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COUNCIL OF ECONOMIC ADVISERS
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ALAN GREENSPAN, CHAIRMAN
PAUL W. MACAVOY
BURTON G. MALKIEL

August 31, 1976

MEMORANDUM FOR ALAN GREENSPAN

FROM: Paul W. MacAvoy *WPM*

SUBJECT: U.S. Concessions in The Law of The Sea
Negotiations

file

The United States has for a decade been involved in negotiations on The Law of The Sea. The negotiations have been divided into three parts: (1) deep seabed issues -- esp. deep sea mining of various metals; (2) extent and nature of territorial rights to the sea; and (3) environmental safeguards. While progress has been made in the second and third parts, the chief negotiator for the United States stated last Friday that we are close to failure on reaching agreement on (1) and thereby the entire negotiation is endangered.

This memorandum outlines what the United States has offered as concessions so far, and what is being proposed to prevent breakdown of the negotiations. To date we have made a significant commitment to establishing a public enterprise to be owned collectively by national governments for development of the seabed. We will propose to fund this enterprise as the means for saving the negotiations. But the question is if that doesn't save the negotiations whether we agree to limitations on private U.S. development of deep sea mining.

Concessions So Far

In seeking agreement, the United States has acquiesced to the creation of: (a) an International Seabed Authority (ISA); and (b) what the LDC's call "the Enterprise," an internationally controlled operating company. Production limits also already agreed to would apply to the sum of



production by the Enterprise and private concerns. It has been agreed that overall production would be split 50-50 between the Enterprise and private concerns. This would be accomplished as follows: any site discovered by a private concern would be split 50-50 with the Enterprise, or the private firm would give the Enterprise an equivalent site. The ISA would: (a) grant contracts for seabed mining; and (b) collect royalties from all seabed mining operations, including those of the Enterprise.

The Issues and Proposed Concessions

Negotiations have reached an impasse on controls over access by private concerns to deep sea mining sites. The LDC's favor:

- stringent controls over access by private firms to sites containing deep sea mineral deposits;
- quotas that would limit the shares of the U.S. firms.

The objective of these measures is to prevent an early dominance of deep sea mining by the U.S. companies having the technology. The United States seeks:

- no quotas apart from the nonbinding overall limit on production already agreed to;
- automatic approval of applications from qualified private companies for deep sea mining rights.

To obtain these goals, the United States is prepared to make a substantial contribution to "the Enterprise." This is not a direct response to the LDC's demands, but an attempt to divert them with the promise of dividends in the future from "the Enterprise."

What Happens Then?

The financial contribution offered by the United States might well not obtain the LDC's acceptance of our position on access. If it does not, the United States could let the conference fail. But it is more likely that we will go some way towards accepting the LDC's position on access to deep sea mining sites, thereby limiting our economy's access to these resources. At least at this time, we have no ostensible "fall back" position from funding of the Enterprise.