

1/9/81

Folder Citation: Collection: Office of Staff Secretary; Series: Presidential Files; Folder: 1/9/81;
Container 187

To See Complete Finding Aid:

http://www.jimmycarterlibrary.gov/library/findingaids/Staff_Secretary.pdf

WASHINGTON

DATE: 09 JAN 81

FOR ACTION: GENE EIDENBERG

STU EIZENSTAT

ZBIG BRZEZINSKI *aman*

JIM MCINTYRE

GUS SPETH

INFO ONLY: THE VICE PRESIDENT

JACK WATSON

SUBJECT: UNITED STATES TRADE REPRESENTATIVE RE PROPOSED
DESIGNATION OF ENVIRONMENTAL RESOURCES OF GLOBAL
IMPORTANCE - ELABORATION OF SECTION 2-3(D)

*Kathy says make
sure memo does not go
in w/out dissenting
comments.
Speth &
Muskie
memo
coming*

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM MONDAY 12 JAN 81 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON
20506

JAN 8 1981

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT D. HORMATS *RH*
ACTING

SUBJECT: Proposed Designation of Environmental Resources of
Global Importance--Elaboration of Section 2-3(d) of
Executive order 12114

We are informed that the Council on Environmental Quality has proposed, with concurrence of the Department of State, that you make an immediate decision on the meaning of "natural or ecological resources of global importance" under the subject Executive order. The proposal is that tropical forests, prime croplands, coastal wetlands, and coral reefs be so designated. As a consequence, environmental studies, reviews or impact statements will have to be developed by responsible U.S. Government agencies for every proposed export project to these designated areas.

While we concur with the objectives of endeavoring to preserve ecosystems of great value to mankind and trying to raise the level of environmental consciousness of other countries, we do not believe that the subject proposal will accomplish these objectives. To the contrary, it is likely that the proposed action will be interpreted by other countries as an attempt by the United States to impose its environmental protection concepts on them, and they will probably view the new U.S. requirement as an interference in their sovereign affairs. We believe that the most appropriate way to accomplish the intended objectives of this proposal is through negotiation of an international agreement on the protection of ecosystems under the auspices of an appropriate multilateral organization. In addition, the Department of State should emphasize bilaterally, through normal diplomatic channels, the need to protect global environmental resources.

The designation of global resources in generic terms, as is proposed, is confusing and will greatly expand the number and types of U.S. actions for which environmental reviews will be

required. Presently, Executive order 12114 applies primarily to development aid projects sponsored by U.S. agencies. You will recall that in approving the Executive order you were careful to ensure that there were no broad adverse effects on U.S. commercial interests. Under the proposed modification, commercial export transactions financed through the Export-Import Bank will be the most heavily impacted; because effected areas are not defined in geographic terms, costly and time consuming studies will have to be undertaken to determine if the location of each export project falls within a designated area. As a consequence, the Export-Import Bank estimates that environmental studies will have to be undertaken for about 75 percent of its loan projects; at present, reviews are undertaken for less than 1 percent of its projects. This will necessitate significant and costly additions to Export-Import Bank resources, which have not been budgeted.

The proposed designation would constitute a major new disincentive to U.S. exports. It would create uncertainty as to the availability of financing from the Export-Import Bank and it would delay Bank loan approvals. As a result, it would undermine U.S. export competitiveness. Importing countries would lose confidence in the United States as a dependable source of supplies and would purchase their needed products elsewhere. U.S. exports would be displaced by exports from other countries that would be quite uninterested in protecting "global resources" under the ownership of importing countries.

The proposed designation of tropical forests as a global resource may conflict with negotiations underway under the auspices of the United Nations Conference on Trade and Development to promulgate an international commodity agreement for tropical timber. The objective of negotiations is to design an international arrangement that will support efforts of lesser developed countries to sell more tropical timber in world markets as a means of contributing to their economic development.

Lastly, there has been inadequate interagency consideration of the subject proposal and there have been no consultations on it with the private sector. The Office of the U.S. Trade Representative has never been consulted in regard to the proposal; in fact, we were unaware of it until a few days ago. Section 135(a) of the Trade Act of 1974, as amended, requires that advice be sought from representative elements of the private sector on matters arising in connection with the administration of the trade policy of the United States.

To the best of our knowledge, no advice has been sought on the proposed designation from U.S. industry, agriculture, labor, and service sector interests.

For the foregoing reasons, we recommend that you disapprove the proposed designation of environmental resources of global importance.