development Assistance levels in three years (the same proposal Vance gave at the

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<sup>584</sup> Gamani Corea, *Need For Change: Towards the New International Economic Order* (London: Pergamon, 1980), 28.



CIEC) with a pledge for aid to meet “social objectives,” apparently a reference to basic needs.<sup>585</sup>

Considering both sides’ expectations for conflict, the State Department equated stalemate with success. “Sweeping resolutions demanding major restructuring of the world’s economy went nowhere,” one official reported to Vance, and the conference “ended on a quiet note with no strong recriminations on the part of the G-77.”<sup>586</sup> However, this had less to do with Southern satisfaction with the conference’s results, than with Southern disunity over the topic of energy.

Oil prices had been a source of tension within the Southern coalition since 1974, and both the Ford and Carter administrations had repeatedly pointed out that OPEC’s actions hurt rich and poor countries alike (and the poorest, the most). Energy was so controversial that, despite its obvious importance for global development, it appeared nowhere in UNCTAD V’s official agenda. However, UN Secretary-General Kurt Waldheim made the energy-development link in his plenary address. A few days later, U.S. Ambassador Andrew Young also argued that “global development had been seriously retarded” by high energy prices, and noted the “cruel irony” for “the most underdeveloped countries who are least able to bear it.”<sup>587</sup>

Meanwhile, oil-importing developing countries were losing patience. In 1975 the Tanzanian Minister of Commerce accused OPEC of “appearing to turn their backs on the developing countries, particularly the least developed,” after another 10% price increase. OPEC *had* promised hundreds of millions in aid through several new multilateral

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<sup>585</sup> Olson, *U.S. Foreign Policy*, 47, 65, 71.

<sup>586</sup> *FRUS*, 1977-1980, Vol. 3, Foreign Economic Policy, doc. 330 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d330>).

<sup>587</sup> Olson, *U.S. Foreign Policy*, 74-75.

agencies, but these were only beginning to function. Further, there was a hierarchy: the first round of aid went almost exclusively to countries with Muslim majorities, while the rest had to wait for a second wave of funds.<sup>588</sup> This explained in part other UN activities such as the infamous November 1975 General Assembly resolution equating Zionism with racism: African states with a large Islamic population voted for the resolution, and most without abstained, were absent, or voted against. The State Department wrote at the time: “The Africans had been led to believe that they would receive far more aid than they actually have from the Arabs, in return for breaking relations with Israel and voting sympathetically on Arab causes. In fact, the Arabs have done very little at all in the area of aid to Africa, and that has not been lost on the Africans.”<sup>589</sup>

The first Southern delegation to bring up energy at UNCTAD V was from Latin America. At the plenary session of the Interdependence Commission, the head of the Colombian delegation insisted that energy too be brought under UNCTAD’s mandate. Other Latin American delegates soon joined in, placing Venezuela, which had positioned itself as a leader of both OPEC and the G-77, in the uncomfortable role of mediator. The resolution was squashed, as Venezuela promised to discuss the energy-development relationship at OPEC’s next meeting (which it did), but this crack in the Southern front was visible and undeniable.<sup>590</sup> Indeed, two months after UNCTAD V, the Organization of African Unity expressed its frustration with OPEC by refusing to condemn Egypt’s rapprochement with Israel and giving Anwar Sadat a standing ovation.<sup>591</sup> “Manila may

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<sup>588</sup> Paul Hallwood and Stuart Sinclair, *Oil, Debt, and Development: OPEC in the Third World* (London: George Allen & Unwin, 1981), 182-83.

<sup>589</sup> *FRUS*, 1969-76, Vol. E-14, Part 1, Documents on the United Nations, doc. 36 (<https://history.state.gov/historicaldocuments/frus1969-76ve14p1/d36>).

<sup>590</sup> Olson, *U.S. Foreign Policy*, 74-75.

<sup>591</sup> Charles A. Jones, *The North-South Dialogue: A Brief History* (New York: St. Martin’s Press, 1983), 91.

mark the end of discussing this issue [energy] in North-South fora,” the State Department noted hopefully, “although industrial countries will have to approach this issue with great caution.”<sup>592</sup>

In the Carter Administration’s defense, their open rejection of further structural reforms through UNCTAD was more honest than Kissinger, who had announced dozens of initiatives without the political capital, time, or interest to back them up. But UNCTAD V was the first of several important conferences that summer, and these would determine which direction the dialogue would take in the future. The State Department believed that this would largely depend on how well the U.S. delivered in the areas it *did* promise new things.<sup>593</sup> At a minimum, State explained, this meant “[d]oing everything possible within the Executive Branch and on the Hill to keep development assistance and food aid at respectable levels, to fight trade protectionism, and to secure legislation implementing commodity agreements.”<sup>594</sup>

It also meant a strong U.S. performance in August at the UN Conference on Science and Technology for Development—the second half of Cooper and Vance’s strategy for “sustaining broad-based support for foreign assistance with the American public.”<sup>595</sup>

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<sup>592</sup> *FRUS*, 1977-1980, Vol. 3, Foreign Economic Policy, doc. 330 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d330>).

<sup>593</sup> “The dialogue could go in one of two directions in the aftermath of UNCTAD V,” the State Department said:

LDC radicals, including some OPEC states, may urge increased militancy as a way to press for further structural reforms of the international system and as a means to restore G-77 unity. This option will probably be considered at the non-aligned meeting. Alternatively, G-77 moderates will argue that the period of declarations, action programs, and general debate may have about run its course, and further progress for LDCs will depend on tackling specific issues.

<sup>594</sup> *Ibid.*

<sup>595</sup> *FRUS*, 1977-1980, Vol. 3, Foreign Economic Policy, doc. 315 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d315>).

## UNCSTD, 1979: A Case Study

### *UNCSTD: The Argument for Action*

UNCSTD was not the most important gathering of the North-South dialogue, but its status as the last large global conference of the 1970s—and there had been many—conferred on it a special significance. “Like the Vienna Salt II summit,” explained one writer in *Science News*, “UNCSTD... culminates years of planning and many rounds of preliminary discussions between the nations involved. And like SALT, issues for the UNCSTD summit have been brought into focus only after years of growingly contentious rhetoric—much of it with little common ground in sight.”<sup>596</sup>

In spite of the North’s conference fatigue and the South’s past disappointments, there were good reasons to see promise for UNCSTD. For one—and this is easily overlooked in the battles over the Common Fund, debt, and energy—technology was the first point listed in the Declaration on the Establishment of a New International Economic Order: “The benefits of technological progress are not shared equitably by all members of the international community. The developing countries, which constitute 70 per cent of the world’s population, account for only 30 per cent of the world’s income.” The South’s paucity of qualified scientists and engineers and dependence on multinational corporations was explicitly linked in that first full paragraph to colonial and post-colonial underdevelopment. In fact, as one recent study on the history of sustainable development argues, in the 1960s “the power of large-scale technologies to increase productivity, generate wealth, and overcome persistent material scarcity” was one of the few postwar

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<sup>596</sup> Janet Raloff, “Vienna: Where North Meets South.” *Science News* 116, no. 7 (1979): 126.

development “faiths” Western and Third World leaders shared.<sup>597</sup> Thus, the NIEO called for “Giving to the developing countries access to the achievements of modern science and technology, and promoting the transfer of technology and the creation of indigenous technology for the benefit of the developing countries.”<sup>598</sup>

Two, U.S. officials had been telling the Third World for years that concrete actions on “specialized” economic topics (including technology transfer) were best left to small and focused gatherings, instead of UNCTAD and General Assembly meetings purporting to cover a dozen or more issues simultaneously. While UNCSTD would be a “political” conference in the sense that the developing countries did see it as part of the NIEO (it had its origins in the 1975 UN Seventh Special Session, which was meant as a follow-up to the 1974 Sixth Session at which the NIEO was announced), the focus on technology and support of the scientific community suggested that grandstanding might be kept to a minimum. Nor would there be the intractable issue of energy, which had so divided North and South at the 1974 World Food Conference and the 1975-77 Conference on International Economic Cooperation, and the South itself at UNCTAD V.

Three, the idea of sharing scientific ideas with developing countries—as opposed to merely sending more U.S. taxpayer dollars—was arguably the most domestically attractive North-South policy Carter could have. It fit neatly with one of his favorite lines about development from the campaign trail, “I don’t think it’s right to tax the poor people in our rich country and give the money to the rich people in the poor countries.” It had a long presidential pedigree, beginning with Democrat Harry Truman, who, the State

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<sup>597</sup> Stephen J. Macekura, *Of Limits and Growth: The Rise of Sustainable Development in the Twentieth Century* (New York: Cambridge University Press, 2015), 143.

<sup>598</sup> “Declaration on the Establishment of a New International Economic Order,” May 1, 1974 (<http://www.un-documents.net/s6r3201.htm>).

Department noted approvingly, “is the President [that] he [Carter] admires most.”<sup>599</sup> And given the economic climate—UNCSTD would convene just a few weeks after Carter’s “Crisis of Confidence” speech and in the midst of, once again, soaring domestic energy costs and inflation—it was probably the only foreign assistance measure that could gain some bipartisan support from Congress.

Finally, technology transfer had long been a priority for the politically influential, but diplomatically elusive, set of Southern countries the Carter Administration referred to as “regional influentials.” Also called the “advanced developing countries,” these were “those countries who were expected to play key roles in leading the other 100 or so Third World nations to a fuller, more just, and more cooperative membership in the much-discussed interdependent world.”<sup>600</sup> Integrating (or co-opting) this group through granting them a more prominent position in the existing international order was an important part of North-South strategy as outlined in PRM-8<sup>601</sup>, and in September 1977 Carter made a much-publicized tour of Brazil, Nigeria, India, Iran, and Venezuela—the original “reginfs”—to signal this priority.

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<sup>599</sup> The State Department summarized: “Truman’s Point Four program offered to make ‘the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas.’ He offered to make available our store of technological knowledge to ‘produce more food, more clothing, more materials for housing and more mechanical power to lighten their burdens’ of the free peoples of the world. *It represented the beginnings of our development-oriented foreign aid program.*” (FRUS, 1977-1980, Vol. 3, Foreign Economic Policy, doc. 315, <https://history.state.gov/historicaldocuments/frus1977-80v03/d315>. Emphasis added.)

<sup>600</sup> Thomas P. Thornton, “The Regional Influentials: Perception and Reality,” *SAIS Review* 9, no. 2 (1989): 247.

<sup>601</sup> In Fall 1977 Carter signed off on PRM-8 Track III, which read:

6. We will continue our efforts to devise policies which reflect the differing requirements of LDCs. We will fashion different levels of reciprocity where feasible, and encourage nations to accept increasing levels of international responsibility as they increase their participation in the international economy.

7. We will continue to use a variety of economic policy instruments. For example, trade, accesses to private capital and IFI hard lending, and technology will be among our principal instruments for economically strong LDCs, and concessional assistance will concentrate on those countries which are most in need.

While Carter's actions on the Panama Canal, Middle East peace, and apartheid helped, the U.S. had less to offer these countries on the economic side. "These are countries which do not need our financial assistance and for which we find it increasingly difficult to justify financial assistance," the State Department explained. "We can, nonetheless, emphasize our willingness to engage in technological collaboration, to help train people, and to help establish applied research facilities in those countries, provided they are willing to bear much of the cost. At the same time, this approach complements well our emphasis on basic human needs—food, health, education—in our foreign assistance programs."<sup>602</sup>

*Basic Needs, Appropriate Technology, and the Overseas Development Council*

The Carter Administration had a strong scientific bent, and some of its most important members sought to link science and technology to foreign policy in new ways. It began with the President himself, a trained nuclear engineer who believed nuclear weapons were the greatest threat to world peace. Carter tasked Gerard Smith, his Chief Delegate to the SALT talks, with "finding a way of using the U.S. hegemony in nuclear technology to impose conditions on the use of this technology by other countries." Harold Brown had been a government research scientist and President of Cal Tech, and as Carter's Defense Secretary he led a massive increase in the Pentagon's funding for research in microelectronics, computers, and jet engines to modernize the U.S. military.<sup>603</sup>

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<sup>602</sup> *FRUS*, 1977-1980, Vol. 3, Foreign Economic Policy, doc. 315 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d315>).

<sup>603</sup> David Dickson, *The New Politics of Science* (New York: Pantheon Books, 1984), 125, 183.

Zbigniew Brzezinski, Carter's most trusted foreign policy adviser, had earlier envisioned a new "technetronic era" in which intergovernmental collaboration on science and technology would strengthen ties among advanced capitalist nations and with influential members of the developing world.<sup>604</sup> In fact, technology played an important role in the establishment of official diplomatic relations between the U.S. and China. After visiting Beijing in May 1978, Brzezinski was convinced that the sale of advanced technology could break the negotiations' logjam, and a number of visits by leading American scientists soon followed. On January 31, 1979—30 days after the U.S. officially recognized China, and 7 months before UNCSTD—the two countries signed a major science and technology agreement that paved the way for China's rapid industrial takeoff and global economic integration.<sup>605</sup>

One of the Americans who visited Beijing for Brezezinski was not a scientist, but a Catholic priest. In addition to serving as President (1952-87) of Notre Dame University, Father Theodore Hesburgh had been a highly active member of the American liberal establishment for decades. Director of the U.S. Commission on Civil Rights, Chairman of the Rockefeller Foundation, and a Director of the Council on Foreign Relations and Chase Manhattan Bank were just a few of his roles and titles.

