

PREM 19/184

PART 1 ends:-

18. 11. 80

PART 2 begins:-

21. 11. 80

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10 DOWNING STREET

From the Private Secretary

18 November 1980

BF 2.12.80

North/South Summit

The Prime Minister has seen and taken note of the Foreign and Commonwealth Secretary's minute to her of 14 November on this subject. During the Prime Minister's discussions in Bonn, it emerged that the Germans believe the Summit will take place in mid June rather than on 4/5 June as suggested in Lord Carrington's minute. For obvious reasons I should be grateful to know as soon as possible which dates are under consideration.

I am sending copies of this letter to John Wiggins (HM Treasury), Stuart Hampson (Department of Trade), Ian Ellison (Department of Industry) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

George Walden, Esq.,
Foreign and Commonwealth Office.

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PM/80/78

PRIME MINISTER

②

Prime Minister
 So far so good. The dates are rather
convenient - + would give added relevance
 to a Quadrilateral summit here in May.

MS. Hunt

North/South Summit

1. You may like to know where matters stand on preparations for a limited summit of developed and developing countries, after the meeting of 'sponsor' countries in Vienna on 7 and 8 November. The Canadian Foreign Minister, who was at Vienna, gave us an account when he passed through London earlier this week.

2. The sponsors agreed to work for a summit meeting in Mexico City in June 1981. The favoured dates were 4/5 June. (Thurs/Fri)
 This is rather earlier than we would have wished, since it will precede the Ottawa Summit. But no one in Vienna was prepared to press this point; and the French were satisfied with a decent interval after their Presidential elections. In my view, a date in June is not unreasonable and does allow time for the new American Administration to take a view on participation.

3. The main debate in Vienna was on who should attend. I attach a list of intended participants. It is firmly agreed that the United Kingdom should be invited; this is satisfactory. But neither Italy nor the Netherlands have been included; there was considerable resistance to adding more West Europeans. This will be unwelcome in the Community. It was agreed to

/invite



invite both the Soviet Union and China. The French and the Germans pressed for this, though there was some doubt whether the Russians would accept. There was also doubt whether Saudi Arabia would take part. But Trudeau will be visiting Saudi Arabia shortly and hopes to persuade them.

4. The next stage will be for the sponsors to sound out the other intended participants. Formal invitations will not be issued until after the next meeting of sponsors in March 1981, by which time the list should be firm. The March meeting of sponsors will also consider some form of agenda. But it was generally agreed in Vienna that the Summit should be an informal and unstructured meeting, which would not require detailed preparation and would not negotiate precise commitments. This suggests rather lighter preparation than we had envisaged. But both Canada and Germany argued strongly for informality. I believe their aim was largely to defuse excessive expectations of what might emerge from such a summit.

5. There was also long discussion in Vienna on relations between the Summit and the UN Global Negotiations. The Algerians - who were generally difficult participants - argued for a very close link. But this view did not prevail, so that the link between the two events remains imprecise. This is, I am sure, in our interest. We would not want the Summit to be regarded as a sort of 'court of appeal' from the Global Negotiations, nor to be limited to matters under discussion there.

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6. Though much remains to be settled, I think the outcome of this preparatory meeting was satisfactory for us. I am sure that we should continue to make clear our readiness to attend a summit to be organised on the lines proposed.

A handwritten signature in blue ink, appearing to be 'C' with a diagonal stroke at the bottom.

(CARRINGTON)

cc: Chancellor of the Exchequer
Secretary to the Cabinet
Secretary of State for Trade
Secretary of State for Industry

Foreign and Commonwealth Office

14 November 1980

NORTH/SOUTH SUMMIT: PARTICIPANTS

A. Basic List

Developed Countries

United States
Japan
West Germany
France
UK
Canada
Sweden
Austria

Developing Countries

Latin America:

Mexico
Brazil
Venezuela
Guyana

Africa:

Algeria
Nigeria
Ivory Coast
Tanzania

Asia:

Saudi Arabia
India
Bangladesh
Philippines
Yugoslavia

B. Possibles

USSR

Romania

China

Australia

A Portuguese-speaking African,
eg Angola

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TO PRIORITY FCO

TELNO 486 OF 10/11/80

INFO PRIORITY PARIS UKMIS NEW YORK

INFO SAVING WASHINGTON BONN UKREP BRUSSELS UKDEL OECD

MY TELNO 477: VIENNA PREPARATORY MEETING FOR PROPOSED NORTH/SOUTH
SUMMIT

1. MY FRENCH OPPOSITE NUMBER, WHOSE CONFIDENCE AGAIN IT IS IMPORTANT TO PROTECT, HAS READ ME THE TEXT OF STIRN'S REPORT ON THE VIENNA MEETING LAST WEEK. THE MAIN ELEMENTS, WHICH I RELAY SUBJECT TO WHAT PARIS MAY REPORT, WERE AS FOLLOWS:

(A) PREPARATION AND DATE. THERE WAS A STRONG CURRENT OF OPINION IN FAVOUR OF THE SUMMIT MEETING TAKING PLACE IN MAY OR JUNE WITH CANADA AND FRG BEING OF THE VIEW THAT IT WAS NOT NECESSARY TO WAIT FOR THE OTTAWA SUMMIT. A CANADIAN IDEA THAT HEADS OF STATE/GOVERNMENT OF THE ELEVEN POWERS SHOULD HAVE A PRELIMINARY MEETING WAS NOT AGREED. STIRN PROPOSED, WITH ALGERIAN SUPPORT, THAT THERE SHOULD RATHER BE A FURTHER MEETING OF MINISTERS OF FOREIGN AFFAIRS. STIRN ALSO SUPPORTED A NIGERIAN SUGGESTION THAT THE US AND THE UK SHOULD BE INVITED TO THAT MEETING. BUT THIS WAS NOT AGREED:

(B) PARTICIPATION. THIS WAS A MATTER OF CONSIDERABLE DIFFICULTY. GENSCHER AND STIRN PROPOSED THAT BOTH THE SOVIET UNION AND CHINA SHOULD BE INVITED. MEXICO ON THE OTHER HAND, WITH ALGERIAN SUPPORT, SUGGESTED THAT CHINA SHOULD ONLY BE INVITED AFTER IT HAD BEEN ESTABLISHED THAT THE USSR WOULD ATTEND. NO DEFINITE LIST WAS DRAWN UP BUT IT WAS AGREED THAT IN ANY CASE THE PARTICIPANTS SHOULD INCLUDE:

- (I) AUSTRIA, CANADA, FRANCE, FRG, JAPAN, SWEDEN, UK, US:
- (II) ALGERIA, NIGERIA, TANZANIA, IVORY COAST (NOT SENEGAL AS HAD APPARENTLY BEEN PREVIOUSLY SUGGESTED):
- (III) BRAZIL, MEXICO, VENEZUELA, GUYANA (RATHER THAN JAMAICA):
- (IV) BANGLADESH, INDIA, PHILIPPINES, SAUDI ARABIA:
- (V) YUGOSLAVIA, USSR, CHINA.

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THERE WAS SOME SUGGESTION THAT THE LISTS SHOULD BE COMPLETED BY ITALY. CANADA PROPOSED THE INCLUSION OF AUSTRALIA. IT WAS THOUGHT THAT RUMANIA WOULD BE AN APPROPRIATE PARTICIPANT IF THE USSR DECLINED.

MEXICO WAS VERY WORRIED ABOUT ANY ENLARGEMENT BEYOND THESE NUMBERS:

(C) SUBJECT MATTER. ALGERIA PROPOSED THAT THE AGENDA SHOULD STICK CLOSELY TO THE GLOBAL NEGOTIATIONS. INDIA WANTED SOMETHING FREER, YUGOSLAVIA HAS APPARENTLY SWITCHED TO THE INDIAN CAMP.

FCO PASS SAVING TO WASHINGTON BONN UKREP BRUSSELS UKDEL OECD

MARSHALL

(REPEATED AS REQUESTED)

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Smith

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TO PRIORITY BONN
TELEGRAM NUMBER 421 OF 31 OCTOBER.
INFO LUXEMBOURG OTTAWA MEXICO CITY PARIS VIENNA UKMIS
NEW YORK UKREP BRUSSELS UKDEL OECD WASHINGTON
INFO SAYING TO OTHER EC POSTS UKMIS GENEVA

MY TELEGRAM NO. 1696 TO WASHINGTON: NORTH/SOUTH SUMMIT.

1. THE GERMAN ATTITUDE WAS FURTHER EXPLAINED TO BRIDGES BY LAUTENSCHLAGER AND FISCHER IN BONN ON OCTOBER 31.

2. LIKE US THE GERMANS WISH TO AVOID A CLOSE LINK BETWEEN THE SUMMIT AND THE GNS BUT THIS HAS LED THEM TO THE OPPOSITE CONCLUSION ON TIMING, AND TO FAVOUR A MEETING QUITE EARLY IN 1981, SOON AFTER THE FRENCH ELECTIONS. THEY SAY THIS WOULD MINIMIZE THE RISK OF LDC PRESSURE ON THE WESTERN COUNTRIES TO CONCEDE NEGOTIATING GROUND. THEY ALSO FAVOUR AN INFORMAL MEETING WITH A SIMPLE LIST OF AGENDA HEADINGS: ENERGY, FINANCE, ETC. BRIDGES ARGUED THAT WESTERN PARTICIPANTS WOULD BE EXPOSED TO HEAVY PRESSURE AT SUCH A MEETING, AND THAT A SUMMIT AFTER OTTAWA WOULD ENABLE THE G7 TO PREPARE A GENERAL APPROACH BEFORE-HAND. BUT THE GERMANS THINK THIS WOULD RAISE EXPECTATION OF CONCRETE RESULTS WHICH THEY HOPE TO AVOID ON THEIR PREFERRED TIMING.

3. LAUTENSCHLAGER AGREED THAT US PRESENCE WAS VERY DESIRABLE AND DISCOUNTED REPORTS THAT MEXICO MIGHT INVITE CUBA. HE CONFIRMED THAT THE FRG WOULD LIKE THE USSR AND CHINA TO BE INVITED IN BELIEF THAT RUSSIANS WOULD DECLINE AND CHINESE ACCEPT. HE CLEARLY EXPECTED THAT THE AMERICANS WOULD IN THE END AGREE TO ATTEND A MEETING IN MEXICO, IF THEY HAD BEEN ABLE TO ACCEPT GN PROCEDURES AND AGENDA.

4. THE AUSTRIANS HAVE TOLD THE GERMANS THAT ALGERIA HAS COMPLAINED AT THE COMPOSITION OF THE VIENNA MEETING, ARGUING THAT THE ADDITION OF FRG AND FRANCE HAS UNBALANCED THE SIDES: ALGERIA PROPOSED THE ADDITION OF TANZANIA. GERMANS WERE NOT ASKED TO REACT AND HAVE NOT COMMENTED. ALGERIA ALSO DISLIKED THE PAPER CIRCULATED BY THE MEXICANS AS TOO MODERATE.

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5. GERMANS FULLY ACCEPT THE NEED FOR WESTERN SOLIDARITY AND HOPE THAT, IF THERE IS TO BE A SUMMIT, IT WILL CAUSE MINIMAL DIFFICULTY IF IT IS AN EARLY AN INFORMAL MEETING OF THE KIND THEY SUGGEST. THEY STILL APPEAR MUCH INFLUENCED BY THE CHANCELLOR SCHMIDT'S FAVOURABLE RECOLLECTION OF THE MEETING ORGANISED BY PRIME MINISTER MANLEY IN JAMAICA. BUT LAUTENSCHLAGER IS UNDER NO ILLUSIONS ABOUT THE DIFFICULTY OF SECURING AGREEMENT OR EVEN CONSENSUS IN VIENNA. INDEED HE THINKS IT QUITE POSSIBLE THAT THE MEXICANS AND AUSTRIANS, HAVING ARRANGED THIS SESSION TO OBTAIN SUPPORT FOR AN AGREED AGENDA AND LIST OF PARTICIPANTS, MAY HAVE TO ISSUE THE INVITATIONS ON THEIR OWN RESPONSIBILITY.

CARRINGTON

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Foreign and Commonwealth Office

London SW1A 2AH

23 October 1980

Dear Michael,

Aid Statistics

Earlier this week you asked for a set of principal statistics on the United Kingdom's aid performance, on which the Prime Minister could draw as necessary in public. I attach figures supplied by the Aid Policy Department of the FCO/ODA. Please let me know if you would like supplementary information.

yours ever

Rodene Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing St

BRITISH AID PERFORMANCE

Note: There is an important difference between "(gross) public expenditure on overseas aid", which is broadly equivalent to the ODA's aid budget, and "official development assistance" (oda) which is the basis of reporting to the OECD and other international bodies and enables comparison to be made with other donors. The principal difference concerns the way in which contributions to the International Development Agency and the Regional Development Banks are counted. In public expenditure the actual drawdown by IDA and the Banks is counted; in oda the deposit of funds with the Bank of England is counted.

I. Gross Public Expenditure on Overseas Aid (current prices)

	£m.		
	1977	1978	1979
Bilateral	387 (66%)	542 (75%)	639 (72%)
Multilateral	202 (34%)	184 (25%)	252 (28%)
Total:	589	726	891

II. Net Public Expenditure on Overseas Aid (ie net of repayments of capital)

	£m.		
	1977	1978	1979
Total:	530	673	832

III. Gross UK Official Development Assistance

	£m.		
	1977	1978	1979
Bilateral	371 (54%)	493 (61%)	619 (59%)
Multilateral	315 (46%)	316 (39%)	426 (41%)
Total:	686	809	1045

IV. Net UK Official Development Assistance

		£m.	
	1977	1978	1979
Bilateral	316 (50%)	445 (58%)	548 (56%)
Multilateral	315 (50%)	316 (42%)	426 (44%)
Total:	631	761	974

V. Net Official Development Assistance as Percentage of GNP

	1977	1978	1979
	0.45	0.47	0.52

VI. Net Official Development Assistance Disbursements as Percentage of GNP in 1979 for other Summit Countries.

	Volume (£m)	GNP %
Canada	484	0.46
France	1588	0.59
W. Germany	1579	0.44
Italy	129	0.08
Japan	1243	0.26
USA	2208	0.20

VII. Total Net Official Development Assistance Disbursements as Percentage of GNP for Members of OECD Development Assistance Committee in Aggregate

	1977	1978	1979
	0.33%	0.35%	0.35%

VIII. Percentage of UK Bilateral Official Development Assistance to the Commonwealth

	1977	1978	1979
Gross	67%	74%	68%
Net	66%	73%	66%

/IX.

IX. Major Multilateral Commitments

- i) IDA VI Replenishment (Resolution of Board of Governors March 1980).
UK share = 10% (equivalent to £555 million) of total (formal letter of notification July 1980)
- ii) European Development Fund V. (Signature of Second Lome Convention October 1979). UK share = 18% (equivalent to £550 million) of total.

X. Agreement to Retrospective Terms Adjustment

Following an UNCTAD Resolution the UK agreed in 1978 to convert past loans to grant terms retrospectively for 17 of the poorest countries or apply equivalent measures. This amounted to a total of some £900 million to the end of the century, with a maximum cost (found from within the aid programme) of some £60 million per year.

XI. Net Private Flows from the UK

	£m.		
	1977	1978	1979
Private Export Credits	406	649	(500)
Direct Investment	417	611	(710)
Bilateral Portfolio and Other:			
Sterling	33	-67	38
Foreign Currency*	2171	3142	2975
Total	3027	4335	(4223)
Grant by Voluntary Agencies	29	29	27
Total Private Flows	3056	4364	(4250)

() = provisional

* The foreign currency flows include (for balance of payments purposes) Euro-currency and similar flows by banks resident in the UK. They do not therefore necessarily represent a call on UK resources.

/Background

Background

The above statistics demonstrate that the UK aid performance has been very respectable. We have been and remain above the DAC average and, in volume terms, in 1979 we ranked fifth (behind USA, France, Germany and Japan), all countries with stronger economies than Britain's. However,

i. the UK is now the only major donor which has announced that it intends to cut its aid programme in real terms, so that our relative performance is certain to decline.

ii. Of the Summit countries all but the US have either announced increases in aid or have recorded that prospects for an increase are good.

iii. The extent of our inescapable multilateral commitments (largely to the IDA and through the EC) means that there have now developed major constraints on the extent to which we can meet requirements through the bilateral programme.

Aid Policy Department
FCO
23 October 1980

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TO PRIORITY F C O

TELEGRAM NO 4374 OF 23 OCTOBER

INFO VIENNA, PARIS, BONN, UKREP BRUSSELS, UKMIS NEW YORK, MEXICO CITY.

NORTH/SOUTH SUMMIT

1. ACCORDING TO MEISSNER (STATE DEPARTMENT) AMBASSADOR OWEN VISITED VIENNA LAST WEEKEND TO EXPLAIN U.S. VIEWS ON THE PROPOSAL FOR A NORTH/SOUTH SUMMIT. IN THE ABSENCE OF THE AUSTRIAN FOREIGN MINISTER, OWEN TALKED TO CHANCELLOR KREISKY DIRECT. HIS MAIN PURPOSE WAS TO CONVEY THE MESSAGE, BEFORE THE MEETING OF CO-SPONSORS IN VIENNA, THAT PRESIDENT CARTER WAS DISINCLINED TO PARTICIPATE IN A NORTH/SOUTH SUMMIT. HE MADE IT CLEAR THAT IF THE US WERE TO PARTICIPATE, A GOOD DEAL OF "PRE-COOKING" OF AGREEMENTS WOULD HAVE TO HAVE BEEN DONE IN ADVANCE. IN THEIR VIEW THIS WOULD NECESSITATE EXTENSIVE PREPARATORY MEETINGS OF THE KIND USED TO PREPARE THE ECONOMIC SUMMITS OF THE SEVEN.

2. MEISSNER CONFIRMED THAT, WITH OR WITHOUT AMERICAN PARTICIPATION, THE US WOULD STRONGLY PREFER THAT A NORTH/SOUTH SUMMIT DID NOT TAKE PLACE UNTIL AFTER OTTAWA. THE DISCUSSION AT OTTAWA COULD BE USED TO CO-ORDINATE THE POSITIONS OF THE SEVEN AND AGREE ON A GENERAL APPROACH. IT WOULD THEN PRESUMABLY NOT WORRY OTHERS AND MIGHT EVEN BE EASIER FOR THEM IF THE US WERE NOT PRESENT AT A NORTH/SOUTH SUMMIT. THOMAS COMMENTED THAT, SPEAKING PERSONALLY, A DISCUSSION OF WORLD LEADERS ABOUT THE ISSUES THAT WOULD BE ON THE AGENDA WOULD BE VERY MUCH LESS VALUABLE WITHOUT THE US. IT WOULD ALSO RISK SPLITTING THE MAJOR INDUSTRIALIZED COUNTRIES, WHICH WOULD BE DAMAGING AS WELL AS UNCOMFORTABLE.

3. MEISSNER MADE IT CLEAR THAT HIS OWN VIEW WAS THAT IF THE NORTH/SOUTH SUMMIT EVENTUALLY TOOK PLACE, THE LIKELIHOOD WAS THAT IN THE END THE US WOULD BE REPRESENTED AT IT. (THE STATE DEPARTMENT IS ANYWAY DIVIDED ON THE ISSUE.) BUT HE ADDED THAT THE WHITE HOUSE HAD BECOME STEADILY TOUGHER ON NORTH/SOUTH ISSUES OVER THE PAST FOUR YEARS. THIS TREND HAD BEEN ACCENTUATED BY THE ARRIVAL OF SECRETARY MUSKIE.

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TO DIRECTOR OF NS OF SA

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4. THOMAS ASKED WHAT EFFECT MEISSNER THOUGHT THE HOLDING OF A NORTH/SOUTH SUMMIT WOULD HAVE ON PROGRESS IN NEW YORK ON GLOBAL NEGOTIATIONS. IT SEEMED TO HIM LIKELY THAT NO ONE WOULD BE PREPARED TO MOVE ON ANY ISSUE OF IMPORTANCE UNTIL THE SUMMIT HAD TAKEN PLACE. MEISSNER AGREED AND OFFERED THE PERSONAL VIEW THAT IN THAT EVENT THE BEST THING MIGHT BE TO PUT THE GLOBAL NEGOTIATIONS ON ICE.

ADVANCE TO EVANS (AUSS)

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PS/MR HURD
PS/PUS
SIR A. ALLAN
MR BULLARD
LORD BRIDGES
MR BRAITHWAITE
MR HANNAY
MR EVANS
MR HAYES
LORD N. LENNOX 2

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FM MEXICO CITY 222325Z OCT 80

TO PRIORITY FCO

TELEGRAM NUMBER 333 OF 22 OCTOBER

INFO SAVING VIENNA, PARIS, BONN, UKREP BRUSSELS, UKMIS NEW YORK,
WASHINGTON.

YOUR TELNO 217 TO VIENNA: NORTH/SOUTH SUMMIT

1. THE COUNSELLOR CALLED THIS MORNING ON THE DIRECTOR GENERAL FOR MULTILATERAL ECONOMIC RELATIONS IN THE MEXICAN FOREIGN MINISTRY AND SPOKE AS INSTRUCTED. SENORA MORENO SAID THE MEXICAN GOVERNMENT WAS INDEED AWARE THAT THE BRITISH GOVERNMENT ATTACHED IMPORTANCE TO BEING PRESENT AT THE SUMMIT. SHE WOULD NOT BE DRAWN INTO COMMENTING ON THE MEXICAN ATTITUDE TO BRITISH ATTENDANCE. SHE MERELY SAID THAT PREPARATIONS FOR THE SUMMIT WERE GOING AHEAD AND THAT SUBJECT TO THE OUTCOME OF THE VIENNA MEETING THE MEXICANS WERE REASONABLY CONFIDENT THAT THE SUMMIT WOULD TAKE PLACE.

FINAL DECISIONS ON PARTICIPATION HAD NOT YET BEEN TAKEN.

2. SENORA MORENO SAID THAT THE MEXICAN GOVERNMENT WAS VERY WORRIED OVER THE POSITION ADOPTED BY THE BRITISH GOVERNMENT AT THE UN SPECIAL SESSION. THE TEXT ON PROCEDURES FOR THE GLOBAL NEGOTIATIONS DID NOT GO NEARLY AS FAR AS MEXICO AND OTHER DEVELOPING COUNTRIES WOULD HAVE WISHED, BEING IN THEIR VIEW WEAK AND AMBIGUOUS, BUT THEY HAD ACCEPTED IT IN A SPIRIT OF COMPROMISE. THE MEXICANS HAD RECEIVED PRIVATE ASSURANCES FROM THE GERMANS THAT THEIR DIFFICULTIES WITH THE TEXT WOULD BE OVERCOME. FOLLOWING THE US ELECTIONS THE MEXICANS HOPED THERE WOULD BE A FAVOURABLE EVOLUTION IN THE US POSITION. BUT THE BRITISH POSITION SEEMED VERY "STRANGE". COLTMAN EXPLAINED AT LENGTH, IN ACCORDANCE WITH FCO GUIDANCE TELEGRAM NO 98, THE BRITISH GOVERNMENT'S DETERMINATION THAT THE INTEGRITY OF THE UN SPECIALISED AGENCIES SHOULD BE PRESERVED. SENORA MORENO ARGUED THAT THE TEXT DID NOT IN FACT UNDERMINE THE INTEGRITY OF FUND AND BANK. SHE REFERRED REPEATEDLY TO THE FACT THAT OTHER IMPORTANT INDUSTRIALISED COUNTRIES WERE ABLE TO ACCEPT THE TEXT AND EXPRESSED THE STRONG HOPE THAT THE BRITISH GOVERNMENT WOULD JOIN THEM. COLTMAN UNDERTOOK TO REPORT HER COMMENTS.

3. AT A SOCIAL OCCASION THE PREVIOUS DAY A DEPUTY GOVERNOR OF THE BANK OF MEXICO ALSO SPOKE SHARPLY TO THE COUNSELLOR ABOUT THE UK POSITION AT THE SPECIAL SESSION, CLAIMING THAT IT HAD BEEN MORE UNCOMPROMISING THAN THAT OF ANY OTHER MEMBER OF THE INDUSTRIALISED GROUP.

FCO PLEASE PASS SAVING TO VIENNA, PARIS, BONN, UKREP BRUSSELS.

(REPEATED AS REQUESTED)

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10 DOWNING STREET

From the Private Secretary

20 October 1980

A NORTH/SOUTH SUMMIT

Although events have now moved on you may wish to know for the record that the Prime Minister has seen your letter to me of 14 October, together with John Wiggins' letter of 16 October, on this subject, and has approved the course of action proposed.

I am sending copies of this letter to John Wiggins (H.M. Treasury) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

Roderic Lyne, Esq.,
Foreign and Commonwealth Office.

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FM BONN 161045Z OCT 80
TO IMMEDIATE FCO
TELEGRAM NUMBER 765 OF 16 OCTOBER
INFO IMMEDIATE UKREP BRUSSELS, VIENNA
INFO ROUTINE PARIS, WASHINGTON, UKMIS NEW YORK, MEXICO CITY

BONN TELNO 760: NORTH SOUTH SUMMIT

1. SULIMMA (FEDERAL FOREIGN MINISTRY) TELEPHONED THIS MORNING TO SAY THAT GENSCHER HAD NOW DECIDED TO ATTEND THE VIENNA MEETING ALTHOUGH FOR THE FIRST DAY ONLY (HE HAS AN UNBREAKABLE ENGAGEMENT ON THE EVENING OF 7 NOVEMBER). LAUTENSCHLAGER WILL ATTEND THROUGHOUT.
2. SULIMMA UNDERSTOOD THAT THE FRENCH WOULD STATE THEIR POSITION AT COREPER TODAY BUT HE WAS NOT INFORMED ON THE SUBSTANCE.

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PS/SIR I GILMOUR
PS/MR HURD
PS/FUS
SIR R A CLAND
MR BULLARD
LORD BRIDGES
~~MR BENNETT~~
MR HANNAY
MR EVANS
MR HAYES
LORD N G LENNOX

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FM VIENNA 161030Z OCT 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 296 OF 16 OCTOBER

INFO ROUTINE BONN, MEXICO CITY, WASHINGTON, UKREP BRUSSELS,
AND UKMIS NEW YORK

From Munich
I suggest you see
pages 4-7 only.
FW

PARIS TELNO 851 (NOT TO UKMIS NEW YORK) AND TELEPHONE CONVERSATION
BAYNE/FREE-GORE OF 13 OCTOBER

no

NORTH/SOUTH SUMMIT: VIENNA MEETING, 7-8 NOVEMBER

1. HEAD OF CHANCERY RAISED THIS AND OTHER MATTERS WITH LENNKH
(PS/CHANCELLOR KREISKY) TODAY (15 OCTOBER).

2. LENNKH SAID THAT DR KREISKY SHARED BRANDT'S VIEW THAT UN
AND ITS VARIOUS AGENCIES HAD BEEN UNABLE TO ACHIEVE ANYTHING
SIGNIFICANT IN RECENT YEARS IN THEIR EFFORTS TO BRING ABOUT A
RE-DISTRIBUTION OF WEALTH BETWEEN THE DEVELOPED AND DEVELOPING
COUNTRIES. THIS HAD SHOWN THE NEED FOR SOME OTHER IMPETUS AND
HAD LED TO THE SUGGESTION BY THE MEXICAN FOREIGN MINISTER
(SUPPORTED BY BRANDT AND WALDHEIM) THAT MEXICO AND AUSTRIA
SHOULD CO-SPONSOR A MEETING IN MEXICO NEXT SPRING OF APPROXIMATELY
25 INTERESTED HEADS OF STATE TO DISCUSS AND MAKE CONSTRUCTIVE
PROPOSALS ON AWAY AHEAD. LENNKH SAID THAT KREISKY HAD AT
FIRST BEEN RELUCTANT TO BECOME INVOLVED BECAUSE HE SUSPECTED
THAT THE MAIN WESTERN EUROPEAN COUNTRIES AND THE UNITED STATES
WOULD BE UNENTHUSIASTIC AND HE WAS CONSCIOUS OF AUSTRIA'S COM-
PARATIVELY POOR PERFORMANCE AS AN AID DONOR. KREISKY WAS NEVERTHE-
LESS PERSUADED AND HAD AGREED TO HOLD A PREPARATORY MEETING
IN VIENNA. INDIA AND FRANCE HAD BEEN APPROACHED TO ACT AS CO-
SPONSORS. MRS GHANDI HAD ACCEPTED BUT THE FRENCH HAD BEEN NON-
COMMITTAL. THE ORIGINAL INTENTION HAD BEEN TO CONFINE THE
PREPARATORY MEETING TO THREE EUROPEAN AND 5 DEVELOPING STATES.
THIS HAD BECOME BLURRED BY FRANCE'S BELATED AGREEMENT TO ATTEND
(SEE PARA 7 OF MY MINUTE OF 1 OCTOBER ON BARRE'S VISIT TO VIENNA,
COPIED TO MISS BARNES, WED) AND BY THE PROBABILITY THAT THE FRG
WOULD ALSO BE REPRESENTED (ALTHOUGH THE WEST GERMAN AMBASSADOR
HAD TOLD LENNKH THAT MORNING THAT GENSCHER WOULD PROBABLY NOT
ATTEND PERSONALLY). LENNKH SAID THAT IN THESE CIRCUMSTANCES
KREISKY REALISED THAT THE UK, AND OTHER W.E. COUNTRIES MIGHT WISH
ALSO TO ATTEND THE VIENNA MEETING AND THAT ALTHOUGH IN PRINCIPLE
KREISKY WOULD WELCOME SUCH ATTENDANCE, THIS WOULD UPSET THE
BALANCE BETWEEN DEVELOPING AND INDUSTRIALISED COUNTRIES AT
VIENNA, AND WOULD NOT BE IN LINE WITH THE ORIGINAL CONCEPT
OF A RELATIVELY SMALL PREPARATORY MEETING. KREISKY THEREFORE
PROPOSED TO DISCUSS URGENTLY WITH THE MEXICANS HOW TO PROCEED.

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FREE-GORE SAID THAT SPEAKING PERSONALLY, IF WEST GERMANY AND FRANCE HAD BEEN INVITED AND HAD ACCEPTED IT MIGHT SEEM STRANGE TO OBSERVERS IF THE UK, A PRINCIPAL AID DONOR, WERE NOT ALSO PRESENT. EVEN IF YOU WERE UNABLE TO ATTEND PERSONALLY, YOU MIGHT IN THESE CIRCUMSTANCES WISH TO BE REPRESENTED AT THE MEETING. HE WAS HOWEVER CAREFUL NOT TO COMMIT YOU EITHER WAY. LENNKH WAS EQUALLY CAREFUL TO AVOID EITHER INVITING US, OR SPECIFICALLY HEADING US OFF (ALTHOUGH SEE HIS REMARK ABOVE ABOUT UPSETTING THE BALANCE).

3. LENNKH SAID THAT THE U.S. HAD BEEN CONSULTED BUT HAD NOT BEEN INVITED TO THE VIENNA TALKS. IT WAS HOPED THAT THEY WOULD ATTEND THE PROPOSED MEETING IN MEXICO CITY BUT NO DECISION WAS EXPECTED IN ADVANCE OF THE U.S. ELECTION. PRESIDENT CARTER APPEARED SYMPATHETIC BUT THE AMERICANS HAD TOLD KREISKY FOLLOWING THE VENICE MEETING THAT THEY WERE CONSCIOUS THAT THEIR PRESENCE WOULD LEAD TO HIGH EXPECTATIONS AND THEY HAD RESERVATIONS ABOUT ATTENDING IN THE ABSCENCE OF CONCRETE PROPOSALS.

4. LENNKH SAID THAT THE MEETING AT VIENNA WILL NOT BE A CONFERENCE. THERE WILL BE NO NEGOTIATIONS AND NO AGENDA. THERE WILL BE NO TECHNICAL DISCUSSIONS. NO DOCUMENT WILL BE ISSUED AT THE CLOSE OF THE MEETING BUT KREISKY HOPES THAT PRESS STATEMENT WILL BE AGREED. IN KREISKY'S VIEW THE MEETING COULD ONLY BE FRUITFUL IF IT WERE AN QUOTE INFORMAL GATHERING UNQUOTE WITH NO PREPARED PAPERS. THE INTENTION WAS TO ACHIEVE UNDERSTANDINGS ON THE SORT OF COMMITMENTS WHICH IT MIGHT BE POSSIBLE FOR HEADS OF STATE TO ENTER INTO LATER IN MEXICO CITY. KREISKY APPRECIATED THE HOST OF DIFFICULTIES INVOLVED: THE DIFFICULTY OF DEFINING NORTH/SOUTH; THE DISPARATE OBJECTIVES AND DIFFERING VIEWS OF PARTICIPATING AND NON-PARTICIPATING STATES. AND HE WAS WELL AWARE OF THE BITTERNESS WHICH WOULD BE ENGENDERED IF ANOTHER HIGH-LEVEL INTERNATIONAL CONFERENCE FAILED.

5. LENNKH SAID THE AUSTRIANS EXPECTED FOREIGN MINISTERS TO ATTEND THE VIENNA MEETING FROM MEXICO, INDIA AND SWEDEN (BUT NOT FROM THE OTHERS). IT WAS HOPED THAT THOSE PRESENT AT VIENNA WOULD AGREE THAT THE NEXT STEP WOULD BE THE CONVENING OF A CONFERENCE IN MEXICO CITY IN MARCH 1981. BUT KREISKY ACCEPTED THAT NO SUCH AGREEMENT

MI
NO SUCH AGREEMENT MIGHT BE POSTLE. DISCUSSIONS WOULD INCLUDE THE CONDITIONS UNDER WHICH THE CONFERENCE MIGHT BE HELD: ITS AIMS: THE AGENDA: THE OTHER COUNTRIES TO BE INVITED: THE ROLE OF THE CONFERENCE IN RELATION TO GLOBAL NEGOTIATIONS.

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/6.

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6. KREISKY BELIEVED THAT THE UNITED STATES AND MAJOR WESTERN EUROPEAN STATES MUST BE INVITED TO MEXICO. OPEC HAD ALREADY BEEN APPROACHED BUT HAD BEEN LUKEWARM BECAUSE THEY RECOGNISED THE LINK BETWEEN ENERGY AND FINANCE IN THE DEVELOPING COUNTRIES. THE OPEC COUNTRIES WERE TRYING TO FIND A COMMON ATTITUDE BUT THIS SEEMED UNLIKELY IN VIEW OF THE CURRENT POLITICAL SITUATION.

7. KREISKY SAW INFORMALITY OF DISCUSSIONS AND THE ABSENCE OF PREPARED POSITIONS AS A VITAL FEATURE OF THE TALKS BOTH AT VIENNA AND IN MEXICO CITY. BUT HE ACCEPTED THAT EXTENSIVE CONFERENCE FACILITIES WOULD BE REQUIRED IN MEXICO AND RECOGNISED THE UNDOUBTED WISH OF THE MEXICANS TO GAIN KUDOS FROM SUCH A SUMMIT.

8. TEXT OF LENNKH'S SUMMARY NOTE FOR KREISKY, WHICH HE HANDED TO FREE-GORE ON PERSONAL BASIS, IS CONTAINED IN M.I.F.T.

9. GRATEFUL INSTRUCTIONS.

GORDON

North/South

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PS/SIR I GILMOUR
PS/MR HURD
PS/FUS
SIR A ALLAN
MR BULLARD
LORD BRIDGES
~~MR BRANTHWAITE~~
MR HANNAY
MR EVANS
MR HAYES
LORD N G LENNOX 3

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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

16th October 1980

M.O.D'B. Alexander Esq.
10 Downing Street
LONDON
SW1

Dear Michael,

NORTH/SOUTH SUMMIT

The Chancellor has seen Roderic Lyne's letter to you of 14 October. As you know, he is far from being an enthusiast for the proposed North/South Summit. On balance he accepts that it may be better that we should attend than that we should be absent, provided that it looks like taking place on a basis acceptable to us. We have to bear in mind that on present evidence the Americans do not propose to attend the Summit: this might or might not change after the Presidential election.

We have hitherto been careful to avoid being identified as co-sponsors of the conference, and if we were to attend the preparatory meeting in Vienna, we might come under pressure to become a co-sponsor. This could cause us acute embarrassment, especially if the present American position is maintained. On the other hand, the Chancellor considers it particularly important that we should try to maintain the present Anglo-German-US accord over the global negotiations, and if possible bring the French into line with us; he can see some danger that the Germans might slide back into the present French camp if they attended the Vienna meeting and we did not.

On balance, the Chancellor agrees that if the Austrians invite us, we should not refuse, provided that it is clearly understood that our acceptance of the invitation does not mean that we thereby become one of the co-sponsors of the Summit.

/I am sending

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I am sending copies of this letter to Roderic Lyne and to David Wright.

yours ever

John Wiggins

A.J. WIGGINS
Private Secretary

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TO PRIORITY FCO

TELEGRAM NUMBER 760 OF 15 OCTOBER

INFO PRIORITY VIENNA

INFO ROUTINE PARIS UKREP BRUSSELS WASHINGTON UKMIS NEW YORK MEXICO CITY

It is now thought that the French & Germans will go but that we will not receive an invitation to Vienna

Ph.D.