In 1977, Carter asked Hesburgh to lead the U.S. delegation to UNCSTD. Hesburgh had shown a longstanding interest in science and foreign policy, as the Vatican's permanent representative (1957-70) to the International Atomic Energy Agency and as a board member (1954-66) of the National Science Foundation. However,

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<sup>604</sup> Zbigniew Brzezinski, *Between Two Ages: America's Role in the Technetronic Era* (New York: Viking Press, 1970).

<sup>605</sup> Dickson, *New Politics*, 182-84.



in the 1970s, the activity that took up most of Hesburgh's time outside of South Bend—and one which he managed well as a highly organized workaholic—was Chairman of the Overseas Development Council.

The ODC was the most prominent and visible proponent in the U.S. of basic needs.<sup>606</sup> “A major rethinking of development concepts is taking place,” ODC President James Grant explained in 1971, two years after the group's founding, “compelled by a single fact: the unparalleled growth rates achieved by most developing countries during the 1960's had little or no effect on most of the world's people, who continue to live in desperate poverty.” By favoring large landowners, civil servants, and skilled industrial workers, he argued, the development process empowered interests with a disincentive for large-scale redistribution, while countries that had introduced massive welfare programs could no longer pay for them. A “new development strategy,” Grant insisted, would increase the poorest half of the population's position in the development process, by supporting small farmers and entrepreneurs, making best use of scarce capital and technology, and ensuring the availability of basic education and health care.<sup>607</sup>

Grant's observations matched those of other development experts, such as the British economist Barbara Ward, who championed “participatory development” from the International Institute for Environment and Development in London, and the Pakistani economist Mahbub Ul-Haq, a Senior Advisor at the World Bank who was selling basic needs to the Bank's president, Robert McNamara. (The ODC engineered collaborations

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<sup>606</sup> See Chapter 4 for more on the ODC and its relationship to the Carter campaign.

<sup>607</sup> James P. Grant, “Growth From Below: A People-Oriented Development Strategy,” ODC Development paper 16 (December 1973), 5-6.

with both scholars.<sup>608</sup>) Their ideas received a major public relations boost from the 1973 international bestseller *Small is Beautiful*, by British economist E. F. Schumacher. His argument that the one-size-fits-all development model of the 1960s had major social and ecological consequences found a wide following among the nascent environmental movement, which applauded his call for “intermediate” (or “appropriate”) technology that was localized, participatory, and environmentally sustainable.

Hesburgh’s job was to make the case for new development assistance to the American public, whose support for foreign aid had been in steady decline since the Johnson Administration’s escalation of the Vietnam War. “You are probably the most influential Churchman on the American scene at the present time,” ODC Director Martin Bordelon wrote to Hesburgh in May 1971, when he replaced the ODC’s first Chairman, the relatively orthodox former World Bank President Eugene Black. (Hesburgh himself was succeeded in 1980 by Robert McNamara.) “Given your base, and your performance, you are one of the most influential citizens of the U.S.” There was another way in which Hesburgh could help the ODC’s cause: the decision to decline government funding meant that it was heavily dependent on corporate contributions, from Bank of America and Bechtel to United Fruit and Xerox. “ODC has too much of the image and identification with American big business,” Bordelon explained, “and you would help give it a different orientation.”<sup>609</sup>

Hesburgh did just that, appearing frequently on television news and radio programs, authoring op-eds, and staging high profile media events around the ODC’s

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<sup>608</sup> University of Notre Dame Archives (UNDA), Theodore Martin Hesburgh Papers (CPHS), 93/13 - Folder - ODC - Executive Committee and Board of Directors – 1972, article, “‘Have’ nations scored on aid to ‘have-nots,’” *Christian Science Monitor*, April 22, 1972.

<sup>609</sup> UNDA, CPHS, 93/02, ODC Correspondence, July-October 1971, letter, Martin Bordelon to TMH.

“Agenda for Action” releases.<sup>610</sup> He testified to Congress in support of the 1973 “New Directions” legislation, a bill introduced by Minnesota Congressman Donald Fraser that introduced a “Basic Human Needs Mandate” to foreign aid appropriations.<sup>611</sup> A few weeks after the NIEO’s announcement in May 1974, Hesburgh appeared on the “Today Show” with Pakistan’s Ambassador to the UN, during which he informed Barbara Walters of the “fourth world of about a billion people... who are going to starve to death if we don’t do something about it.”<sup>612</sup> When the World Food Conference convened that November, Hesburgh and Grant organized their own (press) conference with representatives from religious and food advocacy groups to call the Ford Administration’s proposals inadequate. After Congress agreed to publish Hesburgh’s correspondence with Ford and Walter Cronkite devoted the last six minutes of his newscast to the Hesburgh/ODC conference, the two were as much of a household name as a development NGO and a Catholic priest could be.<sup>613</sup>

The ODC and the Carter Administration were a natural fit. Their official collaboration began in 1976, when James Grant began working with Brzezinski and Richard Gardner to write Carter’s critical remarks on Ford’s approach to food aid for their foreign policy debates in October. After Carter’s election, ODC Senior Fellows Roger Hansen and Guy Erb joined the National Security Council’s new North-South

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<sup>610</sup> UNDA, Michael O’Brien Interviews (MOB) AMOB 29855 - *CT* - Michael O’Brien Interview with Grant James - 1989/1104.

<sup>611</sup> “[H]ailed initially as a ‘significant departure’ from the growth-centered assistance of the 1960s and concentrated on food production, rural development, nutrition, population planning, health and education,” remark two scholars, “the mandate turned out to consist of more rhetoric than good deeds.” Mark F. McGuire and Vernon W. Rubin, “Lost Directions: U.S. Foreign Assistance Policy Since New Directions,” Economic Development Center (Department of Economics, University of Minnesota: August, 1989), 2.

<sup>612</sup> UNDA, CPHS 93/24 - *Folder* - ODC - Agenda for Action – 1974, TMH on “Today Show.”

<sup>613</sup> UNDA, CPHS 94/05 - *Folder* - ODC - Gerald Ford and World Famine – 1974, Memo, James Grant to ODC Board Members, “Food Assistance Appeal to President Ford,” November 27, 1974.

cluster, while several others members of the Administration, including Brzezinski, Gardner, Richard Cooper, and Samuel Huntington had attended the ODC's ongoing series of development seminars, for "selected individuals who are not development specialists."<sup>614</sup>

The ODC's impact was particularly visible during the reorganization of U.S. North-South strategy through 1977. In fact, Roger Hansen was the first in the Administration to argue that basic needs "should become the centerpiece of our [the Administration's] North-South strategy," and should "not only be a natural complement but also an integral part of a *global stress* on human rights." He wrote in a memorandum to Brzezinski in July:

North and South have long feuded over the divergent emphases in the Universal Declaration of Human Rights: the North emphasizing personal, civil and political rights; the developing countries, basic economic rights (needs). The US can take a major step toward closing this 'values gap' by embracing *jointly* the concepts of human rights and basic human needs, and by proposing a major development program to see that the fulfillment of basic human needs is achieved throughout the world by the end of the century.<sup>615</sup>

This concept was endorsed by Secretary of State Cyrus Vance at the next meeting of the inter-agency North-South Policy Review Committee, which concluded, "The fulfillment of basic human needs should be considered as an integral element of the fulfillment of human rights. The two closely related concepts can and should form a central core of US foreign policy."<sup>616</sup> It made sense that Carter chose the University of Notre Dame's spring

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<sup>614</sup> UNDA, CPHS, - *Folder* ODC – Programs and Projects – 1971, 93/01, "What is the ODC?"

<sup>615</sup> *FRUS*, 1977-1980, Vol. 3, Foreign Economic Policy, doc. 271 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d271>).

<sup>616</sup> *FRUS*, 1977-1980, Vol. 3, Foreign Economic Policy, doc. 273 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d273>).

1977 commencement to give the first major outline of his foreign policy, with human rights and development as central themes.

Hesburgh offered the same utility to Carter as he did to the ODC: he was America's most prominent clergyman, with the connections, charisma, intellect, and moral authority to give complicated development issues the clarity and urgency necessary for Americans to feel compelled to care. Both State and the NSC had been arguing for Carter to take his foreign aid agenda to the American people—the same mission that the ODC had been engaged in since 1969. “The Overseas Development Council and others are working on ‘basic human needs’ approaches to foreign assistance which could call for very large increases of aid from the industrial world, targeted for nations that agreed to concentrate efforts against hunger, local endemic diseases, lack of housing, etc.,” the State Department explained in an early PRM-8 meeting, around the time Hesburgh was chosen for UNCSTD. “The emphasis on serving the poor could help sell the increases in spending necessary to have the kinds of effects that the new Club of Rome report and the World Bank claim are possible.”<sup>617</sup> If Hesburgh could not help Carter sell his vision of development—to Americans *and* to the G-77—could anyone?

### *The Path to Vienna*

Accounts of the U.S. performance at UNCSTD vary widely. Robert Olson, a former State Department official who attended UNCTAD IV, writes that the Carter Administration “quite possibly provided more support to the Vienna [UNCSTD] conference than to any of the other UN megaconferences.” Though the U.S. opposed

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<sup>617</sup> JCPL, RAC, NLC-24-101-5-1-6, Memo, Department of State, “North-South Relations—Status, Plans, and Prospects,” April 14, 1977.

most LDC demands, Olson says its own proposals demonstrated a genuine effort to respond to the needs of both poor and middle-income countries and to improve the North-South dialogue in a meaningful way.<sup>618</sup> In contrast, David Dickson argues that Hesburgh delivered a “corporate sermon [at UNCSTD] that directly reflected the corporate community’s input into the State Department’s preparations,” and, as at UNCTAD V, the primary U.S. goal was to contain the South’s demands for structural reform and political redistribution.<sup>619</sup> In Stephen Macekura’s account, the U.S. delegation quickly downplayed its focus on basic needs and alternative technology (AT) when the G-77, fearing the loss of technology transfers for industrial capacity-building, reacted negatively: “AT became only a small part of the conference, with few policy makers believing that it was a silver bullet capable of reinventing the development process... It ended up as just another method to draw upon from the ever-growing pool of development approaches.”<sup>620</sup>

A closer look into the preparations—based on the newly accessible Hesburgh papers<sup>621</sup>—reveals more complicated interactions: between development and AT, between the U.S. and the G-77, and between Hesburgh and Carter.

U.S. planning began early, in October 1977. A first issue of contention was location. Mexico wanted to have the conference in a developing country, for which, according to UN Ambassador Andrew Young, they received little support. “Delegates of developing countries who want our candidacy to succeed... have told us—straight out—

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<sup>618</sup> Olson, *U.S. Foreign Policy*, 84.

<sup>619</sup> Dickson, *The New Politics*, 199, 201.

<sup>620</sup> Macekura, *Of Limits and Growth*, 168-69.

<sup>621</sup> Hesburgh passed away in February 2015. One year later, I received a research grant from Notre Dame’s Cushwa Center to view his files on the ODC and UNCSTD.

that this Mexican effort can be headed off,” he wrote to Vance. “They believe that even the Latin American Group, theoretically committed to Mexico, contains many lukewarm supporters who are interested in hearing from us.”<sup>622</sup>

Initial conversations between the U.S. delegation and the White House were also encouraging. After meeting with Dr. Peter Bourne, the new head of Carter’s ill-fated World Hunger Working Group, U.S. delegation Coordinator Jean Wilkowski gushed to ODC President James Grant “there is now less question in my mind regarding whether B[asic] H[uman] N[eed]s and the subject matter of this Conference will ‘soar’ under this Administration. The evidence of ODC influence and talent were strong.”<sup>623</sup>

Grant was more skeptical, writing to Wilkowski that Carter had yet to “pursue aggressively the address of basic needs.” However, Grant believed that Carter had a unique opportunity to connect with Americans on the issue. In 1977 E. F. Schumacher embarked on an American tour for his bestselling book, and Carter received him at the White House for a well-publicized visit. “‘Small is Beautiful’ was written originally to meet the needs of poor people in developing countries, but obviously has touched a major-felt need in this country,” Grant explained. “[T]here is something potentially very exciting here. It was this ‘nerve’ that Schumacher touched.”<sup>624</sup>

Still, at that time few developing country leaders had openly embraced the U.S.’ AT efforts. Tanzania’s Julius Nyerere, who saw a common focus on community-building between AT and his own struggling *Ujamaa* plan, was an exception. Their skepticism

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<sup>622</sup> UNDA, CPHS 108/01 - *Folder* - UNCSTD - Correspondence – 1977, Letter, Andrew Young to Cyrus Vance, October 21, 1977.

<sup>623</sup> UNDA, CPHS 108/02 - *Folder* - UNCSTD - Correspondence – 1977, Letter, Jean Wilkowski to James Grant, September 20, 1977.

<sup>624</sup> UNDA, CPHS 108/02 - *Folder* - UNCSTD - Correspondence – 1977, Letter, James Grant to Jean Wilkowski, October 11, 1977.

was not unwarranted: by 1980, USAID's AT efforts in Tanzania—contracted out to a private firm called Development Alternatives, Inc (DAI), over which it exercised little oversight—had run into major problems, from excessive billing and internal compensation to flat-out inattention to AT's sustainability mandate.<sup>625</sup>

The complicated relationship between the U.S., AT, and the South was illustrated well in a December 1977 exchange in Washington between State Department officials and Third World scientists. “With only a little prompting,” the report described, scientists from Afghanistan to Zaire set forth their views on technology transfer, AT, and UNCSTD for four and a half hours.