BONN TELNO 741: NORTH/SOUTH SUMMIT

1. WE SPOKE THIS MORNING AS INSTRUCTED (TELECON BAYNE/BOYD) TO HEAD OF NORTH/SOUTH DEPARTMENT AT THE FEDERAL MINISTRY WHO CONFIRMED THAT GENSCHER HAD NOW RECEIVED A FORMAL INVITATION TO ATTEND THE VIENNA MEETING. NO DECISION ON A RESPONSE HAD BEEN TAKEN.
2. SULIMMA SAID THAT MUCH DEPENDED ON M. FRANCOIS-PONCET. AT OFFICIAL LEVEL THE GERMANS WERE INCLINED TO RECOMMEND THAT IF HE ATTENDED THEN GENSCHER SHOULD TOO. CONTRARY TO OUR INFORMATION THEY BELIEVED THAT THE POSITION IN PARIS WAS STILL OPEN. IT WAS NOT YET CLEAR WHETHER M. FRANCOIS-PONCET DID NOT WISH TO GO; OR SIMPLY DID NOT WISH TO GO WITHOUT SUPPORT.
3. SULIMMA ADDED THAT ON GERMAN INFORMATION KREISKY WANTED AN ASSEMBLY OF MINISTERS RATHER THAN THEIR DEPUTIES; IF THIS SEEMED UNATTAINABLE HE MIGHT PREFER TO POSTPONE THE MEETING. SULIMMA NOTED THE UK LINE ON PARTICIPATION AND SPEAKING PERSONALLY GAVE WEIGHT TO THE DANGER THAT A WEDGE WOULD BE INSERTED BETWEEN THE QUOTE BLOCKING COUNTRIES UNQUOTE IF THE UK WAS NOT THERE. HE SUGGESTED THAT WE MIGHT WISH TO KEEP IN CLOSE TOUCH WITH THE FEDERAL GERMAN EMBASSY IN VIENNA AS THE MATTER EVOLVED.

WRIGHT

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PS/SIR I GILMOUR
 PS/MR HURD
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 MR BULLARD
 LORD BRIDGES
 MR BRAITHWAITE
 MR HANNAY
 MR EVANS
 MR HAYES
 LORD N G LENNOX

ADDITIONAL DISTRIBUTION NORTH/SOUTH

THIS TELEGRAM WAS NOT ADVANCED

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Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

Agree that we should proceed as at "A"?

Yes no
14/10

The Chancellor is content (see attached letter). 16/10

14 October 1980

Dear Michael,

A 'North/South Summit'

As you know, the Mexican and Austrian Governments are taking the lead in trying to organise a meeting of heads of government to consider relations between developed and developing countries, as proposed by the Brandt Commission Report.

In late July it was agreed that the Foreign and Commonwealth Secretary would tell the Mexicans that the United Kingdom would wish to be at such a Summit. Lord Carrington made clear in Mexico and Brasil that we would support a Summit if properly prepared and aimed at realistic action rather than rhetorical exchanges.

The Austrian Government have now invited 8 other governments which they regard as co-sponsors for the Summit to a preparatory meeting at Foreign Minister level in Vienna on 7/8 November. The countries invited are Mexico, Canada, Sweden, India, Nigeria, Algeria, Yugoslavia and France. The French have apparently replied that they would only go if Britain and Germany were also present. This has led the Austrians to invite the Federal Republic of Germany: HM Embassy at Bonn reported that Herr Genscher is disposed to go. The Germans have asked for our views.

A. We have not been invited so far. Lord Carrington thinks we should not solicit an invitation if the meeting is confined to co-sponsors. But we might need to reconsider this if the meeting turned out to be a gathering of many or most of the countries expected to attend the Summit itself. Through our Embassies we are trying to find out more about the nature of the Vienna meeting.

If the Austrians invite us, Lord Carrington believes that we should go, provided that France and Germany are also present. It was timely that he was able to tell the Mexican Foreign Minister in August of our interest in the Summit; it is important not to appear luke-warm now. Our presence, together with that of France and Germany, would help to steer discussion along sensible lines, both as regards the need for thorough advance preparation and as regards timing. Most existing sponsors favour a Summit around March 1981. But all the Economic Summit countries - except perhaps for Canada - consider that the second half of 1981 would be much better and some would even prefer 1982.

If the Prime Minister agrees with this approach, we shall deal accordingly with any Austrian invitation which may arrive. We shall also explain our position to the Germans.

I am sending a copy of this letter to John Wiggins

/(Chancellor of



(Chancellor of the Exchequer's Office) and to David
Wright(Cabinet Office).

yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON



14 OCT 1980



10 DOWNING STREET

From the Private Secretary

14 October 1980

You sent me under cover of your letter of 8 October a draft article for approval by the Prime Minister and forwarding to the Friedrich Ebert Stiftung in Germany. I enclose the article in the form in which the Prime Minister approved it and which I have forwarded to Germany.

You might like to point out to the authors that, at the Prime Minister's behest, I reduced the length of the article by between 10 and 15 per cent simply by crossing out what seemed to me to be unnecessary adjectives, circumlocutions and repetitions.

M. O'D. B. ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office.

~~Weekend Box~~

Em ¹ RP

PRIME MINISTER

Before the Summer Recess, you agreed to contribute an article to a publication being assembled by the Friedrich Ebert Stiftung on the Brandt Commission report. The attached draft is approximately the length which the Foundation have said they would prefer.

As you know HMG have incurred a certain amount of criticism over what has been interpreted as a somewhat negative reaction to the Brandt Commission report. The attached text, which has of course been cleared with Whitehall Departments including the Treasury, attempts to redress the balance somewhat. None the less it remains firm on the points of substance. You will see that it emphasises the inadequacy of the term "North/South"; the need to recognise the importance of private financial flows; and the need for the oil rich countries to play their part.

Agree text?

Agreed ^{no}

9 October 1980

Prime Minister

NOR surprisingly carefully:

I have now removed rather over a page of assorted verbiage (ie, about 15% of the total.) However I have not attempted to alter the argument or delete anything of substance.

RM 13/1x

~~Richard~~
20-

have
kind
peace
I
kind believe
through their
See July 3
close
Jo. 14/4
of verbiage!

THE BRANDT COMMISSION REPORT

1. The Report of the Commission chaired by Herr Brandt has highlighted one of the critical challenges facing us in the last two decades of the century - the need for joint action with developing countries to overcome the massive economic problems they face, and to try to end worldwide poverty.

2. At the time of writing, the world faces immediate and unpredictable dangers to its oil supplies as a result of the conflict between Iran and Iraq. This conflict, which we earnestly hope will soon be over, has underlined the fragility of the world's oil supplies and the degree of interdependence that has developed over the years. It strengthens the case for paying the most serious attention to the long term issues addressed in the Report.

3. The great disparities in wealth between the nations at the top and bottom end of the spectrum of national prosperity are contrary to the concepts of human dignity which underlie our own European civilisation. It is morally right that those who can should help the poorer countries to help themselves. The Report is a valuable contribution to the debate, especially in its scope and vision. The unanimous findings of the eighteen distinguished persons who made up the Commission must command the attention of governments and public opinion alike.

4. The Report rightly stresses that vast numbers of people still live in poverty, are exposed to hunger, disease and homelessness and are almost helpless in the face of natural disasters. According to the World Bank, 800 million people still live in absolute poverty - one in five of the inhabitants of the world. The problems at the roots of this appalling situation must be tackled urgently and effectively.

5. The economic outlook for the world is disquieting and it is the poorest who are likely to suffer most. Their problems are compounded by increased oil prices and rising debts. These difficulties threaten to nullify the advances which have been achieved over the last 30 years. I agree with the Report that this is not acceptable.

/We must find

We must find a way through the impending problems and difficulties. If, in the words of the World Bank's latest Report, we do not achieve renewed growth 'hundreds of millions of very poor people will live and die with little or no improvement in their lot'.

6. Success in tackling these problems would benefit all. The problems of the poor are not solved at the expense of the rich. Every country, whatever its level of development, will benefit from a stronger world economy and from a successful fight against poverty.

7. The British Government believe that the action necessary to resume progress towards prosperity must be based on a careful assessment of the realities. It is no longer realistic to speak of rich industrial countries and poor Third World countries; there are marked degrees of poverty and of prosperity within both Worlds, and they are not determined by geography. The term 'North/South', implying as it does a simple division of needs and interests, is an inadequate and often misleading description of the complex inter-relationship that now exists between countries in a wide variety of economic circumstances.

8. The world is already closely bound together by a network of economic and commercial links. The developed countries of the OECD have long relied on developing countries for supplies of raw materials and are increasingly absorbing their exports of manufactured goods. We in turn need markets in the developing world to sell our own products. The oil-producing countries depend on us for their markets and for supplies of capital goods. The developing countries without oil depend on oil producers and on industrialised countries for their oil supplies, for aid and other financial flows, for markets for their exports and for capital goods and other imports to support their development programmes.

9. This interdependence also requires political stability. Poverty may seldom be the direct cause of war. But economic difficulties can lead to resentment and mistrust between and within countries. Moreover, the poor are extremely vulnerable to the effects of political upheaval. We have seen this in the famine in Africa and in the plight of refugees in several countries in Asia.

10. As we enter the 1980s, we need to be clear about the contribution which each country can make to achieving a more prosperous world and to averting the difficulties which the Brandt Commission foresee. We also need to ensure that the economic system can adapt and operate efficiently for the benefit of all.

11. The greatest contribution which the industrialised countries can make is to restore a buoyant rate of growth in their economies, and then to enlarge the markets which they offer to developing countries. Growth cannot resume until inflation has been brought under control; otherwise government measures to stimulate growth will be dissipated in higher prices instead of going to increase production and expand markets. Persistent inflation in developed countries may hurt the developing world if it shifts the terms of trade against the latter; and if, by unsettling exchange rates, it discourages investment and trade. The fight against inflation must therefore be the first priority for industrialised countries. But while we thus prepare our economies for renewed growth, we must continue to resist pressures for protectionist measures. We must keep our markets as open as we can to the products of the developing world.

12. The industrialised world must also encourage private investment in development. Private financial flows already provide the bulk of the financing needs of middle income developing countries. The financial markets will continue to be of major importance in recycling the oil producer surpluses. Private investment, as the Report itself recognises, brings great benefits to developing countries in terms of technology, training and management expertise. Britain, like the Federal Republic, believes in the open economy. We have eliminated exchange controls, freeing the flow of investment to developing countries. Our tax structure does not obstruct companies investing abroad and our double taxation arrangements are generous and helpful to private capital flows. Of course developing countries themselves must play their part by creating conditions, political and economic, that encourage such investment.

/13. The

13. The governments of the industrialised world must of course continue to provide official aid, especially to the poorest countries, which are particularly vulnerable to world trading conditions and generally lack creditworthiness. For 17 of the poorest countries, Britain has already converted aid loans to grants or provided equivalent help providing relief worth more than \$2 billion over the next 20 years. Our aid programme is the fifth largest among industrialised countries and the seventh largest on the basis of percentage of GNP. We hope that, when the British economy is restored to health, our aid will increase again. Meanwhile, it is essential that aid receipts are used in as effective a way as possible and in this context the domestic policies of recipient countries are of special importance.

14. A fourth contribution must lie in the field of energy policy. Our countries must do more to conserve energy, to develop new sources. Our aim must be to use less energy to achieve a given rate of economic growth. Progress in this field is critical to the medium term prospects for growth in the industrialised world.

15. The oil-producing developing countries have acquired new opportunities and new responsibilities. Not only have there been substantial price increases, but there is an expectation that the oil price will remain high and may rise further. The price increases have been damaging to all countries, and especially to the poorer countries. The oil-producing countries have a heavy responsibility to avoid sudden changes in the oil price; this is as much in their longer term interest as it is the interest of the rest of the world.

16. A number of countries now enjoy massive financial surpluses. Those surpluses are likely to persist. The surplus countries have the ability to help oil-importing developing countries which cannot adequately meet their needs from other sources. Such assistance would contribute to easing the strains on the financial system that could arise from the continuation of these massive surpluses. I hope that the oil producers, recognising their own interest in financial stability, will give the most serious consideration to these matters.

17. Among a third group of countries - the developing countries which do not export oil - circumstances vary widely. Many middle-income countries, notably in South-East Asia and South and Central America, made impressive advances during the 1970s. But their success may be put at risk by the slow-down in world growth. There is a need to ensure that, where they pursue appropriate domestic policies, they are able to obtain sufficient financial support, whether from the capital markets or from international institutions, as well as from the growing markets for their manufactures.

18. Within this same group, however, many countries remain at very low levels of income. Their progress in the 1970s has been slow and the future outlook is uncertain. They need the assistance of all members of the international community, particularly as regards support for their agricultural development; the building up of their domestic energy resources; and external finance in the form of official aid - three areas rightly singled out in the Report.

19. If each country is to contribute effectively to world development, the economic system must work efficiently. Some would argue that the existing system needs to undergo wholesale reform. I would rather rely on continuing the constant adaptation of the existing system. Under it the developing countries have probably made in ^{the last} 30 years greater advances than in all the years that went before. Even in the last five years we have seen a major liberalisation of world trade through the GATT; the extension of the European Community's Lomé Convention to 58 countries, including many of the poorest; new and expanded facilities in the IMF to benefit developing countries; agreement to double the capital of the World Bank to \$80 billion and to provide an extra \$12 billion to the IDA (to which Britain will contribute 10%); and agreement on the creation of a Common Fund for commodities.

20. I do not believe that wholesale changes in the system would help it to cope better with the demands of present economic circumstances. Indeed, there is a danger that this kind of approach could leave the world without effective institutions at a time when it will particularly need them to work well.

21. Much international debate lies before us, in the United Nations and elsewhere. We in Britain were disappointed at the outcome of the recent Special Session of the General Assembly. In common with the United States and the Federal Republic, we were unable to accept certain proposals about procedures for the Global Negotiations due to begin in New York next January. We considered that there was inadequate recognition in these proposals of the integrity and independence of the specialised agencies, such as the IMF and IBRD. However, discussions will continue during the current General Assembly. We will be working for the successful launch of the Global Negotiations.

22. The Brandt Commission themselves expressed doubts about the effectiveness of some recent multilateral discussions. They proposed a limited world summit to provide a new focus and a new impetus for future negotiations. This is an interesting and potentially worthwhile proposal. With careful preparation, such a conference could help to chart the way forward. But we must not underestimate the scale of the tasks before us. Attitudes and interests differ very widely; the problems are inter-related and extremely complex.

23. There is a great deal in the Brandt Commission's Report with which the British Government agree. The Report has performed a valuable service in bringing together so many vital problems. It has had a major impact on public opinion. We are all agreed that the world has become increasingly interdependent. I have outlined ways in which the industrialised countries can contribute to the solution of present difficulties - through the restoration of health to their economies; through trade, aid and private investment; and through measures to conserve energy. Others too can reasonably be expected to play their part - the poorer developing countries in their own domestic policies, and the oil-exporting developing countries by working for assured supplies of oil at reasonable prices and by allowing some of their financial surpluses to be used for the benefit of those in need. Action on these lines will allow the world economy to make real advances. Such progress is both essential and urgent if we are to avert the dire prospects described in the Brandt Commission's Report.



10 DOWNING STREET

From the Private Secretary

8 October 1980

I wrote to you in July to say that the Prime Minister would be glad to contribute an article to your forthcoming publication on the Brandt Commission Report. I now enclose the Prime Minister's article.

The Prime Minister would be interested to see a copy of the English version of the book when it is published.

M. O'D. B. ALEXANDER

Herrn Alfred Nau



Foreign and Commonwealth Office

London SW1A 2AH

GR
Please retype draft
as amended.
RWD

8 October 1980

Dear Richard,

Prime Minister's Article for the Friedrich Ebert Stiftung
(Foundation)

You will recall that the Prime Minister was asked in May by the Friedrich Ebert Stiftung in Bonn to contribute an article to their forthcoming publication on the Brandt Report. I attach a copy of the letter from the President of the Stiftung. You wrote on 7 July to say that the Prime Minister had agreed to contribute. As you know, we have heard from Bonn that articles were not expected before the end of September, and we thought it best to delay submission of a draft so that it could take account of developments at the recent UN Special Session and elsewhere.

We have now prepared the attached draft which, broadly speaking, covers the ground indicated on page two of Herr Nau's letter. The Institute have not followed up with specific questions and we have not encouraged them to do so, preferring a more general format. There is no direct guidance on length, but we assume that about five pages would be right.

I also enclose a draft covering letter for you to send to Herr Nau, if the Prime Minister is content. The Embassy in Bonn have suggested that the article be sent to them for onward transmission.

The draft has, of course been cleared in Whitehall and the Embassy in Bonn have had an opportunity to comment.

Yours
G G H

(G G H Walden)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

FRIEDRICH-EBERT-STIFTUNG

Mrs. Margaret Thatcher
Prime Minister of the
United Kingdom of
Great Britain and
Northern Ireland

Godesberger Allee 149
5300 Bonn 2

30th of April 1980

Dear Mrs. Prime Minister,

a few weeks ago the Independent Commission for International Development issues chaired by Willy Brandt presented its report. This report, as you certainly know, not only echoes the call for a worldwide effort to bridge the growing gap between rich and poor countries. It argues that rapid economic and social progress in the "South" has also become essential for the continued wellbeing of the "North". Therefore its recommendations for restructuring international economic relations are not so much an exhortation to the rich countries to make "concessions" as an appeal to their enlightened self-interest. The way the Brandt Commission sees it, to postpone or dissipate drastic action (e.g. because other issue appear more urgent) will lead to global disaster.

We feel that the Independent Commission, a body of eminent persons of quite different political convictions, carries sufficient weight to demand serious consideration of its proposals, especially by the world's political leaders and their advisers.

The Friedrich Ebert Foundation plans to stimulate discussion of the Brandt Report by asking prominent politicians, leading industrialists and scientists to comment on it and publishing their views in book form in English, German and Spanish.

With this book we hope to serve an intellectual as well as a political purpose. A critical evaluation of the Brandt Commission's

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proposals and underlying assumptions, undertaken from different theoretical and ideological points of view, should deepen the readers's (i.e the interested public's) understanding of the international development problem. Perhaps more important, however, by representing a significant spectrum of the world attitude towards the recommendations of the Brandt-Report, the book might be conducive to a realistic assessment of the prospects of their being successfully implemented and of the difficulties involved and help identify lines of action for which practical consensus could be achieved. Last but not least, the book should encourage the opening up of attitudes towards the North-South problem and stimulate the search for workable solutions.

We consider it very important to include in this publication your opinion, Mrs. Prime Minister, as the Head of Government of one of the leading countries of the "North".

What we have in mind is a short statement which evaluates in the light of your experience and convictions the chances of international development problems being effectively tackled by action along the line of the Brandt-Report.

Is the picture the Report presents of the North-South relationship appropriate? Is the Programme of Action it suggests adequate for overcoming the problems of uneven world development? What are the alternatives to the "Programme for Survival"?

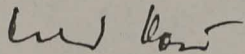
If you are willing to honour our project with a statement, our staff will prepare a few questions indicating some of the aspects of the Brandt-Report on which we would particularly welcome your comment.

page 3

I include a summary of information on our publication project containing a list of persons whom we are inviting to contribute to it.

I hope you will consider our proposal worthy of your attention.

Sincerely,

A handwritten signature in dark ink, appearing to read "Alfred Nau". The signature is written in a cursive style with some flourishes.

(Alfred Nau)

President

Publication Project: Comments on the Brandt Report

Concept

Internationally renowned persons

- who are actively shaping North-South relations and/or
- who have made a decisive contribution to the understanding of international development issues

comment on the Report of the Independent Commission on International Development Issues ("Brandt Report").

Tentative Title

International Solidarity for World Development?
Comments on the Brandt Report

Edited by

Friedrich Ebert Foundation

Publisher

German version: Neue Gesellschaft, Bonn
English version: negotiations pending with Longman (London)
Spanish version: negotiations pending with Nueva Imagen (Mexico)

Size

150 - 200 pages

Publication scheduled for

Autumn 1980

Authors

The list of authors is meant to reflect - in a political as well as a theoretical and ideological respect - the whole spectrum of the international NorthSouth debate.

The Friedrich Ebert Foundation is inviting among others

Raymond Barre (France)
Helmut Schmidt (FRG)
Margaret Thatcher (United Kingdom)
Indira Ghandi (India)
Julius Nyerere (Tansania)
Leopold Senghor (Senegal)
Lee Kwan Yew (Singapore)
Sheikh Yamani (Saudi Arabia)
Delfim Netto (Brazil)
Carlos Rafael Rodriguez (Cuba)
Henry Kissinger (USA)
Angelos Angelopoulos (Greece)
Claude Cheysson (EC)
Nikolai Faddeyev (Comecon)
Raul Prebisch (ECLA)
Hollis Chenery (World Bank)
Mahbub ul Haq (World Bank)
Aurelio Peccei (Italy)
Barbara Ward (United Kingdom)
Paul Samuelson (USA)
Jan Tinbergen (Netherlands)
Arthur Lewis (Jamaica)
Paul Streeten (United Kingdom)
Kenneth Galbraith (USA)
Johan Galtung (Norway)
Samir Amin (Egypt)
Jagdish Bhagwati (India)
Silvio Brucan (Romania)
George Skorov (USSR)

DRAFT ARTICLE BY THE PRIME MINISTER FOR THE FRIEDRICH EBERT
STIFTUNG

THE BRANDT COMMISSION REPORT

1. This year, 1980, we look forward over the last two decades of the 20th century. ~~Our actions during the next 20 years may determine how the achievements of this century are judged.~~ The Report of the Commission chaired by Herr Brandt, published earlier this year, has reminded us ~~all~~ of the challenge which faces us ^{all} - the need for joint action with developing countries to overcome the massive economic problems they face, and to put an end to world-wide poverty.

2. At the time of writing, the world faces immediate and unpredictable dangers to its oil supplies as a result of the conflict between Iran and Iraq. We must hope that, by the time this article is published, the fighting will have been ended and ^{that} ~~the differences will be resolved by peaceful means,~~ ^{peace-making will have begun.} ~~These events,~~ ^{has} ~~however,~~ ^{has} ~~served~~ ^{to underline} the fragility of the world's oil supplies and the very great degree of interdependence that has developed over the years. ~~They~~ ^{It} ~~serve~~ ^s also to strengthen the case for paying serious attention to the long term issues addressed in the ~~Brandt~~ Report.

3. The disparity between the wealth of the richer nations and the poverty of some of the developing countries is contrary to the concepts of human dignity which underlie our own European civilisation. It is ~~therefore both~~ morally ~~and economically~~ right that those who can ~~do so~~ should help the poorer countries to help themselves. The ~~Brandt~~ Report is a very valuable contribution to the debate as to how this can best be done. The Report is impressive in its scope and vision. It carries the authority of eighteen distinguished persons who made up the Commission. Their unanimous findings, eloquently expressed, must command the attention of governments and public opinion alike.

4. There are several themes in the Report which I should like to underline. The ~~Commission~~ ^{Report} quite rightly bring ~~shome~~ to us the stark message that vast numbers of people still live in poverty, are exposed to hunger, disease and homelessness and are almost

/helpless

helpless in the face of natural disasters. According to the World Bank, 800 million people still live in absolute poverty - one in five of the inhabitants of the world. ~~These figures are so large, that~~ It is difficult to grasp the human implications of such widespread distress. The problems at the roots of this appalling situation must be tackled urgently / ~~realistically~~ and effectively.

5. The economic outlook for the world is, as the ^{Report} ~~Commission~~ points out, ^{disquieting} ~~ominous~~ and it is the poorest people who are likely to suffer most. Their present problems are compounded by increased oil prices and rising debts. ~~But there is the longer term need to achieve adequate standards of living for a world whose population may grow from 4 to 6 billion by the year 2000.~~

6. These difficulties threaten to bring to nothing the real advances in development which have been achieved over the last 30 years. The ^{Report} ~~Commission~~ stresses that this is not acceptable. We must find a way through the impending problems and difficulties; there must be no resignation to defeat. If we do not manage to achieve renewed growth, as the World Bank points out in its latest Report, 'hundreds of millions of very poor people will live and die with little or no improvement in their lot.'

6. ^{Report is} The ~~Commission~~ are right to point out that success in tackling these problems would ~~be to the benefit of~~ all. The problems of the poor are not solved at the expense of the rich. On the contrary, ^{every} ~~all~~ countries, ^{at} ~~at~~ whatever ^{its} ~~level~~ of development, will benefit from a stronger world economy and from a successful fight against poverty.

7. ^{The British have} ~~The~~ Government is in full agreement with this message. We must find more effective means, both national and collective, of making progress towards a more prosperous world. But action ~~needs~~ ^{has} to be based on a careful assessment of the realities. It is no longer realistic to speak of rich industrial countries on the one hand and poor Third World countries on the other; there are marked degrees of poverty and of prosperity within both Worlds, and they are not determined by geography. The term 'North/South', implying ^{is an inadequate} ~~in no way~~ as it does a simple division of needs and interests, ^{often misleading description of} ~~describes~~ the complex inter-relationship that now exists between countries in a wide variety of economic circumstances.

^{bound to gether}
28 The world is already closely ~~interlinked~~ by economic trans-
actions. The developed countries of the OECD have long relied on
developing countries for supplies of raw materials and are
increasingly absorbing their exports of manufactured goods. We
in turn need thriving markets in the developing world to sell our
own products. The oil-producing countries depend on us for their
markets and for supplies of capital goods. The developing
countries without oil depend on oil producers and on industrialised
countries for their oil supplies, for aid and other financial flows,
for expanding markets for their exports and for capital goods and
other imports to support their development programmes. This is
the meaning of interdependence.

29 But this interdependence is not confined to economic relations.
It also requires political stability. Poverty may seldom be the
direct cause of war. But economic difficulties can lead to
resentment and mistrust between and within countries. Furthermore,
~~it is~~ the poor ~~who~~ are extremely vulnerable to the effects of
political disturbances. We have seen this in the famine in Africa
and in the plight of refugees in several countries in Asia. On
the other hand, where long-standing political disputes can finally
be resolved, there can be new hope for prosperity.

^{to}
30 As we enter the 1980s, we must consider how this inter-
dependence can be strengthened and developed. We need to be clear
about the contribution which each country can make to achieving a
more prosperous world and to averting the difficulties which the
Brandt Commission foresee. We also need to ensure that the
economic system can adapt and operate efficiently ^{to} the benefit
of all.

⁴
31 As far as the industrialised countries are concerned, the
greatest contribution which they can make is to restore a buoyant
rate of growth in their economies, and then to enlarge the markets
which they offer to developing countries. Growth cannot resume
until inflation has been brought under control; otherwise govern-
ment measures to stimulate growth are dissipated in higher prices
instead of increased production and larger markets. Persistent
inflation in developed countries may hurt the developing world if
it shifts the terms of trade against them; and, by unsettling
exchange rates, ~~that~~ discouraging investment and trade. The fight
/against

against inflation must therefore be the first priority for industrialised countries. But while we thus prepare our economies for renewed growth, we must continue to resist pressures for protectionist measures, and ensure that we keep our markets as open as we can to the products of the developing world.

¹²
13. A second contribution is the encouragement of private investment in development. Private financial flows already provide the bulk of the financing needs of middle income developing countries. The financial markets will continue to be of major importance in recycling the oil producer surpluses. Furthermore, investment by private enterprise, as the Report itself recognises, brings great benefits to developing countries in terms of technology, training, and management expertise. Britain, like ^{The Federal Republic} ~~Germany~~, believes in the merits of an open economy. We have eliminated exchange controls, freeing the flow of investment to developing countries. Our tax structure does not obstruct companies investing abroad and our double taxation arrangements are generous and helpful to private capital flows. Of course, it is highly desirable that developing countries themselves should play their part in creating conditions, political and economic, that encourage such investment.

¹³ 14. A third major contribution must be the continued provision of official aid, especially to the poorest countries, ^{which} ~~who~~ are particularly vulnerable to world trading conditions and generally lack creditworthiness. For 17 of the poorest countries, Britain has already converted aid loans to grants or provided equivalent help, ^{providing relief} worth some ~~£800~~ ^{\$1850} million over the next 20 years. Aid, however, is a limited resource and it is essential that it is used in as effective a way as possible. For this reason, the domestic policies of recipient countries are of special importance in ensuring that the best use is made of the funds available. ^{The British} ~~My~~ Government accept that official help is essential and we are, indeed, maintaining a sizeable aid programme; it is the fifth largest among industrialised countries and the seventh largest on the basis of percentage of GNP. We hope that, when the British economy is restored to health, our aid will increase again.

15. A fourth contribution must lie in the field of energy policy. Our countries must do more to conserve energy, to develop new sources, and to ensure that we need less energy to achieve a given rate of economic growth. Progress in this field is critical to the medium term prospects for growth in the industrialised world.

15. This brings me to the oil producing developing countries, to whom recent developments have brought new opportunities and new responsibilities. The transformation of the energy market in recent years has led not only to substantial price increases, but also to the expectation that the oil price will remain high and may rise further. Sharp increases in price have been particularly damaging to ^{all countries} the world economy, and especially to the poorer countries. The oil-producing countries therefore have a heavy responsibility to avoid sudden changes in the oil price; this is as much in their longer term interest as it is the interest of the rest of the world.

16. A direct result of the price rises has been the emergence of massive financial surpluses in a number of countries, with the prospect that they are likely to persist. This gives the surplus countries a greater ability to help oil-importing developing countries ^{which} ~~who~~ cannot adequately meet their needs from other sources. Such assistance would also contribute to easing the strains on the financial system that could arise from the continuing existence of these massive surpluses. I hope that the oil producers, recognising their own interest in financial stability, will give very serious consideration to these matters.

17. Among ^a ~~the~~ third group of countries - the developing countries ^{which} ~~who~~ do not export oil - there is a very wide variety. Many middle-income countries, notably from South-East Asia and South and Central America, made impressive advances during the 1970s, despite high oil prices. But their success may now be put at risk because of the slow-down in world growth. There is a need to ensure that, where they pursue appropriate domestic policies, they are able to obtain sufficient financial support, whether from the capital markets or from international institutions, as well as from growing markets for their manufactures.

^{Within this same group}
18. ~~At the other extreme~~, many countries remain at very low levels of income. Their progress in the 1970s has been slow and their future outlook is uncertain. They need the assistance of all members of the international community, particularly as regards support for their agricultural development; the building up of their domestic energy resources; and external finance in the form of official aid. The ~~Commission's~~ Report rightly singled out finance, energy and food as three areas where emergency action was needed.

19. So that each country may contribute effectively to the task of world development, we need to ensure that the economic system works efficiently. Some would argue that the existing system needs to undergo wholesale reform. There are echoes of this approach in the Report. I would ^{rather rely} ~~put my own reliance~~ on the constant adaptation of the existing system, under which the developing countries have probably achieved in 30 years a greater advance than in all the years that went before. Adaptation has, after all, been taking place steadily. Even in the last five years we have seen a major liberalisation of world trade through the GATT; the extension of the European Community's Lomé Convention to 58 countries, including many of the poorest; new and expanded facilities in the IMF to benefit developing countries; agreement to double the capital of the World Bank to \$80 billion and to provide an extra \$12 billion to the IDA (to which Britain will contribute 10%). A few months ago agreement was reached on the creation of a Common Fund for commodities.

20. I do not believe that ~~the replacement or wholesale reform~~ ^{changes in} of the system would help it to cope better with the demands of present economic circumstances. Indeed, there is a danger that this kind of ~~change~~ ^{approach} could leave the world without ~~a proper system at all~~ ^{such effective institutions at a} ~~Time when it will particularly need them to work well.~~

21. ~~A process of~~ ^{think} international discussion lies before us, in the United Nations and elsewhere. We in Britain were disappointed at the outcome of the recent Special Session of the General Assembly. In common with the United States and the Federal Republic, we felt obliged to say that we could not accept certain proposals about procedures for the Global Negotiations due to begin in New York next January. We decided that there was inadequate recognition in these proposals of the integrity and independence of the specialised agencies, such as the IMF and IBRD. However, discussions will continue during the current General Assembly and we will be

/working

working for the successful launch of the Global Negotiations on a ^{widely} ~~generally~~ acceptable basis.

22. The Brandt Commission themselves expressed doubts about the effectiveness of some recent multilateral discussions. They proposed a limited world summit to provide a new focus and a new impetus for future negotiations. This is an interesting ^{& instinctively worthwhile proposal} ~~idea~~.
But we should not underestimate the scale of the tasks before us. Attitudes and interests differ very widely; the problems are interrelated and extremely complex. ~~Nevertheless,~~ ^{With} careful preparation, such a conference could help to chart the way forward.

23. It will be clear that there is a great deal in the Brandt Commission's Report with which the British Government agree. The Report has performed a valuable service in bringing together so many vital problems and in achieving a major impact on public opinion. We are all agreed that the world has become increasingly interdependent. I have outlined ways in which the industrialised countries can make their contribution - through the restoration of health to their economies, through private investment, trade, aid and measures to conserve energy. Others too can reasonably be expected to play their part - the poorer developing countries in their own domestic policies, and the oil-exporting developing countries by working for assured supplies of oil at reasonable prices and by allowing some of their financial surpluses to be used for the benefit of those who need it. Action on these lines will assist the evolution of the world economy in directions that will permit real advances to be made. Such progress is both essential and urgent if we are to avert the dire prospects described in the Brandt Commission's Report.

DSR 11 (Revised)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM: PS/Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO: Herr Alfred Nau
Friedrich Ebert Stiftung
BONN

Your Reference

- Top Secret
- Secret
- Confidential
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- Unclassified

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SUBJECT:

.....In Confidence

CAVEAT.....

I wrote to you in July to say that the Prime Minister would be glad to contribute an article to your forthcoming publication on the Brandt Commission Report. I now enclose the Prime Minister's article.

The Prime Minister would be interested to see a copy of the English version of the book when it is published.

Enclosures—flag(s).....

19.9.80
would be likely to they/prosecute their claims upon territory held by Iran with words rather than with organised military force: in the light of recent reports that view might need to be re-evaluated. The Prime Minister asked whether there was a danger that the Iraqis might use the nuclear reactor and the weapons-grade uranium supplied to them by France to make nuclear weapons. The President of the Republic and Monsieur Giraud argued at considerable length that the French Government had considered this possibility in great detail and were satisfied that there was no such danger. It was because they were not satisfied that the same could be said about the Pakistanis and the South Koreans that they had cancelled their nuclear contracts with those countries. The fact that the uranium supplied for the Iraqi reactor was weapons-grade uranium was not itself significant: it was a research reactor, and all the thirty or so research reactors in the world used weapons-grade uranium. The amount supplied would be sufficient to make only one or two weapons, and the Iraqis had agreed to its being supplied in instalments in such a way as made it technically impossible to use it for the manufacture of weapons. The Iraqis had accepted perfectly readily all the requirements of international inspection. If their aim was to be able to make a nuclear weapon, they had chosen an unlikely and technically cumbersome way of going about it. If it was argued that Iraq's resources of oil made it unnecessary for her to develop nuclear power for the supply of energy, the Iraqis said that that oil would not last forever, and now was the time for them to begin development of a nuclear power capacity so as to be able to prolong the availability of oil and to replace it as a source of energy when it ran out.

Aid Policy and North-South Relations

Turning to questions of aid policy and North-South relations, there was general agreement that the resources which the industrialised countries had available to help the Third World were considerably restricted by the effects of the increase in oil prices. In international discussion of aid policies, it would be important to emphasise a number of points:

- (a) For several reasons the emphasis should be switched from multi-lateral aid more towards bilateral aid. Multi-lateral aid was in danger of becoming little more than a

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kind of international income tax to redistribute wealth; and it tended not to serve the political interests of, or to confer the deserved degree of political benefit upon individual donor countries. Moreover if too great a part of the resources available for aid was hypothecated for multi-lateral aid, there was a danger that there would not be enough to give necessary help when emergencies arose.

(b) The resources available for aid should be concentrated upon the poorer recipients. Some countries which were receiving aid were already relatively prosperous; and some of them were also in receipt of trade preferences because they enjoyed unrestricted access for their exports to industrialised markets but imposed considerable barriers to imports from the industrialised countries. They really should not have it all ways.

(c) The industrialised countries could not continue to carry so large a proportion of the burden of assisting the less developed countries. The oil exporting countries must be brought to do more; and the Western countries should expose the inadequacy of the contribution made by the socialist countries by describing publicly what they did.

The President of the Republic and the Prime Minister agreed that these points should be followed up in the course of the study of aid policies and practices put in hand at the Venice Economic Summit, and agreed that their Personal Representatives should be instructed accordingly for the forthcoming meeting of Personal Representatives in Washington.

There was a brief discussion of the possible timing of the North-South Summit Meeting proposed by President Lopez Portillo and Chancellor Kreisky. The Prime Minister said that she supposed that neither the President of the Republic (who nodded his agreement with her) nor she was enthusiastic about it, but that neither would think it right to refuse to attend: it was preferable to be present rather than to face the possible embarrassment of decisions taken in their absence. Her recent discussion suggested that Chancellor

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/Kreisky

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Kreisky was thinking in terms of holding a meeting early in 1981. The President of the Republic said that he thought that the meeting could wait and should not be held until after the French Presidential election. He and the Prime Minister agreed that it would be preferable if the North-South Summit were postponed until after the Ottawa Economic Summit.