Scientists from poorer developing countries endorsed AT, but their overwhelming focus was on attaining better training and administration. “Technology transfer without competence is useless,” explained an engineer from Kabul University. “If the developed countries really want to help us, they should raise our technical competence.” Yet sending citizens to study in U.S. universities was not enough. “We have trained many countrymen in S&T in the United States, but they bring back knowledge that cannot be applied in our undeveloped state,” a scientist from Ghana noted. There were also problems with U.S. projects on the ground; an Indonesian professor criticized the makeup of USAID project budgets as “70% administration.” Nor were AT project managers as attentive to local knowledge and needs as they purported to be. The Trinidadian director of the Caribbean Industrial Research Institute explained how USAID workers had recently installed rural power systems for farmers who could not afford the electricity costs; in another instance, they built a highway on a rain-swept mountain slope that was

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<sup>625</sup> Macekura, *Of Limits and Growth*, 161-63.



washed away three times. “In the future,” said the head of Zaire’s Ministry of Planning, “the U.S. should not spend 80% of its training money in the U.S. It should spend some money for training in third countries. We could learn a lot in some middle income countries.”

As expected, scientists from richer developing countries emphasized technology transfer for industrial development. “Although we are still very much a developing country,” an Indian scientist explained, “we have the third largest body of trained scientists in the world. We can put the imported technology to work.” Perhaps less expected was an emphasis on sustainable growth, which conventional wisdom said industrializing Third World states opposed or were uninterested in. “U.S. science and technology is losing its position as the leader to be followed,” said a South Korean engineer, “because U.S. science and technology is used to support an economy which wastes resources. Developing countries need S&T that can be applied to conserve resources needed to produce for export.”<sup>626</sup>

Their criticisms of actual U.S. policies notwithstanding, the scientists’ comments revealed several areas of practical compromise. More effective aid administration, better technical training, and encouraging local participation and self-ownership—all were important elements of AT that the U.S. had officially endorsed since the 1973 Foreign Assistance Act. However, the U.S. would be negotiating with G-77 diplomats, not scientists, and its own strategic efforts were off to a dismal start.

Carter had muddled the waters with a new organization he championed, the Institute for Scientific and Technical Cooperation (ISTC). The seeds for such an initiative

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<sup>626</sup> UNDA, CPHS 108/03 - *Folder* - UNCSTD - Correspondence – 1977, Report, JW to TMH, “Visiting Scientists’ Views on UNCSTD,” December 15, 1977.

were planted before Carter; Kissinger had proposed a U.S.-funded International Industrialization Institute (III) at the 1975 Seventh Special Session. However, there were two important differences. First, Carter's ISTC would focus on transferring alternative technology and knowledge, instead of the more conventional technology transfers Kissinger (and the wealthier G-77 leadership) had in mind. (Kissinger's III also pledged to address the "brain drain" resulting from U.S. education exchanges, a concern of developing countries regardless of income.)<sup>627</sup> Second, instead of an independent body open to "all interested countries," the ISTC would exist as a semi-autonomous agency within USAID, still struggling with its own Carter-induced reorganization pains.<sup>628</sup>

It was never really clear where the ISTC fit. The Administration's intense courting of private sector support worried AID workers, who feared they would lose control of the ISTC's funding and purpose; at the same time, many corporation heads remained skeptical of backing yet another new government program for the Third World. The scientific community distrusted both the State Department and the private sector, believing that any new organization should be as autonomous as possible from politics and profit. Still, in the summer of 1979, shortly before UNCSTD, the U.S. Congress passed legislation approving the new institute. Importantly, no decision was made on its funding.<sup>629</sup>

While the Administration promoted the ISTC to Congress, planning for UNCSTD suffered. The official Policy Review Memorandum on the subject was not launched until

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<sup>627</sup> "UNCTAD IV: Expanding Cooperation for Global Economic Development" - Fourth Ministerial Meeting of the United Nations Conference on Trade and Development, Nairobi, Kenya, May 6, 1976. (<https://www.fordlibrarymuseum.gov/library/document/dosb/1927.pdf#page=3>)

<sup>628</sup> Dickson, *New Politics*, 185-90.

<sup>629</sup> Dickson, *New Politics*, 192.

February 1978; in July, James Grant called it a “roof without a house.” PRM-33 made the ISTC—a program based in and controlled by Washington—the only new card in the U.S. delegation’s hand. While the ISTC could be useful, Grant explained, the current U.S. proposal “provides no sense of urgency” for what was supposed to be the most compelling social objective of Carter’s approach to the South: the elimination of absolute poverty by the end of the century. Nor did it address the concerns of the influential middle-income countries at the conference, whose own proposals for industrial technology transfer the U.S. could not simply ignore. Gone, too, was any talk of interdependence, or Northern countries’ responsibility to avoid protectionism and pursue growth amid the global economic slowdown.<sup>630</sup> “There is general USG consensus that the Conference contains several very contentious issues which are not and would not be sufficiently responded to by the US if we only presented the ISTC and the ongoing programs,” the NSC’s Guy Erb warned Henry Owen on July 20, less than two months before Vienna. “If the Conference is to avoid a total collapse the US must be prepared to respond to the contentious issues in a moderate fashion.”<sup>631</sup>

The most contentious issue was the G-77’s proposal for a \$2-4 billion<sup>632</sup> UN Science and Technology fund. This was not an insignificant sum, but the effect would have been to raise the Third World’s share of the global R&D budget from just 5% to 7%.<sup>633</sup> However, the G-77 insisted that its fund be governed by a Committee of the Whole, which would operate on the “one country, one vote” rule. Against the advice of

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<sup>630</sup> UNDA, CPHS 108/06 - *Folder* - UNCSTD - Correspondence – 1978, letter, Grant to Wilkowski, July 17, 1978.

<sup>631</sup> *FRUS*, 1977-1980, Vol. 3, Foreign Economic Policy, doc. 331 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d331>).

<sup>632</sup> Those numbers gave the range of expected capitalization by 1985 and 1990, respectively.

<sup>633</sup> Dickson, *New Politics*, 198. UNCSTD documents actually put the Third World’s share of the global R&D budget at 3%.

the Treasury Department and Office of Management and Budget (who favored no fund at all), on August 3, less than three weeks before UNCSTD convened, Vance and Owen suggested a modest counter: U.S. funding of \$25 million annually, or 20%, of a two-year, \$250 million fund administered through the UN Development Program (UNDP), where the U.S. had greater say.<sup>634</sup> However, before Hesburgh could sell this package to the G-77 at UNCSTD, he first had to sell it to the rest of Carter's cabinet.

Enthusiasm was in short supply. "It will not embarrass the Administration," Owen assured Hesburgh when he questioned him on PRM-33's lack of concrete North-South goals. "[I]ts weaknesses as a North-South political document are its strengths in avoiding domestic controversy."<sup>635</sup> A meeting with Brzezinski was more encouraging, but noncommittal on anything more from the White House. Hesburgh's discussion with Treasury Secretary Blumenthal went nowhere, though it may have been the most honest. "In a nutshell," the Secretary said bluntly, "the President [is] 'broke.'"<sup>636</sup>

Hesburgh had been put in an awkward position. Brought on for his ability to sell the greater good to the self-interested, he now faced being sent to the conference armed with little more than a homily. In July 1979, Carter went on national television to address the energy crisis, inflation, unemployment, and what he called America's "crisis of confidence." That same month, White House staff scrubbed Carter's proposed address for

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<sup>634</sup> *FRUS* 1977-1980, Vol. III, doc. 334 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d334>).

<sup>635</sup> UNDA, CPHS 108/07 - *Folder* - UNCSTD - Correspondence – 1979, letter, Owen to Hesburgh, January 30, 1979.

<sup>636</sup> UNDA, CPHS 108/12 - *Folder* - UNCSTD - Memoranda – 1978, Memcon, Hesburgh and Blumenthal, October 17, 1978.

UNCSTD, replacing strong language on North-South relations and global poverty with, in Hesburgh's description, "banalities."<sup>637</sup>

On August 14, Hesburgh met with Vance to make one final plea for Carter's support. He began by recalling Vance's North-South address in March, in which the Secretary had committed the U.S. to focusing on "concrete development problems which we can tackle together and which directly affect people's lives." The North-South dialogue was "prickly," Hesburgh conceded, but he warned against "wishing the subject would go away by trying to avoid references to [it]." This was why in addition to the "limited [and] bilateral" ISTC the U.S. needed to fully support the UNDP plan. Not only was it "ammunition" for the conference, Hesburgh explained. It also "would allow us to do things that could not be done through bilateral assistance alone," such as the UN-funded census project Hesburgh witnessed while in China for Brzezinski.

Vance was sympathetic, agreeing with Hesburgh on the need for "real leadership" and promising "that during the next year he intended to devote much more time to North-South issues, which he felt he had been forced to ignore because of higher priority subjects."<sup>638</sup> It was a fair enough answer. While Carter and Brzezinski wooed the People's Republic of China with promises of Western technology and investment, Vance spent the first half of 1979 struggling to conclude the difficult and unpopular SALT II negotiations with his Soviet counterpart. In December, the Soviets shocked the West with their brazen invasion of Afghanistan. For Brzezinski, "a major watershed had been reached in the American-Soviet relationship." He told Carter that the invasion was "the

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<sup>637</sup> UNDA, CPHS 108/14 - *Folder* - UNCSTD - Memoranda - 1979-1980, Memcon, Hesburgh and Vance, August 14, 1979.

<sup>638</sup> UNDA, CPHS 108/14 - *Folder* - UNCSTD - Memoranda - 1979-1980, Memcon, Hesburgh and Vance, August 14, 1979.

most direct case of Soviet military aggression since 1945, and that we needed to mount a broader strategic response.” Carter agreed, and he and Brzezinski quickly redirected NSC resources towards the development of a new “Carter Doctrine” that promised to do for America’s autocratic allies in the Middle East what the eponymous doctrine of Harry Truman, Carter’s favorite president, once did for anti-communist allies in Greece and Turkey.<sup>639</sup>

As détente continued to deteriorate, the decline in Iran’s oil output during the course of the Shah’s abdication had set off a panic in oil markets. Starting in April the price of global crude entered a steady increase for the next 12 months, until it hit an unprecedented \$42 per barrel. Nor was trilateralism faring any better. In Tokyo, G-7 leaders blamed each other for failing to reduce energy consumption and OPEC for ‘severely increas[ing] the problems facing developing countries without oil resources as well as the difficulties for developed countries in helping them.’<sup>640</sup> This proved a valuable lesson for the North-South dialogue: even when the oil question was not immediately present, it was never far away.

#### *UNCSTD: One Step Forward, Two Steps Back*

The last UN megaconference of the 1970s—and, as it turned out, the last new negotiating conference of the North-South dialogue—proceeded like so many others before it. On August 20, 4,000 delegates from 150 countries convened in Vienna for a fourteen-day conference on global poverty, at a total cost of \$50 million. Hesburgh

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<sup>639</sup> Zbigniew Brzezinski, *Power and Principle: Memoirs of the National Security Adviser, 1977-1981* (New York: Farrar, Straus, & Giroux), 432, 429, 444.

<sup>640</sup> Tokyo Economic Summit Conference Declaration, June 29, 1979 (<http://www.presidency.ucsb.edu/ws/?pid=32562>).

deployed his moral argument for action on technology for development, asking at the conference's opening if 'we can really call ourselves a civilization when one-fourth of this earth's population lives in abject poverty, starving, idle, and numbed by ignorance.' No one disagreed.

A familiar pattern followed. The G-77 presented its main, NIEO-centric proposals for structural change: an international code of conduct for technology transfer; a "universal S&T information system" within the UN; and the \$2 billion research fund. The U.S. swatted them down, and the Europeans followed suit. The U.S. did agree to an enlargement of the UN Economic and Social Council's Committee on Science and Technology for Development into a Committee of the Whole. This gave the South equal representation on the UN's primary S&T advisory committee, but to what end was unclear in the absence of a new fund.<sup>641</sup>

Predictably, the G-77 kept discussion on the issue of its \$2 billion fund, giving the U.S. little space to argue the ISTC's merits. The G-77 accused the U.S. of not wanting any new fund, and the U.S., not denying the charge, complained to the press that "the developing countries had been slow in making their own preparations for the conference."<sup>642</sup> Days later, Sweden proposed the UNDP fund as a compromise, and the U.S. delegation "clarified" its position in support. However, it rejected the G-77's call (backed by some European countries) that the newly enlarged ECOSOC committee have a role in the UNDP fund's administration. This was important, as the UNDP did not operate as a committee of the whole and thus was weighted toward the developed

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<sup>641</sup> Dickson, *New Science*, 199.

<sup>642</sup> UNDA, CPHS 108/10 - *Folder* - UNCSTD - Correspondence – 1979, article, Anne C. Roark, "To Many, the United States Was the Biggest Culprit at the U.N.'s Conference on Science and Technology," *Chronicle of Higher Education*, September 10, 1979.

countries. In other words, the G-77 was granted a voice—the enlarged ECOSOC committee—with no money, and some money—the UNDP fund—with no greater voice. The G-77 decried the “serious blow” to the conference dealt by “one major power,” but on August 29, two days before the conference ended, it accepted the proposal, as is, as the best it could get.<sup>643</sup> Once again, the U.S. appeared in the North-South dialogue as the rich countries’ lowest common denominator, forced into offering only qualified support for what was supposed to be the conference’s main achievement.