In the context of the OPEC contribution to aid, Monsieur Giraud drew attention to the dangers inherent in the proposals discussed by the OPEC strategy committee:-

(a) The proposals for indexation of oil prices were so constructed as to be highly disadvantageous to the industrialised countries;

(b) The proposals for helping the less developed countries were so constructed that a considerable part of the benefit to those countries would in practice come out of the resources of the industrialised countries, who would thus be paying not only their own share of oil price increases, but also part of the share of the less developed countries.

Monsieur Barre was sceptical about the practical effect of any proposals for indexation of oil prices. Whatever the nominal prices, the actual cost to consuming countries would be determined by supply and demand. Decisions on levels of production would be what mattered; and it was very important for the industrialised countries to reduce their demand for oil by sustained efforts to save energy and develop alternative sources.

Imports from Japan

There was then a discussion of the threat of Japanese imports to European industries. Monsieur Giraud said that the threat was not generalised, but the Japanese concentrated their efforts on particular goods: on radio and television, on watches, on photographic equipment, on motorcars, and perhaps in future on information technology. The technique was always the same: the market was flooded with Japanese imports; the resulting payments surplus was then invested in local manufacture or in the distribution system, which served to keep down the exchange value of the Yen, preserve

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EXTRACT FROM MEETING NOTE PM & FRENCH PM. AT THE MATIGNON. 19.9.80.

They would face very difficult economic problems over the next few years. Against this uncertain background it was very important that the Community should maintain its cohesion, for example by safeguarding its agriculture and maintaining its financial regulations, for Europe would have to bear the burden of the world while the United States recovered and adopted new policies. It was essential that France, Britain and Germany stood together. He distinguished between political cooperation, defence cooperation, common policies towards the Third World and cooperation on the mechanisms of the Community. Not all of these subjects could be dealt with within the Community: indeed it was dangerous to think of the Community as a framework in which everything could be put. We had to be flexible. The Community was one type of organisation for dealing with specific problems, but for other problems we should have to find other forms of organisation.

The Prime Minister said that she very much agreed with M. Barre's analysis and in particular with what he had said about the need for Europe to form an area of political and economic stability in the coming years.

NORTH/SOUTH

The Prime Minister said she was very worried about the present approach of the West to the North/South dialogue. So often the private views of political leaders on this subject were very different from their public position, but she recognised that there were politics in it all. Earlier that week she had seen Chancellor Kreisky and she had told him that she believed that the jargon in which the North/South dialogue was carried on was now so misleading that there was a very real risk that our analysis of the problem would, as a result, be wrong and that we should fail to find the right solutions. Everybody talked of a gulf between rich and poor nations, and the poor nations were thought to be represented by the Group of 77. But some members of the Group of 77 were very wealthy and, in some cases, were richer than any of the supposedly affluent industrial nations of the West. The fact

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- 11 -

was that there had already been a major redistribution of wealth from the western industrialised nations and the ldc's to the OPEC countries. Moreover, too much aid was being channelled through multilateral organisations and this left too few resources for bilateral aid, which was more important and more effective. The West had still not got to grips with the problem of the North/South dialogue. The first step in the right direction would be to stop using the language of the Group of 77 and to look at the issue de novo.

M. Barre said that he agreed with the Prime Minister's analysis. The western nations were being exploited, in the best Marxist sense, by the monopoly power of the OPEC countries. We were carrying not only the burden of the oil price rise but also the burden of the poorer nations. Moreover, the way in which we were giving aid was not the most efficient use of resources. Our methods of financing projects lacked consistency. We poured out funds and the recipient countries responded by asking for more and more. He could not understand why Mexico, for example, was still categorised as an ldc. In the Group of 77 there were countries which had already achieved economic take off and yet they were still benefiting from special measures which allowed them to trade on very favourable terms with the Community while they imposed restrictions on imports from Europe. It was time the industrialised countries made it clear that they were now poor and that the only resources they had were brains and a readiness to work hard. He agreed that the whole question of aid needed a fundamental reappraisal.

The meeting ended at 1245.

22 September 1980

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EXTRACT. PM / CHANCELLOR KREISKY 17 SEPT 1980
"North/South dialogue" No 10.

TOP COPY IN
AUSTRIA June 1980
Visit of Chancellor Kreisky

The Prime Minister said that she would be grateful to hear Chancellor Kreisky's views on the North/South dialogue. She herself thought that the phrase was a thoroughly misleading one. It epitomised the tendency to use jargon which did not match the facts. The problems being dealt with in the "dialogue" were of great importance and had to be tackled. But so long as the basic analysis was wrong, corrective action would be inhibited. Those who were at present worst off were not getting as much help as they should. Too much of the aid effort at present went to aiding the better off. Much of the United Kingdom's most effective aid was bilateral but we were being forced to channel more and more of our effort through multilateral agencies. More account had to be taken of the fact that we were not dealing with rich countries on the one hand and poor countries on the other: there was a spectrum of wealth and the position of countries on that spectrum did not necessarily match their geographical position.

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/ Chancellor Kreisky

Chancellor Kreisky said that he shared the Prime Minister's view that the "North/South dialogue" was an inadequate description. It had been invented by Dr. Kissinger as a way of getting discussion under way. But it had to be recognised that countries like Saudi Arabia would never leave the Group of 77. They wanted to be part of the non-aligned world since they saw it as a way of getting support for their regime. In Chancellor Kreisky's view their hope was misplaced. But it was deeply rooted. The danger of this sort of attitude was, of course, that while the OPEC countries were willing to increase their aid to the developing countries very substantially, they were at present reluctant to co-operate with the West in doing so. This would mean that their money would not get spent effectively. He and the President of Mexico hoped that a "broadminded^{and}/informal" discussion among 25 leading Heads of Governments might help in tackling this and related problems. The Prime Minister said that in her experience the difficulty with meetings of the kind envisaged by Chancellor Kreisky was that those attending felt forced to take up public positions. They would not repeat in a multilateral forum things which they would say in bilateral discussions. They were, inevitably, preoccupied with the danger of leaks. Chancellor Kreisky acknowledged the problem but said that a moment of truth was bound to come. Before long people would be forced to speak their minds.

Bilateral relations

Chancellor Kreisky repeated his invitation to the Prime Minister to pay an early visit to Vienna. The Prime Minister said that a visit to Austria would give her the greatest possible pleasure. She would do her best to take up Chancellor Kreisky's invitation at an early date. Unfortunately her programme was already very full.

The conversation ended at 1200.

HS

Econ Pd

PLF 18.9.80

13 August 1980

Thank you for your letter of 12 August,
in reply to Michael Alexander's letter of
7 July about an article on the Brandt Report.

We are content to await a draft in mid
September.

M.A. PATTISON

Paul Lever, Esq.,
Foreign and Commonwealth Office.

TR



Foreign and Commonwealth Office

London SW1A 2AH

12 August 1980

Dear Mike,

Brandt Report

In your letter of 7 July to Roderic Lyne, you said that you had written to Herr Nau of the Friedrich Ebert Stiftung promising a draft letter from the Prime Minister for the collection which they were preparing on the Brandt Commission Report. You asked us to prepare a draft article as soon as possible.

The Embassy in Bonn have informed us that, after some delay, the Stiftung had said that they did not require the texts of the articles until the end of September. Subject to your views, we would prefer to send you a draft article nearer that date, so that we can take account of latest developments, eg at the United Nations.

Yours etc

Paul

(P Lever)
Private Secretary

Mike Pattison Esq
10 Downing Street
LONDON

13 AUG 1980



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TO IMMEDIATE FCO

TELEGRAM NO 243 OF 7 AUGUST

AND TO ROUTINE UKMIS NEW YORK UKMIS GENEVA

FOLLOWING FOR NEWS DEPARTMENT

SECRETARY OF STATES VISIT TO MEXICO

Prime Minister

*These comments on
North/South attracted
some press coverage here.*

1. AFTER CALLING ON PRESIDENT LOPEZ PORTILLO, THE SECRETARY OF STATE ANSWERED QUESTIONS FROM THE PRESS. FOLLOWING ARE EXTRACTS:

Q: IS IT RIGHT THAT YOUR GOVERNMENT HAS REJECTED THE NORTH SOUTH DIALOGUE? AND THE ESTABLISHMENT OF A NEW ECONOMIC ORDER?

A: MY GOVERNMENT IS VERY CONSCIOUS INDEED OF THE PROBLEMS BETWEEN THE DEVELOPING AND DEVELOPED COUNTRIES OF THE WORLD. TO GIVE YOU AN EXAMPLE OF THAT, IF YOU RELATE AID TO GROSS NATIONAL PRODUCT, IN SPITE OF OUR ECONOMIC DIFFICULTIES, WE ARE THE SECOND HIGHEST CONTRIBUTOR OF THE INDUSTRIAL ECONOMIC SUMMIT COUNTRIES. SO WE ARE VERY CONSCIOUS OF WHAT NEEDS TO BE DONE. WE WELCOMED THE BRANDT REPORT AND WE ARE STUDYING IT CAREFULLY, AS INDEED ARE ALL OUR FRIENDS. WE VERY MUCH WELCOME THE IDEA OF A MEETING BETWEEN NORTH AND SOUTH AS PROPOSED BY YOUR PRESIDENT, PARTICULARLY SINCE I KNOW THAT HE, AS WELL AS MY COUNTRY, WISHES TO HAVE A DIALOGUE, A SUMMIT MEETING, WHICH IS PREPARED PROPERLY AND WHICH IS DESIGNED TO MAKE QUITE SURE THAT SOMETHING EMERGES FROM THE MEETING OTHER THAN WORDS. WHAT WE WANT IN MY COUNTRY IS ACTION NOT WORDS.

Q: DO YOU THINK THAT BECAUSE OF THE NATURE OF THE PROBLEMS WHICH EXIST, THAT A REAL DIALOGUE BETWEEN THE NORTH AND SOUTH CAN IN FACT TAKE PLACE IN TERMS OF EQUALITY?

A: A REAL DIALOGUE BETWEEN NORTH AND SOUTH HAS GOT TO TAKE PLACE. BECAUSE THE WORLD HAS BECOME SO SMALL IN THE CURRENT TECHNOLOGICAL PROCESSES IN WHICH WE ALL LIVE. WE ARE ALL DEPENDENT ONE UPON THE OTHER, AND THOSE OF US IN THE DEVELOPED COUNTRIES OF THE WORLD REALISE THAT THERE IS GREAT INEQUALITY AND EIGHT HUNDRED MILLION PEOPLE ARE LIVING IN UNACCEPTABLE POVERTY. EQUALLY, I HOPE THAT THE DEVELOPING COUNTRIES REALISE THAT THE DEVELOPED COUNTRIES CANNOT HELP UNLESS THEIR OWN ECONOMIES ARE IN GOOD SHAPE THEY HAVE THE ENERGY WITH WHICH TO PRODUCE.

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Prime Minister

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TO IMMEDIATE FCO

TELEGRAM NUMBER 235 OF 7 AUGUST

INFO UKMIS NEW YORK

INFO WASHINGTON

INFO PARIS

INFO BONN

INFO MOSCOW

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FOLLOWING FROM PRIVATE SECRETARY

POSSIBLE NORTH/SOUTH SUMMIT

1. FOLLOWING THE GENERAL DISCUSSION DURING THE SECRETARY OF STATE'S CALL ON THE PRESIDENT THIS MORNING (SEE MIFT), PARTICIPATION IN THE PROPOSED SUMMIT WAS DISCUSSED IN DETAIL WITH THE FOREIGN MINISTER, SR CASTANEDA. HE SAID THAT A MAXIMUM OF 23 COUNTRIES SHOULD BE INVITED, AND HINTED THAT MEXICO WOULD LIKE TO SPREAD THE RISK INVOLVED IN OMITTING SOME COUNTRIES BY ARRANGING FOR CO-SPONSORSHIP OF THE SUMMIT. THE COUNTRIES HE HAD IN MIND WERE 8 FROM THE DEVELOPED WORLD (THE SEVEN ECONOMIC SUMMIT COUNTRIES, MINUS THE ITALIANS BUT WITH THE ADDITION OF AUSTRIA AND SWEDEN): 12 DEVELOPING COUNTRIES (BRAZIL, VENEZUELA, MEXICO, JAMAICA, INDIA, SAUDI ARABIA, PAKISTAN OR BANGLADESH, THAILAND OR THE PHILIPPINES, NIGERIA, ALGERIA, A FRENCH AFRICAN COUNTRY (EG SENEGAL) AND TANZANIA), AND YUGOSLAVIA - WHICH HAD A SPECIAL POSITION.
2. DURING THE PRESIDENT'S VISIT TO CUBA, CASTRO HAD MADE A FORCEFUL BID TO ATTEND, AS CHAIRMAN OF THE NON-ALIGNED MOVEMENT. THE MEXICANS WERE NOT THINKING OF INCLUDING THE SOCIALIST COUNTRIES IN THE FIRST STAGE OF THE SUMMIT, SINCE THIS COULD LEAD TO RECRIMINATIONS ABOUT THE RESPONSIBILITY FOR THE PLIGHT OF THE THIRD WORLD. HOWEVER, IT WOULD BE DIFFICULT TO OPPOSE CUBAN ATTENDANCE, ALTHOUGH (AS LORD CARRINGTON POINTED OUT) THE CUBANS COULD SABOTAGE THE CONFERENCE BY THEIR PRESENCE.

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3. LORD CARRINGTON SAID THAT HE WOULD REFLECT ON THE MEXICAN PROPOSALS ON PARTICIPATION. WE SHOULD NOT ALLOW THE RUSSIANS TO BELIEVE THAT THEY HAD NO RESPONSIBILITY VIS-A-VIS THE THIRD WORLD: BUT HE SYMPATHISED WITH MEXICAN RESERVATIONS ABOUT INVITING COMMUNIST COUNTRIES. HE MENTIONED IRAQ AND AUSTRALIA AS COUNTRIES WITH STRONG CLAIMS TO PARTICIPATE.

4. SR CASTANEDA SAID THAT HE WOULD BE INTERESTED IN LORD CARRINGTON'S FURTHER THOUGHTS ON THIS AND OTHER ASPECTS OF THE SUMMIT SO THAT THE DISCUSSION COULD BE RESUMED TOMORROW. I WOULD BE GRATEFUL FOR THE DEPARTMENT'S URGENT COMMENTS (BY 2100Z ON 7 AUGUST) ON THE LINE THE SECRETARY OF STATE SHOULD TAKE. THERE IS NO NEED, OF COURSE, TO COMMIT OURSELVES FIRMLY TO ANY PARTICULAR INVITATIONS AT THIS STAGE: BUT THIS MIGHT BE A USEFUL OPPORTUNITY TO FEED IN A VIEW.

COX

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NEWS D
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PS/SIR I GILMOUR
PS/MR HURD
PS/FUS
SIR J GRAHAM
LORD BRIDGES
MISS BROWN
MR HANNAY
MR EVANS
MR HAYES
LORD N G LENNOX

ADDITIONAL DISTRIBUTION
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Prime Minister

The North-South summit is far from firm. But, as para 3 shows, our participation is also problematic.

MS - MAD 5/8

RESTRICTED

GRS 370

RESTRICTED

FM MEXICO CITY 042250Z AUGUST 80
TO ROUTINE FCO
TELEGRAM NUMBER 231 OF 4 AUGUST

YOUR TELNO 204:

PROPOSED NORTH-SOUTH SUMMIT

1. PRESIDENT LOPEZ PORTILLO PROVIDED AN INTERESTING CLARIFICATION OF MEXICO'S POSITION ON THE PROPOSED NORTH-SOUTH SUMMIT AT A PRESS CONFERENCE IN BRASILIA ON 29 JULY. ASKED WHETHER, AS WILLIE BRANDT HAD CLAIMED, THE NORTH-SOUTH MEETING IN MEXICO OF MORE THAN 20 HEADS OF STATE WAS NOW A FACT, HE REPLIED: QUOTE I DO NOT KNOW IF MR BRANDT IS IN A POSITION TO MAKE SO CATEGORICAL A STATEMENT. FOR MY PART I CAN SAY THAT CONSULTATIONS ARE CONTINUING WITH A VIEW TO OVERCOMING SOME DIFFICULTIES WHICH FOR MEXICO - AND THIS WAS RECOGNISED FROM THE TIME WHEN MEXICO BECAME INVOLVED IN THE PROPOSAL - COULD SIGNIFY SOME RISK TO ITS PRESTIGE IN VIEW OF THE POLITICAL SENSITIVITY INVOLVED IN THIS TYPE OF EVENT. MY UNDERSTANDING IS THAT WE ARE STILL AT THE STAGE OF PREPARATION AND CONSULTATIONS IN ORDER THAT THE EVENT SHOULD BE A GUARANTEED SUCCESS. IF THE REQUIRED CONDITIONS ARE NOT SATISFIED THROUGH PRIOR CONSULTATIONS, SOME OTHER DECISION WOULD HAVE TO BE TAKEN UNQUOTE.
2. THE MEXICAN GOVERNMENT HAS INDEED REALISED FROM THE START THAT THE NORTH-SOUTH SUMMIT PROPOSAL COULD ENCOUNTER OPPOSITION FROM SOME COUNTRIES, MORE IN THE DEVELOPING THAN IN THE DEVELOPED WORLD, PARTICULARLY OVER THE ISSUE OF WHICH COUNTRIES SHOULD BE INVITED TO ATTEND. TO MINIMISE THE POSSIBLE DAMAGE TO MEXICO'S BILATERAL RELATIONS, THE MEXICAN GOVERNMENT HAS FROM THE START WISHED TO SPREAD AS WIDELY AS POSSIBLE THE RESPONSIBILITY FOR CONVOKING THE MEETING, AND IN PARTICULAR HAS NOT BEEN KEEN TO SHARE THE RESPONSIBILITY ONLY WITH AUSTRIA.
3. I HAVE CONFIRMED TO DEPUTY MINISTER NAVARRETE THE BRITISH POSITION AS SET OUT IN YOUR PARA 2. ALTHOUGH THE MEXICANS ARE TOO CAUTIOUS AND POLITE TO SAY SO OPENLY, THERE APPEARS

RESTRICTED

/ TO BE NO

RESTRICTED

TO BE NO ENTHUSIASM FOR BRITISH PARTICIPATION. DESPITE ANY ASSURANCES TO THE CONTRARY, THE MEXICANS EVIDENTLY SUSPECT THAT THE UK WOULD ATTEND MERELY IN ORDER TO AVOID EXCLUSION AND WITHOUT ANY INTENTION OF WORKING CONSTRUCTIVELY FOR PROGRESS. THE OBSERVER ARTICLE WILL UNFORTUNATELY HAVE TENDED TO CONFIRM THESE SUSPICIONS.

COX

[THIS TELEGRAM WAS NOT ADVANCED]

NORTH/SOUTH STANDARD

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NEWS D
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NORTH/SOUTH

- 2 -

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Examp 10

10 DOWNING STREET

From the Private Secretary

28 July 1980

North/South Summit

The Prime Minister has seen your letter to me of 25 July on this subject. She agrees that the Foreign and Commonwealth Secretary should tell the Mexican Government that the UK would wish to be represented at any North/South Summit that might be held.

M. O'D. B. ALEXANDER

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.

9B
CONFIDENTIAL

CONFIDENTIAL



Prime Minister

Foreign and Commonwealth Office

I had not seen this letter when we spoke about trips next year. I assume that you would wish to attend if such a summit were held. It would, if only in P.R. terms,

London SW1A 2AH

25 July 1980

Dear Michael,

be an important occasion.

ms.

Recd 25/7

North/South Summit

The Mexican Embassy here have asked us whether HMG would be represented at the North/South summit being organised by President Lopez Portillo. The authorities in Mexico City have been prompted to ask this question by reading comments in the British press about the Government's Memorandum on the Brandt Commission Report.

When we wrote to you on 14 May we said that the prospects for such a summit, which we had at one time thought rather remote, were becoming stronger. Herr Brandt has now stated, in a newspaper interview, that the summit will take place, in Mexico, early next year. According to Herr Brandt, President Carter and Chancellor Schmidt have declared their readiness to take part.

Lord Carrington thinks that we should reply to the Mexican enquiry that the United Kingdom would want to be represented at such a summit. Does the Prime Minister agree that we should say this? *yes*

Our suspicion is that, if we hesitate over this Mexican enquiry, the Mexican Government may decide that we are not interested and cross the United Kingdom off the invitation list. This would be very damaging: we should make it clear that we expect to be invited.

The Mexican Embassy have given no date for the Summit beyond 'early next year'. But the timing of such a summit would be something to be negotiated among those who were attending.

We should give the Mexicans a reply as soon as possible. The subject is likely to arise during Lord Carrington's visit to Mexico (5-8 August).

*yours ever
Rodric Lyne*

(R M J Lyne)
Private Secretary

Michael Alexander Esq
10 Downing Street

CONFIDENTIAL

25 JUL 1980





10 DOWNING STREET

THE PRIME MINISTER

15 July 1980

Dear Ted,

Thank you for your letter of 12 June, and for sending me a note of your personal thoughts before the Venice Summit.

I think we all agreed with much of the analysis in your paper; and I do not doubt that the fact that we did so owed a good deal to the Brandt Report, and to what you yourself are doing to draw attention to the problems.

As you say, the scale of the problem following the latest round of oil price increases is tremendous. And it hits the poorest countries hardest. Many of them have reached or passed the limit of potential indebtedness. It is no use their piling up larger and larger debts; they have to have grants if they are to survive.

But, as Helmut Schmidt said to us in Venice, the figures speak for themselves: for the oil-exporting countries a surplus of \$120 billion; for the industrialised countries a deficit of \$70 billion; for the non-oil developing countries a deficit of \$50 billion. There are limits to what the industrialised countries of the West, themselves with a deficit of \$70 billion, can do; and our own public expenditure constraints make it especially difficult for us to contemplate major new aid commitments. So the need is to convince the oil-exporting countries, not only that they have caused the problem and they alone have the resources on the scale that solutions will require, but

/also that

82

also that it is in their own interests as well as the interests of the rest of us that they should contribute to the solutions on a much larger scale than they do at present.

One of the unsatisfactory aspects of the present recycling arrangements is that the industrialised countries mediate both the term and the risk of most of what the oil-exporting countries put up. Of course the international banks are used to doing this; it is the traditional role of the bank to borrow short and lend longer. But there are grave dangers - as you recognise - of the system becoming over-exposed, and a collapse could have catastrophic consequences. Helmut Schmidt in Venice insisted upon the need to ensure sound lending standards - even if it meant a greater degree of prudential supervision of the international currency markets - and this thought was reflected in our declaration.

We thought that the international banking system should have, and should be able to discharge, the primary role in recycling surpluses. But I agree with you that the scale of the problems is even bigger this time round, and it is not going to be possible to deal with it so easily as proved to be the case after 1973-74. The international financial institutions are going to have to play an increasing role - and we backed the current programmes for replenishing the institutions. We also encouraged the World Bank to think in terms of a new facility or affiliate, in which some of the oil-exporting countries might be persuaded to put money, and which would help the non-oil developing countries to improve energy conservation and develop alternative indigenous sources of energy. That could help them to develop their own sources of food production, which ought to be a first call on the resources available for development.

As to what the industrialised countries are doing on the energy front, we committed ourselves at Venice to programmes

/for reducing

for reducing our consumption of oil, and for developing other energy sources - in the medium term mainly coal and nuclear, but looking in the longer term to renewable sources. This was not new: it drew together work which is being done in the International Energy Agency and other international bodies. But it was important that this programme of measures and policies was approved and endorsed by the needs of the seven Governments represented at Venice.

You will see from what I have said that we endorsed your views of the characteristics for which we should look in any initiatives that are taken to deal with this whole range of problems. Venice was not an occasion for discussing detailed initiatives; but the discussion there enabled us to reach general agreement on an approach to the problems, which was reflected in the declaration and which will be a framework within which policies and initiatives can be pursued.

(Signed MT)

The Rt. Hon. Edward Heath, MBE, MP.



①

Type for signature
Pm

Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister.

You will have your own views on how much you want to say to Mr Heath. The attached draft has been prepared in consultation with Sir R. Armstrong & approved by Lord Carrington.

10 July 1980

Pm - 10/7

Agreed with minor amendments
M.

Dear Michael

Nick Sanders sent me under cover of his letter of 12 June a letter of the same date from Mr Heath to the Prime Minister. Mr Heath's letter contained a memorandum suggesting 14 initiatives for the Venice Economic Summit.

I enclose a suggested draft reply which has been drawn up on the basis of the Communique and of the Prime Minister's statement to the House on 24 June. Sir Robert Armstrong has contributed extensively to the draft, and has taken account of the discussions at Venice.

Handwritten initials/signature

(G G H Walden)

M O'D B Alexander Esq
10 Downing Street



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10 JUN 1980

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1+

FROM: Prime Minister

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

The Rt Hon Edward Heath
MBE MP
House of Commons

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

Thank you for your letter of 12 June, and for sending me a note of your personal thoughts before the Venice Summit.

I think we all agreed with much of the analysis in your paper; and I do not doubt that the fact that we did so owed a good deal to the Brandt Report, and to what you yourself are doing to draw attention to the problems.

As you say, the scale of the problem following the latest round of oil price increases is tremendous. And it hits the poorest countries hardest. Many of them have reached or passed the limit of potential indebtedness. It is no use their piling up larger and larger debts; they have to have grants if they are to survive.

Enclosures—flag(s).....

But, as Helmut Schmidt said to us in Venice, the figures speak for themselves: for the oil-exporting countries a ~~deficit~~^{surplus} of \$120 billion; for the industrialised countries a deficit of \$70 billion; for the non-oil /developing

developing countries a deficit of \$50 billion. There are limits to what the industrialised countries of the West, themselves with a deficit of \$70 billion, can do; and our own public expenditure constraints make it especially difficult for us to contemplate major new aid commitments. So the need is to convince the oil-exporting countries, not only that they have caused the problem and they alone have the resources on the scale that solutions will require, but also that it is in their own interests as well as the interests of the rest of us that they should contribute to the solutions on a much larger scale than they do at present.

One of the unsatisfactory aspects of the present recycling arrangements is that the industrialised countries mediate both the term and the risk of most of what the oil-exporting countries put up. Of course the international banks are used to doing this; it is the traditional role of the bank to borrow short and lend longer. But there are grave dangers - as you recognise - of the system becoming over-exposed, and a collapse could have catastrophic consequences. Helmut Schmidt in Venice insisted upon the need to ensure sound lending standards - even if it meant a greater degree of prudential supervision of the international currency markets - and this thought was reflected in our declaration.

We thought that the international banking system should have, and should be able to discharge, the primary role

in recycling surpluses. But I agree with you that the scale of the problems is even bigger this time round, and it is not going to be possible to deal with it so easily as proved to be the case after 1973-4. The international financial institutions are going to have to play an increasing role - and we gave ~~strong backing to~~ ^{ed} the current programmes for replenishing the institutions, ~~and providing them with the additional resources they will need.~~ We also encouraged the World Bank to think in terms of a new facility or affiliate, in which some of the oil-exporting countries might be persuaded to put money, and which would help the non-oil developing countries to improve energy conservation and develop alternative indigenous sources of energy. That could help them to develop their own sources of food production, which ought to be a first call on the resources available for development.

As to what the industrialised countries are doing on the energy front, we committed ourselves at Venice to programmes for reducing our consumption of oil, and for developing other energy sources - in the medium term mainly coal and nuclear, but looking in the longer term to renewable sources. This was not new: it drew together work which is being done in the International Energy Agency and other international bodies. But it was important that this programme of measures and policies was approved and endorsed by the needs of the seven Governments represented at Venice.

You will see from what I have said that I ^{we} endorse ^d your views of the characteristics for which we should look in any

/initiatives

Note
The final
committee
did not
include the
agenda

initiatives that are taken to deal with this whole range of problems. Venice was not an occasion for discussing detailed initiatives; but the discussion there enabled us to reach general agreement on an approach to the problems, which was reflected in the declaration and which will be a framework within which policies and initiatives can be pursued.

Original in G/R

Econ PA

MS
cc
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10 DOWNING STREET

THE PRIME MINISTER

10 July 1980

Dear Mr. Robertson,

Thank you for your letter of 17 June enclosing some deliverances from the Presbytery of Hamilton.

The Government have indeed given careful consideration to the Brandt Report. There have already been three debates in Parliament, in the House of Lords on 12 March and in the House of Commons on 28 March and 16 June. The Government have also agreed to send a memorandum containing their detailed views to the Overseas Aid Sub-Committee of the Foreign Affairs Committee of the House. This should be ready shortly.

I have also discussed the Report with our European partners and at the Venice Economic Summit from which I have recently returned. The Community have agreed to take the Report into account in framing their policies towards the developing countries and, at the Economic Summit, we welcomed the Report.

As regards population, we recognise that economic and social progress in many developing countries has been eroded by explosive population increases and that many countries are looking for international assistance to tackle the problem. In 1979 our Aid Programme provided £9.2 million towards population aid projects. We plan to continue our support for a number of international projects. We shall also continue with assistance of this kind in our bilateral progress although this will, of course, depend on the wishes of the country concerned as well as the funds available. More generally, a moderation of population growth has been shown to go hand in hand with general economic and social progress; this is an aim to which the whole of our Aid Programme contributes.

/ As far as

35

As far as the environmental matters are concerned, I attach particular importance to maintaining and improving the quality of the environment. We do this in a number of ways. We have a wide ranging planning system, comprehensive powers for controlling pollution and special arrangements for conserving features, such as landscapes, flora and fauna, of special value. Economic constraints inevitably affect the speed with which we can achieve environmental improvement. But within the resources available we are taking a positive line both in domestic policy and in international discussions. The basis of the recently launched World Conservation Strategy is the maintenance of the earth's resources and this accords with the Government's general approach which rests on conservation, good husbandry and the wise use of resources.

Yours sincerely
Raymond Stiller

by
From Pd
B/f 14-7-80.

7 July, 1980.

Brandt Report

The Prime Minister has seen your letter to me of 4 July and has agreed that I should write to Herr Nau in the terms of the draft enclosed with your letter. I have done so.

I should be grateful to receive a draft article for the Prime Minister's signature as soon as possible.

M. O'D. B. ALEXANDER

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.

TLC

7 July, 1980.

The Prime Minister has asked me to thank you for your letter of 30 April suggesting that she contribute to your project.

She would be very glad to provide an article of the kind you suggest. I will send it to you as soon as possible.

M. O'D. B. ALEXANDER

Herr Alfred Nau

TRR



① Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister
May I write as in the
attached draft?

4 July 1980

Recd 4/7
ms ml

Dear Michael,

The Brandt Report

I wrote to you on 20 June about a request from the President of the Friedrich Ebert Stiftung that the Prime Minister should write an article on the Brandt Report.

We have now heard from our Embassy in Bonn that Chancellor Schmidt will definitely be contributing an article. We also hear from Paris that M. Barre is likely to do so.

The Government's reaction to the Brandt Report has been influenced by the constraints on our Aid Programme. Nevertheless, we should try to avoid appearing to be much more negative than our main partners towards the genuine problems faced by developing countries. Unwelcome comparisons might be drawn if we refused to join those contributing to the Friedrich Ebert Stiftung compilation. We therefore recommend that the Prime Minister should agree to contribute a short article which in general terms would acknowledge the importance of the issues raised by the Brandt Commission (without glossing over the difficulties). We would, of course, provide a draft.

/ I enclose a suitable draft letter for you to send if the Prime Minister agrees.

yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

Michael Alexander Esq
10 Downing Street
LONDON SW1

DSR 11 (Revised)

DRAFT: ~~xxxx~~/letter/~~xxxx~~

TYPE: Draft/Final 1+

FROM: PS/Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO: Herr Alfred Nau
President
Friedrich-Ebert-Stiftung
Godesberger Allee 149
5300 Bonn 2

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

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SUBJECT:

.....In Confidence

The Prime Minister has asked me to thank you for your letter of 30 April suggesting that she contribute to your project.

CAVEAT.....

She would be very glad to provide an article of the kind you suggest. I will send it to you as soon as possible.

bcc
Chancery
BONN

Enclosures—flag(s).....

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S 12 1
A 12 1
F-4 JUL 1980



10 DOWNING STREET

From the Private Secretary

24 June 1980

The Prime Minister has asked me to thank you for your letter of 12 June enclosing the Financial Statement of the Independent Commission on International Development Issues.

She has asked me to say that we regard our contribution to the Commission's work as having been fully justified. The Commission's Report has made a valuable contribution to discussion of the world economy and, in particular, the problems of developing countries.

M. O'D. B. ALEXANDER

Mr. Jan Pronk.

JSG



Foreign and Commonwealth Office

London SW1A 2AH

23 June 1980

Letter to write

24/6

Dear Michael,

Thank you for your letter of 17 June enclosing a letter from Mr Pronk about the Brandt Commission's finances.

/ I enclose a draft reply, which, it is suggested, might go from you.

Yours etc

Paul

(P Lever)
Private Secretary

Michael Alexander Esq
10 Downing Street
London

DRAFT: ~~minute/letter/teletype/airmail/express note~~

TYPE: Draft/Final 1+

FROM: PS/No 10

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

TO: Jan Pronk
 Independent Bureau for Inter-
 national Development Issues
 c/o Institute of Social Studies
 Badhuisweg, 251
 The Hague
 Netherlands

Your Reference

Copies to:

PRIVACY MARKING

.....In Confidence

CAVEAT.....

SUBJECT:

The Prime Minister has asked me to thank you for your letter of 12 June enclosing the Financial Statement of the Independent Commission on International Development Issues.

She has asked me to say that we regard our contribution to the Commission's work as having been fully justified. The Commission's Report has made a valuable contribution to discussion of the world economy and, in particular, the problems of developing countries.

Enclosures—flag(s).....

Original
-AK.



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Econ Pol

10 DOWNING STREET

THE PRIME MINISTER

21 June 1980

Dear Lord Houghton,

You wrote to me on 10 June on behalf of the International Parliamentary Working Groups on Population and Development asking whether something might come out of the Venice Summit next week on the problems of extreme privation facing many people in Africa, and especially Uganda, and you related this especially to the Report of the Brandt Commission.

My colleagues and I at Venice will certainly spend a good deal of time discussing third world issues, and I expect that under that heading we shall discuss the problems facing refugees in Uganda and elsewhere.

I am sure you will have seen what Neil Marten said in the House of Commons during the Debate on the Brandt Report in answer to James Johnson on this question. We have decided to allot 5,000 tonnes of grain to help feed refugees in Somalia, as part of the £850,000 which we have already promised to the appeal of the High Commissioner for Refugees. We have committed over £110,000 to help UN agencies and British charities to get food and medical services to northern Uganda and are considering urgently what further bilateral help might be possible. This is in addition to our share of the cost of the Community's programmes in these and other countries, and to the major efforts of UNICEF and other bodies that are doing their best to help relieve the root causes of hunger and poverty - as we are doing ourselves - from their regular aid programmes.

/ In the long run,

JS

In the long run, the answer must be faster agricultural development. Unfortunately there are great difficulties about this where there is insecurity and strife, and I am afraid that in such circumstances there are fairly narrow limits to what any outside government or institution can do.

I am just off to Venice and will have your letter very much in mind.

Yours sincerely
Raymond Houghton

The Right Honourable Lord Houghton of Sowerby, CH.



Prime Minister

Foreign and Commonwealth Office

F. 9. Amt 22/6

To note the request. Advice awaited. London SW1A 2AH

2. Whether or not you eventually agree to comment, this letter underlines the interest generated by the Brandt report. I share your scepticism about some of the reports recommendations. But it does address itself to some immensely important problems. For both domestic + international reasons there would, in my view, be advantage in your making "friendly noises" about the report on appropriate occasions.

20 June 1980

Dear Michael,

Brandt Report

Amt 22/6

I enclose a letter from the President of the Friedrich Ebert Stiftung to the Prime Minister. Despite the date of Herr Nau's letter, we have only just received it from our Embassy in Bonn.

We are trying to establish whether other European Heads of Government are likely to contribute to the Friedrich Ebert Stiftung compilation on the Brandt Report, and will submit advice on Herr Nau's request for a contribution from the Prime Minister in the light of the outcome of the Venice Economic Summit.

yours etc

Roderic Lyne

(R M J Lyne)

Michael Alexander Esq
10 Downing Street
London

FRIEDRICH-EBERT-STIFTUNG

Mrs. Margaret Thatcher
Prime Minister of the
United Kingdom of
Great Britain and
Northern Ireland

Godesberger Allee 149
5300 Bonn 2

30th of April 1980

Dear Mrs. Prime Minister,

a few weeks ago the Independent Commission for International Development issues chaired by Willy Brandt presented its report. This report, as you certainly know, not only echoes the call for a worldwide effort to bridge the growing gap between rich and poor countries. It argues that rapid economic and social progress in the "South" has also become essential for the continued wellbeing of the "North". Therefore its recommendations for restructuring international economic relations are not so much an exhortation to the rich countries to make "concessions" as an appeal to their enlightened self-interest. The way the Brandt Commission sees it, to postpone or dissipate drastic action (e.g. because other issue appear more urgent) will lead to global disaster.