The U.S. delegation did not “exercise real leadership” at UNCSTD, as Hesburgh had hoped, but they were hardly equipped to. For two years the White House’s main offer had been the ISTC, which Congress approved in July but for which they refused to provide any funding. In a final options paper sent to Carter on August 2, Vance promised a new Presidential Directive (PD) for him to sign that “could be cited by our delegation at the Vienna Conference as further evidence of our commitment to doing more for the developing countries in this area.” Either Vance never sent the PD, or the President never signed it. Carter did approve the reiteration of calls made at the Tokyo summit for an increase in bilateral aid to assist in energy production and “expanded bilateral and multilateral aid” for agricultural research, but with no specific budget commitments. Vance also relayed Hesburgh’s concerns about the UNDP and cited the recommendation of Representative Clement Zablocki, a key Congressional ally for Carter’s foreign aid proposals, that the U.S. begin immediately consultations with the House appropriations committee. Carter left that line of the options paper blank.<sup>644</sup>

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<sup>643</sup> Eric Bourne, *Christian Science Monitor*, “Technology is still a ‘have-not’ for third world,” August 31, 1979.

<sup>644</sup> *FRUS* 1977-1980, Vol. III, doc. 333 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d333>).



This too was a mistake. The UNDP fund actually had many supporters on Capitol Hill. Nearly two-dozen U.S. senators and representatives, including Adlai Stevenson, traveled to Vienna as part of the American delegation, far more than to the 1974 World Food Conference. The UNDP's Administrator, Bradford Morse, was a former liberal Republican congressman from Massachusetts and UN Under Secretary-General. The U.S. should be doing more than "just reacting," lamented one congressman on the House Science Committee on the eve of the delegation's departure. "We should be bold. We should be leading the way."<sup>645</sup> But the White House was never really behind the UNDP fund, even with the provision limiting the Third World's expanded committee to an advisory role. Thus, it was no surprise when Congress rejected the (even lower) \$15 million Carter asked for in his 1981 budget request.<sup>646</sup> With the ISTC's funding still held up in Congress (it never came, and the project languished inside USAID until it officially folded in the early 1990s), the U.S. spent more on its delegation's travel and lodging for UNCSTD than it did on its own initiatives.

## **Conclusion**

The importance the Carter Administration placed on North-South relations, particularly in its first two years, was part of an attempt to transcend the postwar, Cold War framework for American foreign policy. "The U.S. has to help in the shaping of a new international system that cannot be confined to the developed countries but must involve increasingly the entire international community of more than 150 nation states,"

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<sup>645</sup> Roark, "U.N.'s Conference on Science and Technology," September 10, 1979.

<sup>646</sup> Dickson, *New Politics*, 200.

Brzezinski informed Carter in April 1977.<sup>647</sup> “We can no longer have a policy solely for the industrial nations as the foundation of global stability, but we must respond to the new reality of a politically awakening world,” Carter repeated in his famous Notre Dame speech a few weeks later. “It is a new world, and we should help to shape it. It is a new world that calls for a new American foreign policy—a policy based on constant decency in its values and on optimism in our historical vision.”<sup>648</sup>

There were several notable successes. Carter earned the support of many Latin American democrats by concluding the Panama Canal treaties and shaming human rights abusers; he brokered a peace between Egypt and Israel that continues to hold, nearly forty years later; and he enabled China’s global economic integration through official diplomatic recognition and a major economic treaty. There were glaring inconsistencies, too—Carter was silent on human rights abuses in Iran, South Korea, and China, and his Administration repeatedly intervened when Congressional restrictions on loans and arms sales threatened important bilateral objectives.<sup>649</sup> Still, that Carter looked to the Third World as more than a staging ground for Cold War proxy battles was a qualitative change from his postwar predecessors.

Carter Administration officials expected that this reformed approach to the Third World would also improve the North-South dialogue. It did not. “Unfortunately,” the National Security Council admitted in October 1978, “there is very little feedback among

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<sup>647</sup> JCPL, RAC, NLC-12-26-6-2-2, Memo, Brzezinski to Carter, April 29, 1977, “Foreign Policy Overview and the Summit.”

<sup>648</sup> Jimmy Carter, Address at Commencement Exercises of Notre Dame University, May 22, 1977 (<http://www.presidency.ucsb.edu/ws/?pid=7552>).

<sup>649</sup> For instance, in November 1979 Vance and Cooper convinced Congress to “eliminate outright or ease a number of constraints on our use of development and security assistance in areas where Soviet and Cuban activity is growing,” including several restrictions on the President’s ability to use peacekeeping and development funds for military aid. (*FRUS* 1977-1980, Vol. III, doc. 336 <https://history.state.gov/historicaldocuments/frus1977-80v03/d336>.)

these realms, except to the extent that the broad atmosphere of trust and confidence has probably reduced somewhat the bitterness our economic ‘shortcomings’ would otherwise have evoked.”<sup>650</sup> In fact, in some important cases, the pursuit of “global” North-South objectives like human rights and nuclear non-proliferation worsened bilateral ties with “regional influentials” like India and Brazil.<sup>651</sup>

The Administration’s flagship North-South economic initiatives fared even worse. Expectations were already high when Carter entered office, evidenced by the fact that in mid-1976 developing countries had delayed the conclusion of the Conference on International Cooperation until after January 1977. But there was a flipside to the Carter team’s mock-superhero pledge to “make the world safe for interdependence,” and it involved changing the terms of the North-South dialogue itself. “The CIEC is an early phase of our attempt to refashion the North-South dialogue along our preferred lines,” the State Department explained in February 1977. “Our long-term objective is to modify the North-South dialogue and move it away from [an] emphasis on restructuring the international economic system to a pragmatic search for ways to improve it.”<sup>652</sup>

In the lull between the end of the CIEC in June 1977 and the opening of UNCTAD V in May 1979, “pragmatic” came to mean basic needs-oriented development assistance. “Far from being a moralistic glint in campaigner Jimmy Carter’s eye,” proclaimed the *Washington Post*, “the idea has progressed to becoming routine rhetoric

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<sup>650</sup> JCPL, RAC, NLC-24-98-2-2-3, Memo, Thornton to North-South Meeting Group, “North-South Matters,” October 27, 1978. (*RAC/PRM-8, PRC Meetings: PRC Meeting Assessment 10.78*)

<sup>651</sup> JCPL, RAC, NLC-24-101-8-3-1, Memo, Thornton to Brzezinski, “Annual Report,” December 8, 1977. (*RAC/North South and Administration Foreign Policy/Goals/Evals*)

<sup>652</sup> JCPL, RAC, NLC-133-157-1-9-0, Department of State, “North/South Dialogue and CIEC Strategy,” February 1977.

in his administration's pronouncements on foreign aid."<sup>653</sup> Carter drew from a well of support for basic needs in the U.S. Congress and the development and scientific communities. He made intentional gestures to influential advocates like E. F. Schumacher and Mahbub Ul-Haq, and the Administration's "North-South cluster" incorporated both ideas and personnel from the Overseas Development Council, the U.S.' leading basic needs-focused think tank. In meetings with influential G-77 leaders like Venezuela's Carlos Andres Pérez and Jamaica's Michael Manley, he emphasized basic needs as a common goal in the North-South dialogue. To underline his commitment, Carter also announced a sweeping reorganization of U.S. aid efforts.

The problems with this new strategy began at home. The International Development Cooperation Authority (IDCA), Carter's flagship proposal to reorient foreign aid around long-term and shared objectives, was as ambitious as it was unpopular with the 31 agencies scrambling to retain influence over their respective areas of U.S. aid policy. "The president's recent proposal to reorganize U.S. foreign assistance is weak as a result of bureaucratic distrust and 'turf protection' and requires strengthening if U.S. efforts to combat hunger and poverty are to be taken seriously," complained the head of the President's Commission on World Hunger (PCWH), a separate initiative launched around the same time.<sup>654</sup>

The two soon found themselves working at cross-purposes. When the PCWH recommended to Carter in December 1979 that he "make the elimination of hunger the primary focus of its [the U.S.'] relationships with the developing countries" and ask

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<sup>653</sup> UNDA, CPHS 108/11, UNCSTD – Memoranda – 1977, Stephen S. Rosenfeld, *Washington Post*, "Carter's Grandest Idea," undated.

<sup>654</sup> Martin Schram, "Carter Commission Renews the War Against Hunger," *Washington Post*, June 3, 1979.

Congress for an increase in aid for “the economic and technical aspects of development assistance and not on security assistance,” Carter was telling Vance to do the opposite.<sup>655</sup> “Working closely with Henry Owen and AID,” Vance reported to his boss triumphantly, “we have succeeded in getting Congress to eliminate outright or ease a number of constraints on our use of development and security assistance in areas where Soviet and Cuban activity is growing.”<sup>656</sup>

More fundamental problems awaited in the dialogue itself. It was not that there was *no* support for basic needs in the South. Most Southern scientists backed the approach, as did an increasing number of Southern economists in the UN. In fact, as Samuel Moyn explains, in the years 1975-77 basic needs “took the United Nations system by storm.” This was particularly true in the International Labor Organization, whose “move to basic needs occurred out of the recognition that it made little sense to adapt a strategy devised for northern industrial conflicts without recognizing the entirely different organization of labor and production.”<sup>657</sup>

Even the G-77 leadership was not immune, as its own Arusha Programme for UNCTAD V endorsed the analogous concept of “appropriate technology for development” for the numerically superior “least developed” countries (LLDCs).<sup>658</sup> The primary area of disagreement—and it was a fundamental one—concerned governance: Should new anti-poverty efforts proceed through the same methods as did past

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<sup>655</sup> *FRUS* 1977-1980, Vol. III, doc. 337 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d337>).

<sup>656</sup> *FRUS* 1977-1980, Vol. III, doc. 336 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d336>).

<sup>657</sup> Samuel Moyn, “Basic Needs and Human Rights,” 15, chapter in *Not Enough: Human Rights in an Unequal World* (forthcoming from Harvard University Press, 2018).

<sup>658</sup> UNCTAD V, “Arusha Programme for Collective Self-Reliance and Framework for Negotiations,” Manila, May 1979, 80-81.

development assistance—that is, bilaterally through USAID and, to a lesser degree, through multilateral institutions like the World Bank and certain UN agencies where U.S. influence was greatest? Or should new UN agencies be formed that, by operating as “committees of the whole,” would enable the South to set its own priorities and determine its own needs? To put it simply: How much say should poor states that receive basic needs assistance have in its distribution?

Not much, Carter answered. This was consistent with his campaign line about not taking from poor folks in the rich United States to give to rich folks in poor countries, and it aligned with the conservative objectives of the Treasury Department and Office of Management and Budget. It also reflected the influence of an anti-UN and anti-Third World attitude in the United States that had been growing since the first oil crisis but that reached its crescendo with the infamous 1975 General Assembly resolution equating Zionism with racism. Americans had overwhelmingly endorsed UN Ambassador Daniel Patrick Moynihan’s naming and shaming of Third World dictators there, and they supported President Ford and Congress’ threats to withdraw from the UN’s “politicized” sub-organizations.

Part choice and part political necessity, the Carter Administration’s basic needs package did not respond to the South’s alienation from the *governance* of development. This was important beyond the North-South dialogue, for it reinforced the worst assumptions about the fundamental character of both U.S. foreign aid and its role in fostering North-South cooperation. Not only did it affirm the South’s status as beggars and recipients of charity rather than as genuine partners in a common project, as Vance and Carter had once insisted. The argument that only the U.S. government (and,

increasingly, its private sector counterparts) could responsibly determine the distribution of aid was at odds with elementary basic needs objectives like self-sufficiency, shared project accountability, and local participation and ownership.

Further, basic needs was never a sufficient strategy on its own for negotiations with the diverse G-77 coalition. “There are plenty of poor people in regionally influential countries,” one official explained, “[but] by definition, most of them have relatively large economies so that even very generous US aid programs make only a marginal impact of them—politically or economically.”<sup>659</sup> Lacking some commitment to revising the institutional arrangements that affected those countries most—in the Carter years, trade and debt<sup>660</sup>—even the most generous basic needs proposals would be treated with skepticism at best. “I have emphasized to State that the initiatives in support of *internal* LDC development—useful as they might be—do not respond adequately to the political dimension of the North-South dialogue,” Guy Erb, the former ODC official in the NSC, told Brzezinski before UNCTAD V. “We believe that U.S. policy must also include a response to the *international* reforms that LDCs call for if we are to have a significant impact.”<sup>661</sup> Or as the President of (heavily indebted) Venezuela told Carter on his March 1978 visit to Caracas: “Concern over the poor is understood, but poverty is a symptom not a cause.”<sup>662</sup>

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<sup>659</sup> *FRUS* 1977-1980, Vol. III, doc. 354 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d354>).

<sup>660</sup> The NSC estimated interest payments on debt owed by the 14 “upper-tier” developing countries since 1973 at \$7 billion. By 1979, their annual payments on principal would rise 45% from 1975, to \$16 billion. (<https://history.state.gov/historicaldocuments/frus1977-80v03/d295>)

<sup>661</sup> <https://history.state.gov/historicaldocuments/frus1977-80v03/d327>.

<sup>662</sup> JCPL, RAC, NLC-24-47-2-11-9, Memorandum of Conversation, President Carter and President Pérez of Venezuela, March 29, 1978.

Instead, U.S. policy moved in the opposite direction. Separate UNCTAD negotiations that year to improve the ad-hoc “Paris Club” arrangements for handling sovereign debt broke down over the G-77’s insistence on the establishment of “an independent forum—which does not consist only of creditors—[that] could be given responsibility for supervising the negotiations.”<sup>663</sup> At its core, the dispute over advanced developing countries’ debt servicing was the same as the one regarding LLDCs’ basic needs: Should developing countries have a greater say in matters of international economic governance that affect them most?

Again, the answer was no. At UNCTAD V, the U.S. rejected every G-77 proposal for new institutions or rulemaking powers for developing countries. Instead of offering a counter to the G-77’s proposal for an International Debt Commission (consisting of both debtors and creditors), the U.S. delegation was instructed “not [to] accept any effort to study further individual proposals on debt issues (e.g., the debt commission, moratorium, indexation).”<sup>664</sup> By mid-1979, even the suggestion of institutional change had become controversial, as Hesburgh learned when he discovered the White House’s last-minute revisions to Carter’s UNCSTD address. “He [Hesburgh] would like to see included the Secretary’s ideas on the North-South dialogue as expressed in his Seattle and Chicago speeches. Rather than disputing with the LDC’s the issue of change in the international system, we should agree—as the Secretary [Vance] had done in his landmark speeches—that the system needed changing and then get on with how North and South could

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<sup>663</sup> Alexis Rieffel, *Restructuring Sovereign Debt: The Case for Ad-Hoc Machinery* (Washington, D.C.: Brookings Institution Press, 2003), 143-44.

<sup>664</sup> JCPL, RAC, NLC-16-116-4-21-9, Cable, State Department to U.S. Delegation, “U.S. positions on key UNCTAD V Issues,” June 2, 1979.



collaborate in bringing this about. He [Hesburgh] recalled that Henry Kissinger had also de-fanged this issue [at UNCTAD IV] in Nairobi.”<sup>665</sup>

The reference to Kissinger is instructive. The irony is that while Kissinger may have been far less sincere about the South’s plight, he was much more willing to meet them on their own terms in the dialogue. This mattered. In his 1976 trip to Africa, where he addressed UNCTAD IV—the first and last U.S. cabinet member to do so—Kissinger spoke not of the social and economic rights African governments owed to their citizens, but of the right of “the independent nations of Africa” to “the economic progress which will give meaning to their political independence and dignity to their struggle for equality.”<sup>666</sup> Indeed, the reason why Ford Administration neoliberals so opposed Kissinger’s flagship counter-initiatives—the International Fund for Agriculture Development and the International Resources Bank—was that they appeared to legitimize the New International Economic Order’s claim that it was the global market system, and not developing countries themselves, that needed changing. His political commitment to these initiatives was doubtful, and promising things the U.S. could not deliver was certainly a poor long-term strategy. Still, frustrated Carter Administration officials admitted in 1978, Kissinger’s offers had “ended the rhetorical fireworks at the UN, led to the creation of CIEC, and, in effect, bought nearly three years for the beleaguered OECD countries.”<sup>667</sup>

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<sup>665</sup> UNDA, CPHS 108/14 - *Folder* - UNCSTD - Memoranda - 1979-1980, Memcon, Hesburgh and Vance, August 14, 1979.

<sup>666</sup> Speech by Henry Kissinger in Lusaka, “United States Policy on Southern Africa,” in *Department of State Bulletin*, Vol. LXXIV, no. 1927, 677.

<sup>667</sup> *FRUS* 1977-1980, Vol. III, doc. 295 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d295>).

The North-South dialogue limped on in the UN for another year after UNCTAD V and UNCSTD. Functional negotiations on a number of topics—the Common Fund, shipping, the Law of the Sea—continued in smaller forums, stalled by the same disagreements as before. Undeterred, the G-77 pushed ahead for a new round of “action oriented” and “global and sustained” negotiations to be launched at the Eleventh Special Session of the UN General Assembly in August 1980.<sup>668</sup>

Neither side budged, and on December 16, 1980, the negotiations were finally suspended “without agreement.”<sup>669</sup> As Carter had already lost the presidential election in November, it was time for the Administration to admit defeat: the South had not been persuaded that poverty within nations was more important than poverty between, and the American public remained without a convincing rationale for increased foreign aid in the post-Vietnam, anti-United Nations era. “In policy terms,” the NSC concluded in a lengthy and disappointed review of the Administration’s actions in those areas, “there is not much left beyond handling North-South issues on a case-by-case basis. This is of course how the Carter Administration—and Kissinger before then—handled them.”<sup>670</sup>

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<sup>668</sup> Olson, *U.S. Foreign Policy*, 95.

<sup>669</sup> *FRUS* 1977-1980, Vol. III, doc. 350 (<https://history.state.gov/historicaldocuments/frus1977-80v03/d350>).

<sup>670</sup> *FRUS* 1977-1980, Vol. III, doc. 354, <https://history.state.gov/historicaldocuments/frus1977-80v03/d354>).

## **Epilogue: The Reagan Revolution and the End of the North-South Dialogue, 1981-84**

### *National Security, Human Rights, and Free Markets*

During the 1980 presidential campaign, Ronald Reagan and the Republicans characterized Jimmy Carter as a naïve do-gooder, handing out foreign aid to unfriendly left wing governments while punishing reliable anti-communist allies in Latin America and elsewhere. According to the 1980 Republican Party platform, Carter's blind faith in détente had led him to dangerously underestimate the "scope and magnitude of the growth of Soviet military power [that] threatens American interest at every level." Instead, Reagan and the Republicans promised "peace through strength" by rearming America and its Third World allies while also instituting a "bold program of tax rate reductions, spending restraints, and regulatory reforms that will inject new life into the economic bloodstream of this country."<sup>671</sup>

The elevation of the Soviet threat instantly transformed the South's position in U.S. foreign policy. In a May 1981 commencement speech at Connecticut's Fairfield University, Secretary of State Al Haig condemned the "recent American policy [under Carter]" that "economic and humanitarian assistance" is enough to promote Third World development. Instead, "peaceful development" there required "security" against the constant threat of "illegal Soviet intervention"; in this way, American interventionism and support for authoritarian governments was both "a task of humanitarian concern" and a precondition for economic growth.<sup>672</sup> To that end, the Administration immediately

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<sup>671</sup> Republican Party Platform of 1980, Address by the Republican National Convention, July 15, 1980 (<http://www.presidency.ucsb.edu/ws/?pid=25844>).

<sup>672</sup> Secretary of State Al Haig, "Peaceful Profess in Developing Nations," *Department of State Bulletin* Vol. 81, No. 2052, July 1981.

began lobbying Congress to turn back Carter-era restrictions on military assistance to regimes in Argentina, Chile, Guatemala, and Uruguay, and instructed U.S. representatives to multilateral development banks to approve new loans to right-wing governments in Latin America, South Korea, and the Philippines.<sup>673</sup>

Linking human rights and economic development in the South with hardline anti-communism was representative of a larger co-option of human rights language by the Administration, particularly after the appointment of Elliott Abrams as Assistant Secretary of State for Human Rights in December 1981. Americans disapproved of Carter's handling of the Iran crisis and its economic fallout, but concern for human rights remained high. According to one poll, in 1978, 79 percent of respondents called human rights somewhat or very important; in 1982, that number had climbed to 85 percent.<sup>674</sup> Abrams was well aware of these attitudes: before coming to the Reagan Administration, he served as chief of staff to "new conservative" Senator Daniel Patrick Moynihan. Like Moynihan, Abrams had deep ties to anti-Carter neoconservatives, having also worked on Senator Henry "Scoop" Jackson's unsuccessful campaign for the 1976 Democratic presidential ticket, and in 1980 he married Rachel Decter, daughter of neoconservative writer Midge Decter and stepdaughter of *Commentary* editor Norman Podhoretz.<sup>675</sup> As explained in Chapter 3, Moynihan's bombastic, moralizing attacks on the human rights records of the U.S.'s Third World critics, at the height of North-South conflict over the New International Economic Order, proved enormously popular with Americans across

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<sup>673</sup> Tamar Jacoby, "The Reagan Turnaround on Human Rights," *Foreign Affairs*, Summer 1986 (<https://www.foreignaffairs.com/articles/1986-06-01/reagan-turnaround-human-rights>).

<sup>674</sup> Mary Stuckey, *Human Rights and the National Agenda* (College Station: Texas A&M Press, 2008), 23.

<sup>675</sup> William F. Buckley, Jr., "Elliott Abrams Is on the Right Track: Assistant secretary of state for Human Rights and Humanitarian Affairs, he monitors international morality," *Esquire*, December 1984.

the political spectrum. Reagan officials too recognized human rights' political utility for broader foreign policy goals. "We will never maintain wide public support for our foreign policy unless we can relate it to American ideals and to the defense of freedom," read a State Department memo on human rights, written one week before Abrams' appointment.<sup>676</sup>

What was essentially a return to Eisenhower-era rollback in the Third World was therefore presented as a human rights campaign in support of "pro-democracy" forces opposed to the establishment of "totalitarian" Marxist regimes. As Abrams explained to the Council on Foreign Relations, "To prevent any country from being taken over by a communist regime is in our view a very real victory for the cause of human rights."<sup>677</sup> In practice, the Administration's approach would continue to follow the blueprint laid out by its chief neoconservative intellectual: Reagan's 1980 campaign foreign policy advisor and subsequent UN Ambassador Jeane Kirkpatrick. Her influential 1979 *Commentary* article "Dictatorships and Double Standards" justified support for right-wing authoritarian governments on the basis that they could be "reformed," while Marxist or totalitarian ones could not.

Kirkpatrick's was not a popular view. In fact, the reason Abrams was nominated for his post was because the Administration's first choice, the "ultraconservative" Ernest Lefever, repeated Kirkpatrick's argument verbatim to the Senate Foreign Affairs Committee, resulting in his rejection.<sup>678</sup> Abrams, on the other hand, was confirmed

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<sup>676</sup> Jacoby, "Human Rights."

<sup>677</sup> Elliott Abrams, "United States Human Rights Policy," speech before the Council on Foreign Relations, February 10, 1982 (<http://www.disam.dsca.mil/Pubs/Indexes/Vol%204-4/Abrams.pdf>).

<sup>678</sup> "Ernest W. LeFever dies at 89; founder of conservative policy organization," *Los Angeles Times*, July 31, 2009 (<http://www.latimes.com/local/obituaries/la-me-ernest-lefever31-2009jul31-story.html> )

unanimously after a generous statement of support from Moynihan and Abrams' promise that "our foreign policy in general has human rights at its core."<sup>679</sup> While the Administration won some converts for its protests of political repression in Cuba, the Soviet Union, and the Eastern Bloc, its policies in the Third World were vehemently opposed by human rights groups in the U.S. and Europe. Ultimately, Abrams spent his tenure fighting off criticism from Freedom House (a longtime Moynihan ally) and other organizations for the Administration's actions in Latin America. Abrams avoided prosecution during the Iran-Contra scandal by cooperating with federal prosecutors and eventually pleaded guilty to two charges of withholding information, though he would later play a starring role in the 2003 Iraq War as a special assistant to President George W. Bush and Senior Director for Democracy, Human Rights, and International Operations in the National Security Council.<sup>680</sup>

The Reagan Administration's economic policies toward the South, on the other hand, were informed less by foreign policy concerns and more by a deep faith in the virtues of its domestic economic program. That program's policies—cutting taxes and spending, attacking inflation, and removing government regulations—were clearly, publicly, and often stated by the President, and were epitomized in memorable quips like "the eight most terrifying words in the English language" ("I'm from the government, and I'm here to help") and "government is not the solution, government is the problem." David Stockman, in charge of the Office of Management and Budget from 1981-85, was

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<sup>679</sup>Hearing before the Committee on Foreign Relations, United States Senate, Ninety-seventh Congress, first session, on nomination of Elliott Abrams, of the District of Columbia, to be assistant secretary of state for human rights and humanitarian affairs, November 17, 1981 (<https://catalog.hathitrust.org/Record/011338487>).

<sup>680</sup> David Johnston, "Elliott Abrams Admits His Guilt On 2 Counts in Contra Cover-Up," *New York Times*, October 8, 1991 (<http://www.nytimes.com/1991/10/08/us/elliott-abrams-admits-his-guilt-on-2-counts-in-contra-cover-up.html?pagewanted=all>).

a charismatic, if controversial, media figure who made “supply-side economics” a household name during debates over the signature 1981 Kemp-Roth tax cuts and Gramm-Latta spending bill.<sup>681</sup> Important work was also done by Nobel Prize-winning economist Milton Friedman, whose 1980 bestseller *Free to Choose* was turned into a popular television series with Friedman and his wife Rose, as well as conservative “policy entrepreneurs” such as Arthur Laffer (author of the supply-side theory), *Wall Street Journal* columnist Jude Wanninski, and various individuals employed by the Heritage Foundation and other well-funded conservative think tanks.<sup>682</sup>

The Administration’s campaign against Keynesian economics at home led some critics to allege that, in one Reagan official’s characterization, “it has no international economic policy save for carrying out its domestic program.” The Reagan administration had “relegated international economics to a lower priority than any administration in the postwar period,” determined political scientist Benjamin Cohen in 1983.<sup>683</sup> According to Paul Krugman, who served on Reagan’s Council of Economic Advisors, top Reagan Treasury officials were notorious for their lack of expertise on international economic issues and were looked down upon by their better-informed colleagues in the Federal Reserve.<sup>684</sup> These impressions were strengthened by Reagan’s controversial—and to some, hypocritical—endorsement of import quotas on sugar, steel, and cars, as well as a reliance on foreign borrowing to pay for new military expenditures.