We feel that the Independent Commission, a body of eminent persons of quite different political convictions, carries sufficient weight to demand serious consideration of its proposals, especially by the world's political leaders and their advisers.

The Friedrich Ebert Foundation plans to stimulate discussion of the Brandt Report by asking prominent politicians, leading industrialists and scientists to comment on it and publishing their views in book form in English, German and Spanish.

With this book we hope to serve an intellectual as well as a political purpose. A critical evaluation of the Brandt Commission's

-2-

page 2

proposals and underlying assumptions, undertaken from different theoretical and ideological points of view, should deepen the readers' (i.e the interested public's) understanding of the international development problem. Perhaps more important, however, by representing a significant spectrum of the world attitude towards the recommendations of the Brandt-Report, the book might be conducive to a realistic assessment of the prospects of their being successfully implemented and of the difficulties involved and help identify lines of action for which practical consensus could be achieved. Last but not least, the book should encourage the opening up of attitudes towards the North-South problem and stimulate the search for workable solutions.

We consider it very important to include in this publication your opinion, Mrs. Prime Minister, as the Head of Government of one of the leading countries of the "North".

What we have in mind is a short statement which evaluates in the light of your experience and convictions the chances of international development problems being effectively tackled by action along the line of the Brandt-Report.

Is the picture the Report presents of the North-South relationship appropriate? Is the Programme of Action it suggests adequate for overcoming the problems of uneven world development? What are the alternatives to the "Programme for Survival"?

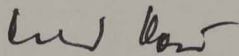
If you are willing to honour our project with a statement, our staff will prepare a few questions indicating some of the aspects of the Brandt-Report on which we would particularly welcome your comment.

page 3

I include a summary of information on our publication project containing a list of persons whom we are inviting to contribute to it.

I hope you will consider our proposal worthy of your attention.

Sincerely,

A handwritten signature in dark ink, appearing to read "Alfred Nau". The signature is written in a cursive style with a prominent initial "A" and a long, sweeping underline.

(Alfred Nau)

President

Publication Project: Comments on the Brandt Report

Concept

Internationally renowned persons

- who are actively shaping North-South relations and/or
- who have made a decisive contribution to the understanding of international development issues

comment on the Report of the Independent Commission on International Development Issues ("Brandt Report").

Tentative Title

International Solidarity for World Development?
Comments on the Brandt Report

Edited by

Friedrich Ebert Foundation

Publisher

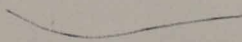
German version: Neue Gesellschaft, Bonn
English version: negotiations pending with Longman (London)
Spanish version: negotiations pending with Nueva Imagen (Mexico)

Size

150 - 200 pages

Publication scheduled for

Autumn 1980



Authors

The list of authors is meant to reflect - in a political as well as a theoretical and ideological respect - the whole spectrum of the international NorthSouth debate.

The Friedrich Ebert Foundation is inviting among others

Raymond Barre (France)
Helmut Schmidt (FRG)
Margaret Thatcher (United Kingdom)
Indira Ghandi (India)
Julius Nyerere (Tansania)
Leopold Senghor (Senegal)
Lee Kwan Yew (Singapore)
Sheikh Yamani (Saudi Arabia)
Delfim Netto (Brazil)
Carlos Rafael Rodriguez (Cuba)
Henry Kissinger (USA)
Angelos Angelopoulos (Greece)
Claude Cheysson (EC)
Nikolai Faddeyev (Comecon)
Raul Prebisch (ECLA)
Hollis Chenery (World Bank)
Mahbub ul Haq (World Bank)
Aurelio Peccei (Italy)
Barbara Ward (United Kingdom)
Paul Samuelson (USA)
Jan Tinbergen (Netherlands)
Arthur Lewis (Jamaica)
Paul Streeten (United Kingdom)
Kenneth Galbraith (USA)
Johan Galtung (Norway)
Samir Amin (Egypt)
Jagdish Bhagwati (India)
Silvio Brucan (Romania)
George Skorov (USSR)

ECM PA JS

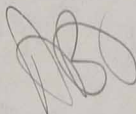
SF 30.6.80

17 June 1980

I enclose a copy of a letter received by the Prime Minister from Mr. Jan Pronk about the winding up of the Brandt Commission. I should be grateful for advice as to whether you consider the Prime Minister should send Mr. Pronk anything other than a formal acknowledgement of his letter.

M O'D B A

Paul Lever, Esq.,
Foreign and Commonwealth Office.



6/27.6.80

12 June 1980

I attach a copy of a letter the Prime Minister has today received from Mr. Heath. I should be grateful if you could suggest a draft reply, to reach us here by Friday, 27 June.

N. J. SANDERS .

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

JMP

12 June 1980

I am writing on behalf of the Prime Minister to thank you for your letter of 12 June. I will of course place it before her as soon as she returns from the European Council in Venice, and you will be sent a reply as soon as possible.

N. J. SANDERS

The Rt. Hon. Edward Heath, M.B.E., M.P.

ICIDI

INDEPENDENT COMMISSION ON INTERNATIONAL DEVELOPMENT ISSUES
COMMISSION INDEPENDANTE SUR LES PROBLEMES DE DEVELOPPEMENT INTERNATIONAL

Chairman WILLY BRANDT Président

RCS

12 June 1980

Dear Prime Minister,

I am pleased to send you the attached financial statement of ICIDI to which the Chairman had referred in his recent letter. The books were closed on 31 March and our auditor found them in good order.

The figures show a slight surplus which makes it possible to promote a wide distribution of the Report and to carry out some follow-up activities.

Let me use this opportunity to express once more on behalf of the Commission how grateful we were for your generous contribution. We can only hope that the result of our work justifies your decision.

Let me also add that the financial files are available for any further inspection and that we would be glad to provide additional details you may require.

Yours sincerely,

Jan
Jan Pronk

The Rt. Hon.
Margaret Thatcher, MP
Prime Minister
10, Downing Street
London
England

Independent Bureau for International Development Issues
c/o Institute of Social Studies
Badhuisweg, 251
The Hague, Netherlands

Telex: 31491
Cable: SOCINST
Tel. : (070) 50 10 60

ICIDI

INDEPENDENT COMMISSION ON INTERNATIONAL DEVELOPMENT ISSUES COMMISSION INDEPENDANTE SUR LES PROBLEMES DE DEVELOPPEMENT INTERNATIONAL

Chairman **WILLY BRANDT** Président

CLOSING STATEMENT ON THE FINANCING OF THE INDEPENDENT COMMISSION ON INTERNATIONAL DEVELOPMENT ISSUES

Activities of the Commission

1. The Commission first met on 12 December 1977. It adopted its final report on 16 December 1979 and was formally dissolved on that day.
2. The Commission met in plenary ten times, in different parts of the world. In addition, a number of round-table conferences were arranged on specific topics.
3. The activities of the Commission are extensively described in the Annex to the Report of the Commission, the agreed English text was published simultaneously by Pan Books, London, and MIT Press, Cambridge (Mass.). Translations will appear in various languages but will not be authorized by the Commission.
4. The Secretariat, which was based in Geneva, prepared background material and drafts for the Commission. It started its operations in January 1978 and was closed down on 31 December 1979, with the exception of a small administrative group which remained in place until 31 March 1980, attending to the publication and distribution of the Report, staff relocation, and the completion of the Commission's accounts.
5. For a limited period of at most two years starting April 1, 1980, a separate office will handle matters relating to the follow-up of the Report. The Independent Bureau for International Development Issues (IBIDI) will be a separate entity, but it will also supervise the settlement of such ICIDI liabilities that remain outstanding, e.g. in connection with staff resettlement.

Resources

6. The work of the Commission was made possible by generous support from governments, private foundations, and other donors. This support took many different forms beside financial contributions. The fact that it cannot then be readily quantified did not make it any less valuable, and such contributions will be briefly described.
7. The Government of Switzerland invited the Commission to set up the Secretariat in Geneva and provided free office premises and all

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necessary office equipment. It also accorded to the Commission the status of an international organization.

8. The Governments of the Federal Republic of Germany, Malaysia, Austria, and Belgium hosted four Commission meetings in these respective countries. The costs of a round-table discussion in New Delhi and an editorial meeting in Bonn were met by the Governments of India, Canada, and the Federal Republic of Germany. Delegations of Commissioners visiting (in chronological order) Singapore, Indonesia, USSR, Republic of Korea, Kuwait, and Saudi Arabia were also treated as guests of the respective governments. The Commonwealth Secretariat provided office accommodation for the Editorial Group which prepared the final draft.

9. Some of the financial contributions detailed in the following were also tied to specific expenditures, such as individual meetings; but unlike the contributions referred to earlier they took the form of reimbursement for expenditures included in the Commission's own accounts.

10. Special mention should be made of the generous pledge of the Government of the Netherlands to guarantee the costs of the Commission, which made it possible to start the Commission's work without waiting for pledges from other sources.

11. The following tabulation shows financial contributions of the Commission's sponsors:

	<u>Original amount</u> <u>unless in Swiss Frs.</u>	<u>Swiss Frs.</u>
BELGIUM	FB. 1.029.583,-	60.230,60
CANADA	Can\$ 160.000,-	224.900,-
DENMARK	Dkr. 1.000.000,-	319.604,28
EUROPEAN ECONOMIC COMMUNITY		230.738,12
FINLAND		85.097,27
INDIA	US\$ 50.000,-	82.125,-
JAPAN	US\$ 400.000,-	692.000,-
KOREA (Republic)	US\$ 70.000,-	116.984,05
NETHERLANDS	HFL 6.000.000,-	4.987.052,40
NORWAY		181.028,24
SAUDI ARABIA	US\$ 250.000,-	436.250,00
SWEDEN	Skr. 1.000.000,-	407.636,60
UNITED KINGDOM	£ 150.000,-	496.000,-
Fr. EBERT FOUNDATION	DM 238.547,47	202.111,60
Fr. NAUMANN FOUNDATION	DM 300.000,-	276.029,55
FORD FOUNDATION	US\$ 200.000,-	334.548,35
GERMAN MARSHALL FUND	US\$ 100.000,-	179.240,30
OPEC	US\$ 200.000,-	320.800,-
FRENCH PRIVATE CONTRIBUTION	FF 10.000,-	3.820,80
GERMAN PRIVATE CONTRIBUTION	DM 20.000,-	18.402,00
	<u>Total</u>	<u>9.654.599,16</u> =====

Expenditures

12. The original budget of the Commission, drawn up in February 1978, was based on the assumption that the Commission would hold at most eight meetings and finish its work by the middle of 1979. A review of the financial position in the autumn of 1978 showed that expenses had been running well within the budget and found no reason to change the original budget.

13. In the course of 1979, it was found necessary to extend the life of the Commission by another six months. Two additional meetings were held, and some Secretariat staff had to be retained.

14. In view of this extension of the work of the Commission, it is interesting to note that the financial expenditures of the Commission -- about SFr. 9.7 million-- eventually fell very close to the original estimate of 8.7 million. Although this should in part be ascribed to a determined effort to keep expenditures within the original estimate in spite of the great increase in the Commission's work load, it should also be recalled that additional costs were covered by host governments in some cases, as described above. A rough estimate of those contributions suggests that they amounted to about SFr. 1 million. The total cost of the Commission would thus be very close to SFr. 10 million.

15. The breakdown of the financial expenditures is as follows:

<u>Expenditure item</u>	<u>Swiss Frs.</u>
Chairman's Office	
Salaries	340,586.75
Travel)	
Office)	315,992.90
Commission	
Meetings	1,801,314.75
Research assistants)	
Expert hearings)	309,561.30
Secretariat	
Salaries and common staff costs	5,084,632.80
Consultants travel	61,441.20
Conferences	57,194.45
Travel	486,990.15
Communications	255,170.05
Translation	23,275.-
Publications	21,566.05
Representation	14,463.10
General	31,408.85
Commitments per 31 March 1980	
Staff repatriation	55,000.-
Outstanding bills	65,000.-
Other expenditures	
Distribution of Report	100,000.-
Publication Volume II and translations	120,000.-
Chairman's Office	40,000.-
Follow-up activities, including starting costs of IBIDI	450,000.-
Unforeseen	21,001.81
<u>Total</u>	<u>9,654,522.16</u>


Banking

16. The Commission's bank accounts were held with Union de Banques Suisses, Geneva.

Auditing

17. The accounts of the Commission have been audited by Mr. Ernest Kurt of Geneva whose auditor's report is attached to this statement.

The Hague, 12 June 1980


Jan Pronk
Honorary Treasurer

ICIDI

INDEPENDENT COMMISSION ON INTERNATIONAL DEVELOPMENT ISSUES
COMMISSION INDEPENDANTE SUR LES PROBLEMES DE DEVELOPPEMENT INTERNATIONAL

Chairman WILLY BRANDT Président

Genève, le 5 mai 1980

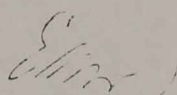
Monsieur J. Andersen
Administrateur
ICIDI
Rue de Varembe 15
1211 GENEVE 20

Cher Monsieur,

J'ai l'honneur de porter à votre connaissance que j'ai terminé le contrôle de la comptabilité de l'ICIDI pour la période allant du 1er janvier 1978 jusqu'au 31 mars 1980.

Toutes les écritures de recettes et dépenses sont conformes aux pièces justificatives dûment visées par les personnes responsables du Secrétariat et leur mise en compte ne fait l'objet de remarques spéciales.

Veillez agréer, cher Monsieur, l'expression de mes sentiments distingués.



Ernest Kurt
Contrôleur des comptes

New address:
15 Rue de Varembe
1200 Genève 20

Telex: 28137
Cable: INDEPCOM

Tel.: 34 91



2

10 DOWNING STREET

PRIME MINISTER .

This letter from
Mr. Heath encloses a paper
on action on North-South.
We will let you have a draft
reply.

I hope this MJS

Paper has been pushed to
take action on for the
debate on Monday ✓
12/6/80
MJS

12 June 1980

From: The Rt. Hon. Edward Heath, M.B.E., M.P.

12/6
cc 36



HOUSE OF COMMONS

R12
12 June 1980

*Dear Prime Minister,
I have taken the liberty of offering
you some personal thoughts.*

No substantial progress on the urgent common problems faced by the developed and developing countries will be made without a clear commitment at the highest political levels to over-ride the technical difficulties involved.

Given this commitment, there are a number of initiatives which, I believe, it is now politically and technically feasible to embark upon and then to sustain.

I have set out a list of fourteen such initiatives in the attached paper. A summary of the paper is also included for your convenience.

I am writing to ask you to give your personal backing to at least one or two of these initiatives at the Summit of the Seven in Venice.

Margaret Thatcher
Margaret

The Rt. Hon. Mrs Margaret Thatcher, MP

NORTH-SOUTH: A 14-POINT ACTION PROGRAMME FOR THE IMMEDIATE FUTURE

Summary of a Paper by The Rt Hon Edward Heath, MBE, MP (full text attached)

- A) There are a number of problems facing the developing countries which vitally affect the interests of the industrialised countries or which they face in common.
- B) The four most urgent of these problems are:
- i) The international payments situation.

This in turn raises three main problems:

- The deterioration in the already desperate payments situation of the poorest developing countries - those that can have no recourse to financial markets. These countries may not be of great economic importance to the West. But they are often of vital strategic importance to it.
- The growing burden of debt servicing in relation to export earnings that has to be borne by the more advanced non-oil-producing developing countries (e.g., Brazil and Mexico). A default could trigger off a serious crisis in world money markets and thereby provoke further international monetary instability. In addition, the need for these countries to cut back on development, if nothing is done to help them, would further reduce international economic activity and could unsettle them politically and socially.
- The problem of how to recycle the financial surpluses of OPEC. This is likely to be more difficult than it was after the 1973-74 oil price rises. For reasons outlined on pages 4 and 5 of the full text, it will probably be necessary to increase the role of official institutions - both national and international - in the recycling process if it is to be handled successfully.

- ii) The international oil situation.

The oil market is likely to remain tight for at least the rest of this decade, despite all the efforts of the industrialised countries to reduce consumption. This will threaten growth and stability in the developed and developing countries alike.

- iii) Food and hunger.

The world food situation is serious, with indications of declining per capita production and record numbers of malnourished people. This pushes up food prices on the world market (for example, wheat prices have risen by 25% over the last year); and chronic malnutrition leads to low productivity, low purchasing power and therefore low economic growth in the affected countries.

iv) Protectionism in the North against manufactured goods from the South.

This continues to grow steadily in many industrialised countries, despite the contribution which trade with the developing world can make to their growth and anti-inflation policies.

C) No substantial progress towards finding solutions to these common problems faced by North and South will be made unless the major industrialised countries are prepared to take the lead in this task. There are three main reasons why this is so:

- i) The resources needed to tackle these problems effectively are generally concentrated in the industrialised countries - except in the financial area, where the wealthier oil-producing countries have a major role to play.
- ii) These oil-producing countries are reluctant to engage their financial resources in major initiatives before the industrialised countries indicate that they are prepared to make a commensurate effort, and indeed to take the lead.
- iii) If the industrialised countries were to indicate, through one or two substantive initiatives, their genuine desire to promote the development of the South, the latter might have a greater incentive to restrict the currently excessive range of demands which it makes of the North. This, in turn, is a pre-condition of any progress in the Special Session of the United Nations this August and in the Global Negotiations which are due to follow it in the New Year.

D) Of the four areas in which urgent progress is in the common interest of developed and developing countries alike, it is politically reasonable to expect the major industrialised countries to commit themselves to early action on the first three - international payments, energy and food.

E) Suitable initiatives to take within these areas must be chosen on the basis of three criteria:

- i) They would be highly cost-effective and, if possible, would make minimal demands on national budgets.
- ii) They would not require the creation of wholly new institutions in the immediate future.
- iii) They would, if possible, be amenable to some degree of financial burden-sharing with the wealthier oil-producing countries.

F) Given these criteria, the attached paper suggests 14 specific initiatives in which progress seems to be feasible. They are summarised below for convenience:

THE INTERNATIONAL PAYMENTS SITUATION

1. The rules of lending of the IMF should be applied in a way which takes more account of the particular difficulties faced by individual LDC governments.

2. More must be done to attract the surplus funds of the oil producers to the IMF, the World Bank and other international leading institutions.
 - By agreeing to give the donor oil-producing countries decision-making powers within the IMF and the World Bank which are more closely related to the amount of extra money they place in these institutions.
 - By pressing the international lending institutions to borrow substantially more money directly from official holders within the OPEC countries themselves.
 - As part of an overall package deal with the oil-producing countries over oil supplies and prices.
3. The IMF and the World Bank should increase their co-financing activities - both with the commercial banks and with official institutions, such as the OPEC Special Fund or the International Fund for Agricultural Development.
4. An initiative must be taken to assist the least developed countries, at least with the deterioration in their balance of payments positions.