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<sup>681</sup> William Greider, “The Education of David Stockman,” *The Atlantic*, December 1981 (<https://www.theatlantic.com/magazine/archive/1981/12/the-education-of-david-stockman/305760/>).

<sup>682</sup> Sarah Babb, *Behind the Development Banks: Washington Politics, World Poverty, and the Wealth of Nations* (Chicago: The University of Chicago Press, 2009), 73.

<sup>683</sup> Henry Nau, “Where Reaganomics Works,” *Foreign Policy*, No. 57, 1984, 14.

<sup>684</sup> Babb, *Behind the Development Banks*, 75.

This is missing the point. Reagan's team may have had less experience or academic credentials—the relative lack of PhDs was a striking contrast to the ultra-brainy Carter Administration—but their philosophy toward international economic relations possessed a clear logic. Henry R. Nau, in charge of international economic affairs in the National Security Council from 1981-83 and professor of political science at George Washington University, defended that philosophy as “domesticism,” or “the simple proposition that the world economy is only as good as the national economies that compose it.”<sup>685</sup>

According to Nau, the domesticist outlook stood in contrast to the “globalists” of both parties who in the 1970s traced “global economic problems... largely to the malfunctioning of the international economic system itself.” Globalists’ belief that external and inevitable structural factors—namely, the rise in prosperity and assertiveness of other nations in the 1950s and 60s— were to blame for declining U.S. hegemony had led the Nixon, Ford, and (especially) Carter administrations to look for solutions in new international economic arrangements, from the Group of 7 summits to the North-South dialogue. For the domesticists, however, the culprit was unsound U.S. fiscal and monetary policies in the late 1960s, which lead to inflation that was first exported by increased borrowing and then compounded by the 1973 and 1979 oil shocks. In this sense the U.S. was only as weak globally as it wanted to be: “Re-establishing sound U.S. domestic policies was the fulcrum for restoring the proper emphasis on price stability and market incentives in the world economy as a whole. Rather than ignoring the effects of

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<sup>685</sup> Nau, “Where Reaganomics Works,” 14.



U.S. policy changes in the world economy, domesticism stressed their global importance.”<sup>686</sup>

For Reagan’s economic officials, that importance extended to the developing world—and back. As Nau explained it, “Progress toward domestic stability and freer trade” in the South would “rejuvenate international financial flows” and give Northern investors “more predictable access to foreign markets.” The expected result was the beginning of a virtuous circle of private investment and trade based on “real transfers of goods and services to be redeemed.” Equally important, as direct investment and commercial bank lending to poor countries increased, concessional lending from multilateral development banks “could then supplement these commercial flows rather than substitute for them.” In this way, market reforms in the South would achieve two related goals: they would strengthen the legitimacy of international capital markets by making poor countries safe for foreign investment, and reduce outlays of U.S. government funds to “globalist” mechanisms of North-South wealth transfer that encouraged fiscal irresponsibility and rent-seeking, not unlike welfare payments to individuals.<sup>687</sup>

This is precisely the message Reagan delivered to the boards of governors of the World Bank and International Monetary Fund in September 1981. The speech is mostly remembered for Reagan’s insistence that what “[unites] societies which have achieved the most spectacular broad based economic progress... is their willingness to believe in the magic of the marketplace.” The “magic” line is a trademark Reaganism, but the

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<sup>686</sup> Ibid, 15, 23.

<sup>687</sup> Ibid, 24.

President also discussed several other policies with specific implications for North-South relations.

First, Reagan asserted that both development and “political freedoms”—or human rights—were impossible without first establishing “economic freedom.”: “Those [societies] which put [economic] freedom as the first priority find they have also provided security and economic progress.” This was a complete reversal of the Carter Administration’s formulation of “basic human needs” as economic rights: here, economic rights were reconfigured negatively as the ability to make business decisions free *from* government involvement, rather than the positive, Carter formulation of the right *to* adequate housing, education, health care, and food. Poverty was no longer an offense to human rights, if it occurred in the context of a “free” economy, nor was political repression, if it guaranteed “security” against the threat of those who might impose restrictions on economic activity.

Second, Reagan argued that “the most important contribution any country can make to world development is to pursue sound economic policies at home.”<sup>688</sup> This was a responsibility toward developing countries that the U.S.—“overspent, overtaxed, and overregulated, with the result being slow growth and soaring inflation”—had abnegated. The idea that a healthy North meant a healthy South was not new, having been endorsed by the developed countries since the first G-7 summit in 1975. Both the Ford and Carter administrations had advocated for some mixture of fiscal stimulus in “strong” economies, namely the U.S. and Germany, and reform in “weak” or underperforming ones, like Italy and Britain. But rapid adjustment *across* the North—led by the U.S.—prepared the way

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<sup>688</sup> Ronald Reagan, “Remarks at the Annual Meeting of the Board of Governors of the World Bank Group and International Monetary Fund,” September 29, 1981 (<http://www.presidency.ucsb.edu/ws/?pid=44311>).

for disaster in the South. From 1979-81, the U.S. Federal Reserve issued several interest rate increases (dubbed the “Volcker shocks,” after Fed chief Paul Volcker) that added in one estimate an additional \$41 billion to the debts of already indebted developing countries.<sup>689</sup> In 1981 the governments of Britain and Germany followed up with their own anti-inflation drives, further damaging the South’s terms of trade. Starting in 1980, developing countries’ exports as a share of world trade entered a steep decline (after a decade-long relative rise), while commodity prices—a core NIEO concern throughout the 1970s—fell “to a level not experienced since at least the 1930s.”<sup>690</sup>

Third, Reagan dismissed the value of concessional aid to all but the poorest countries, holding that “Unless a nation puts its own financial and economic house in order, no amount of aid will produce progress.” This meant that while Reagan recognized that the U.S. had a responsibility for development through sound macroeconomic policies, it viewed foreign aid in the same way it viewed welfare programs at home: they only encouraged dependency and stagnation. Again, the best “American contribution” to development was to ensure a “growing, prosperous United States economy” that could buy, sell, and invest overseas. To further deemphasize aid’s importance relative to private capital, Reagan added that “the financial flows generated by trade investment and growth capital flows [sic] far exceed official development assistance funds provided to developing countries.”

Fourth, Reagan reversed his Administration’s initial hostility toward (some) multilateral institutions, specifically the World Bank and IMF. This was not out of a

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<sup>689</sup> Vassilis K. Fouskas, *The Politics of International Political Economy* (Routledge, 2013), 153.

<sup>690</sup> Steven G. Livingston, “The Politics of International Agenda-Setting: Reagan and North-South Relations, *International Studies Quarterly*, Vol. 36, No. 3 (Sept. 1992), 322.

newfound sympathy for their missions. Rather, the idea was to use American influence in those institutions to turn them into vehicles for market reform. Thus, Reagan declared a “special responsibility to provide constructive suggestions to make [them] more effective,” for example, “enhancing” the role of private capital in Bank projects and encouraging “deficit countries” to reach agreements with the IMF on “sound, comprehensive stabilization program[s]” that would “signal private markets of [their] intent to solve [their] own economic problems.”

In another sign of things to come, Reagan avoided direct mention of North-South dialogue negotiations in the United Nations, which had been suspended one year prior due to both sides’ inability to agree on an agenda. Instead, Reagan concluded his speech by calling for an “end to the divisive rhetoric of ‘us versus them,’ ‘North versus South.’” Instead, let us decide what all of us, both developed and developing countries, can accomplish together.”<sup>691</sup>

### *Foreign Aid and Human Rights: Successes and Setbacks*

The Administration initiated several efforts in its first year to realign U.S. development policy with its pro-corporate, “domesticist” agenda. Some activities were expanded. The Overseas Private Investment Corporation (OPIC), a U.S. government-owned corporation with the role of facilitating private investment in the Third World, was granted the authority to issue insurance to private corporations against “foreign strife,” and was instructed to reject projects that would “substantially reduce the positive trade

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<sup>691</sup> Reagan, “Remarks at the Annual Meeting of the Board of Governors of the World Bank Group and International Monetary Fund,” September 29, 1981.

benefits likely to accrue to the United States from the investment.”<sup>692</sup> At the Agency for International Development (USAID), Reagan officials created a “Bureau for Private Enterprise” to promote lending to small- and medium-sized Third World businesses; Mrs. Elise Dupont, wife of the governor of Delaware, was selected to lead the new agency, despite having no foreign affairs experience.<sup>693</sup> A more consequential Reagan program was the Caribbean Basin Initiative, which offered economic and military assistance to countries of Central America and the Caribbean that did not “expropriate without compensation” and which took into account those countries’ “attitude towards foreign investment and policies employed to promote their own development.”<sup>694</sup>

Major cuts were proposed to traditional development aid, on which David Stockman’s Office of Management and Budget led the charge. Stockman truly wanted to reduce the size of government in all sectors, and he attacked the foreign aid budget with the same zeal he took toward domestic outlays. He later stated:

I believed that the organs of international aid and so-called Third World development—the UN, the multilateral banks, and the U.S. Agency for International Development—were infested with socialist error. The international aid bureaucracy was turning Third World countries into quagmires of self-imposed inefficiency and burying them beneath mountainous external debts they would never be able to repay.

To that end, in early 1981 Stockman worked out a budget plan with Republican senator Phil Gramm that would have cut U.S. multilateral and bilateral aid by 45 percent, cancelled Carter’s \$3.2 billion pledge to the World Bank’s International Development

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<sup>692</sup> Gary H. Sampliner, The 1981 OPIC Amendments and Reagan’s Newer Directions in Third World Development Policy, 14 *Law and Policy in International Business* 181 (1982), 186-187.

<sup>693</sup> “My Global Life: A Conversation with Raymond Malley,” interviewed by Charles Stuart Kennedy for the Diplomatic Oral History Series, Association for Diplomatic Studies and Training, 131.

<sup>694</sup> Ramesh Ramsaran, “The US Caribbean Basin Initiative.” *The World Today* 38, no. 11 (1982): 431.

Association (IDA), frozen all U.S. contributions to the other regional multilateral banks and UN agencies, and phased out America's PL 480 or "Food for Peace" program.<sup>695</sup>

Stockman's campaign against foreign aid quickly ran up against the Administration's national security strategy, exposing the limits of Reaganism's commitment to cutting spending. According to Stockman, Secretary of State Al Haig leaked the Gramm-Stockman budget to the press, sparking angry phone calls from Capitol Hill and formal protests from the EEC, OECD, and Australia.<sup>696</sup> While the OMB held that "Every major program should take some reduction," it too had to accept a hierarchy: "Bilateral aid has priority over multilateral aid programs, [and] security assistance has priority over development assistance." The result was a compromise budget that pledged to reduce overall aid by 20 percent, cut but did not cancel U.S. contributions to the IDA, and deferred new aid obligations.<sup>697</sup>

In practice, aid was no so much reduced as redirected towards nations that fit into the Administration's national security strategy. In fact, from 1981-86, traditional development aid rose by 22 percent, from \$4.9 billion to \$6 billion, while security assistance rose by over 100 percent.<sup>698</sup> Aid distribution also changed, as AID redirected funds toward those governments deemed "friendly" or under threat, such as El Salvador, Honduras, Sudan, and Pakistan, and away from "unfriendly governments" such as Nicaragua and Tanzania.<sup>699</sup> The jettisoning of human rights in aid determination was a

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<sup>695</sup> David Stockman, *The Triumph of Politics: How the Reagan Revolution Failed* (New York: Harper & Row, 1986), 116.

<sup>696</sup> Stockman, 117; Livingston, 320.

<sup>697</sup> Livingston, "Politics of International Agenda Setting," 319; Liam Downey, *Inequality, Democracy, and the Environment* (New York: NYU Press, 2015), 93.

<sup>698</sup> Gregory D. Moffett III, "Reagan's Imprint on Foreign Aid," *Christian Science Monitor*, May 23, 1985 (<https://www.csmonitor.com/1985/0523/zaid1-fl.html>).

<sup>699</sup> Richard E. Feinberg in Kenneth A. Oye, Robert J. Leiber, and Donald Rothchild (eds.), *Eagle Resurgent: The Reagan Era in American Foreign Policy* (Boston: Little, Brown and Company, 1983), 147.

foregone conclusion, but even the Administration's pro-market requirements could be put aside in service of other foreign policy goals. According to a 1985 report by the Overseas Development Council, recipients of large aid programs were rejecting AID conditionalities "with the knowledge that their bureaucratic and congressional allies in Washington would block a cutoff of funds."<sup>700</sup>

*From Ottawa to Cancún: Reagan, Thatcher, and the Brandt Commission*

While the Administration struggled in its first year to balance its commitments to reforming Third World markets and supporting anti-communist allies, it still had no explicit policy toward North-South negotiations, which had been stalled in the United Nations since the end of the Carter Administration. At the June 1980 G-7 summit in Venice, the developed countries agreed "to approach in a positive spirit the prospect of global negotiations in the framework of the United Nations," scheduled for January 1981, but gave no further elaboration. In effect, G-7 leaders kicked the can down the road until the outcome of the U.S. presidential election in November.<sup>701</sup>

Reagan officials opposed global negotiations in both form and spirit. "Ultimately, the South wants our money," complained a Treasury official. "It's a scam. Our problem is that the whole mindset of the dialogue is objectionable. It's unreal."<sup>702</sup> However, ignoring the dialogue was not an option. One reason was the insistence of Canada's Pierre Trudeau, who had been trying to push U.S. North-South policy in a more

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<sup>700</sup> John W. Sewell, Richard E. Feinberg, and Valeriana Kallab (eds.), *U.S. Foreign Policy and the Third World: Agenda 1985-86* (Washington, D.C.: Overseas Development Council, 1985), 11.

<sup>701</sup> "Editorial: From Venice to Cancun" *Third World Quarterly* 3, No. 4 (1981): xxiii.

<sup>702</sup> Livingston, "Politics of International Agenda Setting," 317.

progressive direction for several years.<sup>703</sup> Canada was hosting the June 1981 G-7 summit in Ottawa, and Trudeau was one of the few Western leaders left still committed to large resource transfers and institutional change. According to Trudeau's foreign minister Mark MacGuigan, the Prime Minister was "totally consumed by the issue" and "filled with youthful vigor and idealism." "Power sharing is at the heart of the North-South dialogue," Trudeau explained to MacGuigan and Larry Smith, assistant undersecretary responsible for North-South affairs, "and [Western] politicians should be able to understand this readily and recognize that it is better to share power now than in the future, even though it may be easier the other way round."<sup>704</sup>

Trudeau also supported the activities of the Independent Commission on International Development Issues. The Commission was the initiative of World Bank president Robert McNamara, who announced the idea in a speech to the Bank's Board of Governors in September, 1977.<sup>705</sup> McNamara was inspired by a 1976 joint report from the Club of Rome and the Dutch Ministry for Development Cooperation which, among other things, supported the South's calls for democratizing international institutions and criticized World Bank policies for ignoring poverty. While the Dutch report garnered little attention in the North, it was well received in the South and made a strong impression on McNamara. In early 1977 he proposed to Willy Brandt, leader of the German Social Democratic Party and former Chancellor, that they convene their own

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<sup>703</sup> When Jimmy Carter first met Trudeau, Zbigniew Brzezinski advised the President to "recognize Canada's special access and credibility among third world countries, especially the poorest, and bear in mind that Canada's policy toward China and Cuba has evolved more rapidly than ours." John English, *Just Watch Me: The Life of Pierre Elliott Trudeau: 1968-2000* (Toronto: Random House Canada, 2010), 563.

<sup>704</sup> Colin McCullough, Robert Teigrob (eds.), *Canada and the United Nations: Legacies, Limits, Prospects* (Montreal: McGill-Queens University Press, 2016).

<sup>705</sup> Robert McNamara, "To the Board of Governors," Washington, D.C., September 26, 1977, in *The McNamara Years at the World Bank* (Baltimore: The Johns Hopkins University Press, 1981).



commission, this time consisting of former heads of state from both North and South, that would “determine the necessary volume of aid, especially for the poorest countries, and the required changes in the policies of developed countries, as well as discuss the structural modification of the international economy.”<sup>706</sup> As discussed in Chapter 4, McNamara launched a similar initiative at the outset of the 1970s “development crisis”—a 1969 Bank-funded project headed by former Canadian Prime Minister Lester Pearson—that was criticized for its lack of new ideas and quickly forgotten. This time, the Commission would be funded independently from the Bank, and a majority of its 21 members hailed from developing countries.<sup>707</sup>

The Commission published its first report in February 1980. Subtitled “A Programme for Survival,” the “Brandt Report,” as it became known, called global inequality the leading threat to world peace, and also explored development’s relationship to the global arms trade, nuclear disarmament, and the environment.<sup>708</sup> For Northern politicians, the report’s specific policy recommendations were bold—among other things, it endorsed the Common Fund, called for larger and automatic transfers of wealth from North to South, and proposed a World Development Fund with a fully international membership. The report was popular among developing countries at the United Nations, where delegates gave supportive speeches in the General Assembly, and in Europe. In

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<sup>706</sup> Giuliano Garavini, *After Empires: European Integration, Decolonization, and the Challenge from the Global South, 1957-1986* (Oxford: Oxford University Press, 2012), 234.

<sup>707</sup> The Dutch government paid for about half of the Commission’s costs; a coalition of countries (Denmark, Finland, India, Japan, Norway, Saudi Arabia, South Korea, Japan, and the United Kingdom), the European Commission, OPEC, and a number of foundations and research centers provided the remaining funds. (Ramesh Thakur, Andrew F. Cooper, and John English (eds.), *International Commissions and the Power of Ideas* (New York: United Nations University Press, 2006), 31.

<sup>708</sup> Independent Commission on International Development Issues under the Chairmanship of Willy Brandt, *North-South: A Programme for Survival* (London and Sydney: Pan Books, 1980).

Britain alone 68,000 copies were sold, and 10,000 people showed up to Parliament when MPs were scheduled to discuss it.<sup>709</sup>

Looking back, little in the Brandt Report was new. Most of the policies had been called for by the South within the dialogue for years, and the connection between global economic cooperation and world peace had a history going back at least to the founding of the UN and Bretton Woods institutions. Unfortunately, its main pitch to the developed countries—to fund a “Marshall Plan for the South” that would also stimulate the economies of the North—could not have come at a worse time. Western governments were terrified of inflation following the 1979 oil crisis and mired in recession; one after another, they hiked interest rates and cut spending. One leader particularly opposed to the report’s brand of “global Keynesianism” was Margaret Thatcher, who was even more determined than Reagan to reverse the macroeconomic consensus in her country. Nevertheless, given the report’s popularity in Europe and the South, even the Thatcher government took a conciliatory stance. “Nowhere can the Brandt report be read with greater interest than in Britain,” Foreign Secretary Lord Carrington insisted during a visit to Caracas. “It has been the publishing success of the year, and at the last count has sold ten times as many copies as in the United States... We also know that, as a leading British newspaper put it yesterday, soft words are not enough... Above all, we believe it is not rhetoric which is required, but action.”<sup>710</sup>

That action would take the form of a high-profile North-South summit in October 1981 at the Mexican resort of Cancún. Brandt had discussed the idea of a summit with

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<sup>709</sup> John Toye and Richard Toye, *The UN and Global Political Economy: Trade, Finance, and Development* (Bloomington: Indiana University Press, 2004), 255-56.

<sup>710</sup> Speech by the Lord Carrington, Caracas, 4 August 1980 (<https://opendocs.ids.ac.uk/opendocs/ds2/stream/?#/documents/43767/page/1>).

UN Secretary General Kurt Waldheim in 1979, before the report's publication, but Brandt and Austrian chancellor Bruno Kreisky wanted a smaller group of leaders in the model of the 1975-77 Conference on International Economic Cooperation instead of a large international gathering. The G-77 preferred an open forum, but Mexican president José López Portillo agreed to host the summit, with Austria as a co-sponsor, as a way to restart North-South negotiations.<sup>711</sup>

According to her memoirs, Thatcher persuaded Reagan to attend the Cancún summit during her visit to Washington in February. Although Thatcher dismissed “the whole concept of ‘North-South’ dialogue, which the Brandt Commission had made the fashionable talk of the international community,” she “felt that, whatever our misgivings about the occasion, we should be present, both to argue for our positions and to forestall criticism that we were uninterested in the developing world.”<sup>712</sup> This may have been true, but it was not the only reason for Reagan's attendance. At the Ottawa summit in July, Trudeau and French President Francois Mitterand “were laying in wait to attack the United States for its inaction on Third World issues,” particularly Reagan's promise earlier that year to cut U.S. contributions to the IDA.<sup>713</sup> To Reagan's frustration, they refused to even discuss East-West issues until the U.S. agreed to a more forthcoming position on global negotiations, and North-South relations became the longest section of the customary joint communique.<sup>714</sup> In the words of an American participant, the differences between Reagan and his counterparts on North-South relations were

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<sup>711</sup> Toye and Toye, *The UN and Global Political Economy*, 256.

<sup>712</sup> Margaret Thatcher, *The Downing Street Years* (London: Harper Collins, 1993), 168-69.

<sup>713</sup> “But Will It Play in Bangladesh?” *National Journal* ( [www.nationaljournal.com/s/240265/focuses-will-play-bangladesh](http://www.nationaljournal.com/s/240265/focuses-will-play-bangladesh)).

<sup>714</sup> Livingston, “The Politics of International Agenda Setting,” 321.

“enormous,” and the U.S. was “the skunk at the party.”<sup>715</sup> Yet the Reagan Administration had to choose between isolating its allies and leaving the door open to global negotiations, and in the end it chose the latter. “There is now a disposition on the part of all summit countries to pursue any opportunity for meaningful progress [in the North-South dialogue], including what are known as global negotiations,” Trudeau declared at the summit’s end. “That openness to the process of global negotiations represents a consensus which did not exist before our summit and seemed very remote not too many months ago.”<sup>716</sup>

The Cancún summit on October 23, 1981 was attended by twenty-two heads of state, “representing two-thirds of the world’s population and controlling three-fourths of the world’s wealth.”<sup>717</sup> Despite the hype and international visibility, the summit was yet another North-South anticlimax. As in his speech to the World Bank a month before, Reagan preached the virtues of market reforms and projected a shower of private investment in the South once the U.S. put its own house in order. The U.S. was alone in opposing the creation of an energy affiliate for least developed countries, or LLCs, inside the World Bank, though Britain joined the U.S. in rejecting the Brandt report’s proposal for an independent World Development Fund.<sup>718</sup> Thatcher recalled telling her European and Third World counterparts, “[T]here was no way in which I was going to

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<sup>715</sup> Babb, *Behind the Development Banks*, 78.

<sup>716</sup> “Concluding Statements of the Ottawa G-7 Economic Summit Conference Participants, July 21, 1981 (<http://www.presidency.ucsb.edu/ws/index.php?pid=44103>).

<sup>717</sup> Helen Thomas, “President Reagan arrived today...”

(<https://www.upi.com/Archives/1981/10/21/President-Reagan-arrived-today-at-the-22-nation-Cancun-summit/4201372484800/>). Those countries were: Algeria, Austria, Bangladesh, Britain, Brazil, Canada, China, France, Guyana, India, Ivory Coast, Japan, Mexico, The Philippines, Saudi Arabia, Sweden, Tanzania, Nigeria, the U.S., Venezuela, West Germany, and Yugoslavia.

<sup>718</sup> “U.S. agrees gingerly to a Cancun followup,” *National Journal* (<https://www.nationaljournal.com/s/241381/washington-update-policy-politics-brief-u-s-agrees-gingerly-cancun-followup?mref=search-result>).

put British deposits into a bank which was totally run by those on overdraft.”<sup>719</sup> As participants had agreed not to produce a joint statement in the interests of a “free exchange of ideas,” it was left to López Portillo and Trudeau to put a positive spin on this grim non-conclusion. One reporter described the scene: “[Few] among the approximately 3,000 journalists and staff present failed to note the decidedly opposite mood of the two men. López Portillo was cautiously optimistic; Trudeau was dejected. Cynics in attendance claimed López Portillo had no option but to act in this fashion, as the host of the conference. It was Trudeau... who accurately reflected the results of the conference.”<sup>720</sup>

*Conclusion: The 1982 Debt Crisis and Reaganism’s Triumph*

Despite two follow-up attempts by the Brandt Commission, in 1983 and 1988, the Cancún summit marked the effective end of the North-South dialogue. This appears obvious in retrospect. As Margaret Thatcher recalled in her memoirs:

The summit was a success—though not really for any of the reasons publicly given. At its conclusions there was, of course, the expected general—and largely meaningless—talk about ‘global negotiations on North-South issues... But what mattered to me was that the independence of the IMF and World Bank were maintained. Equally valuable, this was the last of such gatherings. The intractable problems of Third World poverty, hunger, and debt would not be solved by misdirected international intervention, but rather by liberating enterprise, promoting trade—and defeating socialism in all its forms.<sup>721</sup>

In its own preparations for the summit, the U.S. State Department also believed the dialogue’s days were numbered: “The October summit could mark the end, for the foreseeable future, of serious attempts to negotiate global economic bargains between

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<sup>719</sup> Thatcher, *Downing Street Years*, 169.

<sup>720</sup> Buzdugan and Payne, *The Long Battle for Global Governance* (New York: Routledge, 2016), 102.

<sup>721</sup> Thatcher, *Downing Street Years*, 170.

North and South. It may be the last gasp of a decade-long effort at multilateral diplomacy.”<sup>722</sup>

The State Department was correct, but such optimism had been proven wrong before. In fact, U.S. officials had been predicting the dialogue’s end since late 1974, when Henry Kissinger began his strategy of splitting the “unholy alliance” of OPEC and the oil-importing developing countries by making strategic concessions to the New International Economic Order program. Pro-market ideologues like Treasury Secretary William Simon and Alan Greenspan charged Kissinger with abandoning America’s commitment to free markets abroad and putting in danger their own reform efforts at home, but this “economic theology,” as Kissinger put it, was overruled by the pragmatic Gerald Ford. At the same time, a growing number of “new conservatives,” then outside of government and in between parties, organized around their opposition to what Daniel Patrick Moynihan called, in a lengthy essay in *Commentary*, Kissinger’s “appeasement” of the G-77’s economic and moral claims. Instead, Moynihan had argued, the U.S. must “go into opposition” at the UN by using the Third World’s human rights record to delegitimize its criticisms of the U.S.-led liberal world order.<sup>723</sup> This was also tried for a time—eight months, actually—until Moynihan, too, found himself isolated from both the Europeans and the consensus-driven Ford, and was forced to resign.

The Carter Administration placed the North-South dialogue at the top of its international agenda, and, for the first time since Kissinger’s 1975 speech at the Seventh Special Session, the outlook was genuinely hopeful. Carter was serious about responding

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<sup>722</sup> Toye and Toye, *UN and Global Political Economy*, 257.

<sup>723</sup> Daniel P. Moynihan, “The United States in Opposition,” *Commentary*, March 1, 1975 (<https://www.commentarymagazine.com/articles/the-united-states-in-opposition/>).

to the South's problems, and sought to turn his signature foreign policy initiative—human rights—into a global campaign to meet “basic human needs” in poor countries. This was an important distinction: while Kissinger wanted to water the NIEO down, and Simon and Moynihan wanted to reject it in both form and spirit, Carter and Secretary of State Cyrus Vance wanted to transform it. This, too, failed, for reasons made plain to Carter in conversations with G-77 leaders like Venezuelan president Carlos Andrés Pérez. The Third World (correctly) suspected that Carter's focus on attacking poverty *within* countries was intended to end discussion of global structural reform, however sincere Carter was about the former.

From 1974-1982, the North-South dialogue transformed U.S. foreign policy, but *U.S. foreign policy did not transform the North-South dialogue*. The G-77's solidarity and power had been diminished by many things—OPEC's halfhearted aid efforts in the wake of the first oil crisis, the North's coming together in the G-7 summits, the return to recession and austerity in the North, the abrupt end to détente provided by the Soviet Union's invasion of Afghanistan—but its agenda remained the same: the redistribution of both resources and power from North to South through comprehensive global negotiations. Kissinger had entertained the possibility of some redistribution of resources and power; Carter was willing to commit more resources, but only to U.S.-dominated institutions. Neoconservatives and neoliberals had rejected both throughout the 1970s, and with Reagan's election, were in the position to put those beliefs into practice. It was a testament to the remarkable impact the NIEO and North-South dialogue had on international politics in the 1970s that, long after the threat of serious economic retaliation had passed, the Reagan Administration was still unable to kill, or even opt out

of, global negotiations. Diplomatic norms, European concern, and Southern solidarity all continued to mandate U.S. participation.<sup>724</sup> Shortly after Cancún, the Administration announced its support for a new round of global negotiations, on the condition that they “deal with specific, identifiable obstacles to development,” “focus on international growth and development,” and “[do] not create new institutions or weaken the power of...the IMF and World Bank.”<sup>725</sup> Minus Carter’s basic needs proposals—which, though significant, came to naught through the dialogue—this was effectively the U.S. position four years back.

Those global negotiations would not take place. On the evening of August 12, 1982, Mexico’s finance minister flew to Washington to deliver grim news: his country was no longer able to service its debts.<sup>726</sup> Shortly after, Mexico announced a unilateral

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<sup>724</sup> As a pre-Cancun Treasury Department analysis explained:

While President Reagan’s written acceptance directly challenged the GN [Global Negotiations]-Cancun linkage by stating that the Summit should not ‘take up procedural questions pending in other fora,’ all participants except the United States felt that Global Negotiations would be an appropriate topic for discussion at Cancun... In order to avoid the global negotiations, the President will need a plan for a follow-up on the Summit, possibly another meeting of the same group a year or two later in Austria (the country co-hosting the Cancun summit). It is unlikely that such a proposal would be acceptable as the LDCs at the August 1 meeting stressed the fact that the Summit was in no way to be a substitute for Global Negotiations... If the United States decides to delay its rejection of the GN until after the Summit, it would still have to come up with alternative ideas which would involve showing how all the topics to be discussed in GN could more properly be discussed in other fora. (Department of Treasury, “Cancun Summit,” August 5, 1981 (<https://www.cia.gov/library/readingroom/docs/CIA-RDP84B00049R001700030006-0.pdf>)).

<sup>725</sup> “The Third World appears ready to compromise utopian plans for restructuring the world economy and accept negotiations that would provide procedural protection for the competence of the World Bank and International Monetary Fund. Global Negotiations in the UN will provide the Third World political leverage to accelerate evolutionary change in the international financial institutions but *will not damage their independent legal status or autonomous decisionmaking*” National Foreign Assessment Center, Memorandum for Jeane K. Kirkpatrick, “The Impact of Global Negotiations on International Financial Institutions,” December 3, 1981 (<https://www.cia.gov/library/readingroom/docs/CIA-RDP95B00915R000500110019-5.pdf>).

<sup>726</sup> Sebastian Edwards, “Forty Years of Latin America’s Economic Development: From the Alliance for Progress to the Washington Consensus,” NBER Working Paper Series, Working Paper no. 15190, July 2009 (<http://www.nber.org/papers/w15190.pdf>).



debt moratorium of 90 days and requested a renegotiated payments schedule and additional loans to meet past obligations. Washington and London arranged a temporary loan as well as consultations between the banks and Mexican officials, but President Lópe z Portillo balked on the banks' insistence that he accept an IMF-designed austerity program in exchange for new loans. Instead, López Portillo nationalized banks, imposed import controls, and condemned the IMF as "witch doctors" whose treatment plan was to "deprive the patient of food and subject him to compulsory rest."<sup>727</sup>

Within three months López Portillo was out of power. In November a new government accepted the IMF's package, but by then the crisis had spread to Argentina and Brazil. Reagan and Thatcher's cuts to official development aid compounded the problem, as did Reagan's own borrowing, which drove up interest rates, and Thatcher's austerity, which decreased demand.<sup>728</sup> The South's "lost decade of development" had begun. While the largest debtors were located in Latin America and the Caribbean, Asia (the Philippines), and North Africa (Morocco), the crisis hit smaller debtors in sub-Saharan Africa especially hard due to their relative impoverishment.<sup>729</sup> By the end of 1984, at least thirty "structural adjustment" loans had been negotiated in Latin America and other developing countries, in which the banks provided the capital and the IMF enforced the terms.<sup>730</sup> This "new diplomatic constellation, with the IMF and the U.S. taking on key brokerage roles between banks and debtor states," virtually ensured that the burden of adjustment would fall overwhelmingly on the citizens of indebted countries

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<sup>727</sup> James Cronin, *Global Rules: America, Britain, and a Disordered World* (New Haven: Yale University Press, 2015), 142-43.

<sup>728</sup> Toye and Toye, *UN and Global Political Economy*, 258-59.

<sup>729</sup> Sarah Hsu, *Financial Crises, 1929 to the Present, 2<sup>nd</sup> Edition* (Edward Elgar Publishing: Northampton, MA, 2017), 61.

<sup>730</sup> Cronin, *Global Rules*, 145.

and hardly at all on foreign investors.<sup>731</sup> “The principal—although largely undeclared—objective of the Western world’s debt strategy, ably coordinated by the IMF, was to buy time,” explained Nigel Lawson, Britain’s chancellor of the exchequer during the crisis. “Time was needed not only to enable to debtor countries to put sensible economic policies in place but also for the Western banks to rebuild their shattered balance sheets.”<sup>732</sup>

Those “sensible economic policies”—including privatization of government services and industry, deregulation of labor and capital markets, removal of price controls, and spending cuts—became part of a one-size-fits-all reform prescription known as the “Washington Consensus.”<sup>733</sup> Early in the crisis, there was some fear in the North of debtors forming a “debtpec” to argue collectively for better terms, but the “South” as a diplomatic unit had vanished: “Debtor states abandoned the mores of North-South negotiations, preferring more efficacious bilateral ties with creditors and altering global communications channels as a result. LDC interests were badly divided. Some were unaffected; others held mostly official debt, were meeting payments and wanted the issue depoliticized, or preferred continuing radical demands. This reduced coalitional

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<sup>731</sup> Livingston, “The Politics of International Agenda Setting,” 524.

<sup>732</sup> Toye and Toye, *UN and Global Political Economy*, 260.

<sup>733</sup> The “author” of the Washington Consensus, John Williamson, expressed his ambivalence towards the concept years later:

The Washington Consensus as I originally formulated it was not written as a policy prescription for development: it was a list of policies that I claimed were widely held in Washington to be widely desirable in Latin America as of the date the list was compiled, namely the second half of 1989. Of course, development was the main objective of the countries in question; the point is that my agenda excluded policies even if I believed they would promote development unless I was also convinced that they commanded a consensus. But it has been widely interpreted—and by sympathetic observers...not just by critics—as offering a policy prescription (and as being of wider application than in Latin America). (Williamson, “The Washington Consensus as a Policy Prescription for Development,” delivered at the World Bank on January 13, 2004 (<https://piie.com/publications/papers/williamson0204.pdf>)).

opportunities. Nor was the issue suitable to bloc politics. Even the large debtors, because of the continuing need for credit and their different positions in the business cycle, have been unable to create a unified position.”<sup>734</sup> The eight-year effort towards a New International Economic Order was over, and the new neoliberal order had arrived.

The developed countries were stunned by the “historic” and “unprecedented” debt crisis.<sup>735</sup> US officials initially argued that it was a “temporary problem of liquidity” brought on by unsound domestic policies that could be contained by a bit of cash and structural reforms.<sup>736</sup> Debt relief was dismissed as encouraging moral hazard.<sup>737</sup> Instead, the expectation was that once reforms were in place, private capital would have the confidence to return. The World Bank too was caught off guard; as late as 1981, researchers were “optimistic...about the future availability of private capital flows to already-indebted developing countries” and believed the debt problem was “manageable and would not obstruct economic growth.” There was a reason for this: “From the late 1960s onward, the industrial countries made substantial investments in economic research on developing countries through organizations that they controlled, such as the OECD and the World Bank.”<sup>738</sup>

As the North-South dialogue dragged on, the self-serving conclusion in the North was that the biggest obstacle to development was not a lack of money, rich country

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<sup>734</sup> Cronin, 145; Livingston, “Politics of International Agenda Setting,” 324.

<sup>735</sup> Paul Volcker and Jacques de Larosiere (Managing Director of the IMF), respectively. C. Roe Goddard, *U.S. Foreign Policy and the Latin American Debt Issue* (London: Routledge, 1993).

<sup>736</sup> L. Ronald Scheman, *Greater America: A New Partnership for the Americas in the Twenty-first Century* (New York: NYU Press, 2003), 99.

<sup>737</sup> Treasury Secretary Donald Regan told Congress: “I don’t think we should just let a nation off the hook because we are sympathetic to the fact that they are having difficulties. As debtors, I think they should be made to pay back as much as they can bear without breaking them. You just can’t let your heart rule your head in these situations” (Ross P. Buckley, Douglas W. Arner (eds.), *From Crisis to Crisis: The Global Financial System and Regulatory Failure* (Kluwer Law International, 2011), 273.)

<sup>738</sup> Toye and Toye, *UN and Global Political Economy*, 258.

protectionism, or global rules, but developing countries themselves. The Bank issued its first structural adjustment loan in 1980, one year after Robert McNamara introduced the concept in a high-profile speech at UNCTAD V. Under McNamara's successor A. W. Clausen, a former Bank of America CEO, by the mid-1980s structural adjustment loans climbed to one-third of the Bank's new lending. Dissenters within the Bank and other international financial institutions were either silent or ignored, as Stanley Fischer, the Bank's chief economist, explained: "It was clear...at the beginning of 1989, as it had been clear to many much earlier, that growth in the debtor countries would not return without debt relief. But the official agencies operate on the basis of an agreed upon strategy, and none of them could openly confront the existing strategy without having an alternative to put in place. And to propose such an alternative would have required agreement among the major shareholders of the institutions. So long as the United States was not willing to move, the IFI's were not free to speak."<sup>739</sup>

Fischer's explanation reveals the most damaging legacy of US policy toward the New International Economic Order and North-South dialogue. American officials' focus on defeating the South's proposals for global reform left them blind to the global crisis brewing right in front of them. At UNCTAD IV in 1976, Secretary-General Gamani Corea warned of an impending debt problem in the South; a year later, CIEC co-chairman Manuel Pérez-Guerrero insisted on behalf of the "Group of 19" developing countries that the CIEC discuss the debt problem and reach agreement on a new framework for debt renegotiation and rescheduling.<sup>740</sup> The Carter Administration agreed

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<sup>739</sup> Ibid, 266-70.

<sup>740</sup> Gerald Ford Presidential Library, State Department, "Briefing Paper on CIEC," July 26, 1976, folder: International Organizations, Box 1, International Organizations, WHCF.

to some debt relief for “least developed countries” on a “case-by-case” basis, but as late as 1979, where at UNCTAD V debt resurfaced once again, U.S. officials believed “official debt... [is] of political importance to LDCs frequently out of proportion to [its] economic significance.”<sup>741</sup> By the time the debt crisis hit, the consensus on markets, the state, and development in the U.S., IMF, and World Bank had moved decisively in favor of the NIEO’s greatest critics: the neoliberals and neoconservatives who began the 1970s on the fringes of the foreign policy establishment and came to dominate it in the 1980s and beyond.

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<sup>741</sup> Jimmy Carter Presidential Library, RAC, NLC-24-101-8-2-2, Presidential Directive/NSC, “U.S. Policies Toward Developing Countries,” undated.