THE OIL SUPPLY SITUATION

- i) We need to entice the surplus oil producers to maintain high production rates.

Political incentives

5. The oil-producing countries need to be given decision-making powers within the international financial institutions which are more directly related to their contributions to them. This is probably best done within newly-created facilities within the existing institutions.
6. Substantive indications by the Western countries that they are determined to make progress on the Palestinian problem would make it rather less difficult for the leaders of the more moderate surplus oil-producers to maintain high production rates.

Economic incentives

7. The industrialised countries need to take further steps to protect the financial surpluses of the oil-producers against exchange risks by providing more extensive off-market facilities for reserve diversification.
 8. In addition, the industrialised countries will need to offer the oil-producers bonds which would insulate their surpluses against world inflation, to the extent that the action suggested in 7 above fails to do so.
 9. Commitments by the industrialised countries to more rigorous oil import targets than those agreed at last year's Tokyo Summit would improve the prospects of negotiating with the oil-producers a better balance between the demand for oil and its supply.
- ii) Exploration of the indigenous energy sources of the non-oil LDCs.
10. The industrialised and oil-producing countries need to take a joint initiative to promote the development of these energy sources.

FOOD

11. An internationally-co-ordinated grain reserve system should be established which will assist in stabilising prices.
 12. It should be possible for total food aid to be increased beyond the present target of 10 million tons and to be insulated as far as possible from fluctuations in supply.
 13. Food production within developing countries should be encouraged by a major initiative on the part of the industrialised countries to increase the amount of (appropriate) fertiliser aid to the LDCs.
 14. More research into methods of improving agriculture in the LDCs needs to be promoted by the industrialised countries - again, in collaboration with OPEC if possible. A great deal could be achieved in this area at very little expense.
- G The Venice Summit on June 22-23 provides a major opportunity to generate political momentum towards these objectives. Although it is unlikely to enter into detailed negotiations or commitments, it is reasonable to expect two things to emerge from Venice. The first is a declaration of intent to make progress in the four problem areas mentioned above: international payments, food, energy and protectionism. The second is action - or at least a pledge to find ways of taking action - on several specific initiatives within these areas. These could be drawn from the 14 which are suggested above and elaborated in the attached paper.

North-South : A 14-point action programme
for the immediate future

The further the world economy slides into recession, the more bewildering becomes the array of problems by which the developing countries are confronted. The very great interdependence of these problems makes the task of finding and implementing solutions to them particularly daunting. If real progress is to be made in North-South cooperation, it is vital that, somehow, we should be able to pluck out from the cat's cradle of urgent economic problems faced by the developing countries those which most vitally affect the interests of the industrialised countries and which are most amenable to immediate assistance by them.

THREE MAIN PROBLEM-AREAS

There are, I believe, three such problem-areas in which it would be feasible - both politically and technically - for the industrialised countries to commit themselves to early action. The first is the serious international payments situation. The second concerns the international oil situation. The third is the deteriorating food situation in the developing world. Why are these problems so urgent and how do they affect the industrialised countries ?

First, the international payments situation has undergone its second major upheaval in six years. According to IMF estimates, in 1980 the large oil-exporting countries will have a balance of payments surplus on current account of around \$115 billion. In 1979 the figure was \$68 billion. This massive redirection of capital to the oil-exporting countries will have extremely severe consequences for the non-oil-producing developing countries. Their oil bill will double, from \$30 billion in 1978 to \$60 billion in 1980. At the same time, their export earnings will be hit by the damage which rising oil prices inflict on the growth of the industrialised countries. As a result, the non-oil-producing developing countries will have an aggregate deficit on their current account of around \$70 billion in 1980 - compared with \$55 billion in 1979.

This situation raises three main problems, all of which profoundly affect the interests of the West.

The first is the deterioration in the already desperate payments situation of the least developed countries - those that can have little or no recourse to financial markets. These countries may not be of great economic importance to the West. But they are often of vital strategic importance to it. This is true, for example, of Somalia, Bangladesh and Sudan. Like so many other least developed countries in Africa and Asia, their stability is endangered by radical forces whose success is nurtured by economic deprivation and inequality. If these radical forces are given the opportunity to make progress, others like them around the world will also be encouraged. Moderate leaders will conclude that they cannot rely on the West to support them. They will feel insecure and vulnerable to the pressures of hostile forces, both within and outside their countries. For the West to ignore the economic needs of these least developed countries can therefore only undermine its credibility and effectiveness.

The second main problem arising from the current international payments situation is the growing burden of debt servicing in relation to export earnings that has to be borne by the more advanced non-oil-producing developing countries. For example, the debt service ratios of Brazil and Mexico were around 60% in 1979, and are not expected to improve significantly in 1980.

How does the deteriorating payments situation in the more advanced developing countries affect the interests of the West? First, there is the danger - which may become acute within the next eighteen months - that certain debtor countries will default on their commercial loans. This could trigger off a serious crisis in world money markets, which in turn could provoke further instability in the international monetary system.

Second, if nothing is done to help those countries with mounting deficits, they will have no alternative but to cut back on imports and on domestic development programmes. This will reduce still further the economic activity of the developed countries of the West, which send around one-third of their exports to the developing world. And it may accelerate instability and radicalism in precisely those countries which are of vital strategic importance to the West. This danger is present, for example, in Pakistan, Jamaica and Zimbabwe.

The third main problem arising from the current international payments situation is how to recycle the massive and growing surpluses of certain OPEC countries. There are many who believe that the commercial banks will be able to cope with these surpluses just as they coped with those which arose from the first oil shock. I doubt whether this optimism is justified. Quite apart from the unprecedented magnitude of the funds, the problem is very much more difficult than it was after the 1973-74 oil price rises, for at least two reasons. First, the surplus oil producers are finding it increasingly difficult to sustain the extraordinarily rapid modernisation programmes upon which they embarked after 1974, both because of the emergence of numerous economic bottle-necks in their countries and because of the danger of producing unbearable social and political dislocations akin to those experienced by Iran. The result may well be a substantial reduction in their propensity to import from the industrialised countries and very much greater pressure on the commercial and official institutions to find a home for the surpluses.

The second new factor since 1974 is the worsening debt and payments situation - referred to above - in certain non-oil developing countries. This is going to make it very much more difficult for them to engage in another round of massive borrowing; and the commercial banks may be correspondingly reluctant to lend them the necessary funds.

For both these reasons, it follows that if the surpluses of OPEC are to be successfully recycled, it will be necessary to increase the role of official institutions - both national and international - in the recycling process. It is profoundly in the Western interest that this process should be efficiently accomplished, for two main reasons.

First, if the surpluses are not efficiently recycled, the economic situation of the non-oil developing countries will be very grave indeed. I have already referred to the damage which this would do to the economic and strategic interests of the West. (We should not forget that it was only because of the remarkably efficient recycling of the surpluses to the non-oil developing countries after 1974 that they were able to grow as rapidly as they did and that the West was not thrown into a very much more serious recession.)

Second, if the surplus oil producers cannot be provided with greater economic and political incentives to recycle their surpluses, then it will become still more difficult for their leaders to justify before their people the continued production of quantities of oil which are well in excess of their financial requirements. There is therefore an inescapable link between a solution to the problem of recycling and the energy security of the industrialised world.

This leads to the second urgent problem-area in which I believe it is feasible for the industrialised countries to commit themselves to early action. It is the international oil situation. It is now widely accepted that the oil market is likely to remain extremely tight for at least the rest of this decade. This is because the moderate surplus oil producers - notably Saudi Arabia - are no longer able, either politically or technically, to produce the quantities of oil which would enable them to dominate OPEC pricing policy. Indeed, they are under strong pressure - for both economic and political reasons -

to reduce their output. Therefore, the other members of OPEC - many of which need all the money they can earn - are in a stronger position to ensure that the market remains tight and that their incomes remain at least constant by reducing their production whenever demand slackens. This situation could only be avoided if world demand for oil were to drop by an amount which it is wholly unrealistic to expect at present - despite all the efforts of the industrialised countries to reduce their consumption. Thus, the immediate challenge for the industrialised countries must be to lessen the economic and political incentives for the surplus producers to reduce their production of oil. It is in the common interest of developed and developing countries alike that this should be done.

The third urgent problem-area in which early action by the industrialised countries is politically feasible is food and hunger. The world food situation is serious, with indications of declining per capita production and record numbers of malnourished people. According to the recent Report of the US Commission on World Hunger, one out of every eight people in the world is afflicted by some form of malnutrition. This situation affects the industrialised countries in at least two ways. First, it tends to push up world food prices. For example, wheat prices have increased by over 25% during the last twelve months. Second, chronic malnutrition - the major world hunger problem today - inevitably leads to an inefficient use of resources, persistently low productivity and thus low purchasing power. An improvement in nutritional standards could therefore contribute greatly to an upturn in world economic activity as well as being a moral imperative in its own right.

FEASIBLE INITIATIVES BY THE INDUSTRIALISED COUNTRIES

Within these three problem-areas, where might there be scope for initiatives by the industrialised countries in the immediate future ?

I believe that it is necessary to look for initiatives which possess the following characteristics :

- First, they should be highly cost-effective and, if possible, should make minimal demands on national budgets. At a time of severe restrictions on public expenditure in the developed world, it would be unwise to select initiatives which require large outlays of public money.
- Second, they should not require the creation of wholly new institutions in the immediate future. One cannot afford to ignore the deep-seated reluctance in the North to embark on any form of radical institutional innovation.
- Third, where budgetary appropriations are needed, one must try as far as possible to achieve cooperation between the major industrialised countries and the wealthier OPEC countries. If financial costs can be shared in this way, it will be politically less difficult for all countries concerned to raise the necessary funds.

Given these criteria, there are, I believe, at least 14 specific initiatives which it is reasonable to expect the industrialised countries to take, in order to tackle the urgent problems to which I have just referred.

THE INTERNATIONAL PAYMENTS SITUATION

- (a) The payments and debt situation of all but the least developed countries

There are three initiatives which it is realistic to expect governments to take over the next year or two :

1. The rules of lending of the IMF should be applied in a way which takes more account of the particular difficulties faced by the individual developing countries. This means, first, that developing countries should be given longer to undertake adjustment programmes; and, second, that these programmes should consider not only prudent demand management but also the conditions required to improve the productive base of the economies in question. This would not require the creation of any new rules; only that those agreed by the IMF Board in March 1979 be interpreted more flexibly. Nor would it make immediate demands on the budgets of the industrialised countries, thus avoiding one of the major political restraints on developed country assistance to the Third World. Moreover, to the extent that a relaxation of conditionality will increase borrowing from the IMF and therefore the eventual need for additional funds, there are mechanisms for raising these funds which do not require large budgetary outlays by the industrialised countries. Two such mechanisms are suggested in points 2. and 3. below.

2. More must be done to attract the surplus funds of the oil producers to the IMF, the World Bank and other international lending institutions.

How can the industrialised countries help to achieve this ?

- (i) By agreeing to give the donor oil-producing countries decision-making powers within the IMF and the World Bank which are more closely related to the amount of extra money they place in these institutions. This is probably best done within wholly new facilities, whose voting structures could, for example, be modelled on the precedent of the International Fund for Agricultural Development (where OPEC, the OECD and the non-oil developing countries each

possess one-third of the votes). By contrast, it would probably not be wise to modify existing structures within the IMF and the World Bank in favour of the OPEC countries. This is not a solution which seems to be favoured either by the industrialised countries or, indeed, by the OPEC countries themselves.

(ii) By pressing the international lending institutions to borrow substantially more money directly from official holders within the OPEC countries themselves. There has so far been considerable reluctance to do this on the part of officials within the international institutions. The technical difficulties involved are important, but they should not be allowed to paralyse all substantial progress.

(iii) As part of an overall package deal with the oil-producing countries. In exchange for certain commitments by the West - for example, on ways to safeguard the value of the oil producers' surplus assets, on oil import levels, or on the Palestinian problem (see points 6-9 below) - the oil producers would be expected to provide assurances relating not only to oil supplies (and if possible to prices), but also to their financial commitments to the international lending institutions.

By pursuing these objectives, the industrialised countries could help to ensure, first, that the recycling process is conducted efficiently; and second, that a wide range of developing countries (except the least developed, which cannot afford to borrow at anything above IDA rates) can have access to substantially greater sums of money, both

for short-term balance of payments support (via the IMF) and for programme lending to assist longer-term structural adjustment (via the World Bank). Moreover, these objectives could be accomplished at an immediate budgetary cost to the industrialised countries which is small compared with that of raising funds in other ways.

3. The IMF and the World Bank should increase their co-financing activities - both with the commercial banks and with official institutions (such as the OPEC Special Fund or the International Fund for Agricultural Development).

So far, rather little progress has been made in this area. Yet co-financing provides a mechanism for encouraging the productive lending of public and private funds in the difficult period ahead - and therefore for facilitating the recycling of the OPEC surpluses - which is financially and politically inexpensive for the industrialised countries. It is therefore particularly important for the IMF and the World Bank to undertake more co-financing with the commercial banks, since the latter will continue to be the medium through which the bulk of the world's surplus funds is channelled.

(b) The least developed countries

4. The borrowing capacity of the least developed countries is so small that their needs can only be met by direct grants (especially for short-term balance of payments problems) and by highly concessional loans (especially for promoting their longer-term development). This will inevitably make significant demands on the budgets of the industrialised countries. But these could be minimised in the following ways :

- (i) In the area of balance of payments support, the industrialised countries could, in the immediate future, commit themselves to resolving only the deterioration in the positions of the least developed countries. Over the last two years this has been relatively modest, amounting to less than \$4 billion. (This figure embraces all the low income countries - including those, such as India, which cannot be described as 'least developed'.)
- (ii) The wealthier OPEC countries could be invited to share this financial burden - for example, along the lines of the recent Iraqi proposal.
- (iii) In the area of longer-term development assistance, the industrialised countries should indicate their willingness to increase the availability of highly concessionary loans to the least developed countries (both through the IDA and through their bilateral aid programmes). Since the loan capital itself could be obtained directly from the surplus oil producers or raised on the commercial market, the budgetary expense to the industrialised countries would amount simply to financing the cost of lending the money at less than full market rates. And this cost, in turn, could be reduced if the oil producers were to be invited to share it with the industrialised countries.

THE OIL SUPPLY SITUATION

There are two objectives towards which it might be possible to make progress over the next year. The first is to lessen the

political and economic incentives for the surplus oil producers to reduce their production of oil. The second is to assist the non-oil developing countries in the exploration and development of their indigenous energy resources.

- (a) How can the surplus oil producers be enticed to maintain high production rates ?

Political incentives

5. The oil-producing countries need to be given decision-making powers within the international lending institutions which are more directly related to their financial contributions to them. As argued in 2 (i), this is probably best done within newly-created facilities in the IMF and the World Bank (such as the projected energy affiliate), rather than by modifying the existing voting structures of these institutions.
6. In addition, substantive and sustained indications by the Western countries that they are determined to make progress on the Palestinian problem would make it rather less difficult for the leaders of the more moderate surplus oil producers to maintain high production rates. There is the danger that the current lack of momentum in the negotiations over Palestinian autonomy could rapidly unsettle the entire Middle East.

Economic incentives

7. The industrialised countries need to take further steps to protect the financial surpluses of the oil producers against exchange risks by providing more extensive facilities for off-market diversification of their reserves. One possibility would be an IMF substitution account. Regrettably, the recent meeting of the Interim Committee at Hamburg failed to agree on this,

despite the political and technical feasibility of doing so. Another possibility would be to offer the surplus producers papers denominated in a strong currency or in a basket of currencies in exchange for their petro-dollars. To a very limited extent, this process has already been set in train (more by accident than by design). It will need to be taken a great deal further in the coming years.

8. In addition, the industrialised countries will need to offer the oil producers bonds which would insulate their surpluses against world inflation, to the extent that the mechanisms proposed in 7 above fail to do so. If possible, these bonds should also provide their holders with a real profit. However, the political difficulties of achieving this are undeniable :

- (i) The double standards involved in providing such a bond solely for the major oil producers - despite their already huge and conspicuous wealth - while all other investors are treated differently would arouse considerable popular resentment in most industrialised countries. To a limited extent, this political problem could be eased by issuing the bonds through an international agency, such as the OECD, since this is less visible to the public than is a national agency.

- (ii) The cost would have to be paid for out of public funds. This would be a most serious problem since the expense of providing these bonds might be very substantial, given high rates of world inflation and the huge surpluses which a few OPEC countries are likely to accumulate.

But the alternative - which domestic opinion will need to understand - is that the pressures on the rulers of the surplus-producing countries to cut back their production of oil will become irresistible. The result would be seriously to harm growth and stability in developed and developing countries alike.

9. Commitments by the industrialised countries to more rigorous oil import targets than those agreed at last year's Tokyo Summit would improve the prospects of negotiating with the oil producers a better balance between the demand for oil and its supply. Without formal undertakings of this sort - which are backed up by credible policies to conserve oil and to develop alternative sources of energy - it will become increasingly difficult for the industrialised countries to obtain agreements over oil supplies with the major producers.
- (b) Exploration of the indigenous energy sources of the non-oil developing countries.
10. The mood in the industrialised countries is sympathetic to the provision of additional financial and technical assistance to non-oil developing countries for the exploration and development of their indigenous energy sources. There is, for example, wide support in the US Congress for this objective. A great deal could be done within the existing international institutions. (Indeed, the World Bank is currently considering a proposal for a new facility specifically for energy exploration.) This would also be an appropriate area for collaboration with the OPEC countries; but here again, they would need to be assured of equitable voting rights if they are to be induced to contribute a substantial proportion of the cost involved.

FOOD

This is an area in which the prospects for progress are relatively promising because

- Much can be done which is highly cost-effective;
- There are direct and immediate ways in which farmers in the industrialised countries can benefit; and
- International food security is widely perceived within at least two industrialised countries - namely the United States and Canada - as an area in which they have a duty to be forthcoming if they are to be true to the principles on which their foreign policies are based.

There are therefore at least four objectives towards which it may now be feasible to make progress :

11. An internationally-coordinated grain reserve system should be established which will assist in stabilising prices. Momentum might be restored to the negotiations on such a system by aiming for a simpler and more flexible arrangement than has so far been discussed.
12. It should be possible for total food aid to be increased beyond the present target of 10 million tons and to be insulated as far as possible from fluctuations in supply. This could be done by means of forward commitments of food aid, made within the framework of the new Food Aid Convention. It would be most rapidly achieved by untying it from the negotiations for an International Wheat Agreement.

13. Food production within developing countries should be encouraged by a major initiative on the part of the industrialised countries to increase the amount of (appropriate) fertiliser aid to the Third World. We should consider including in any such aid agreement undertakings by the recipient governments to ensure that the fertilisers are distributed to those farmers who can use them most efficiently (particularly small farmers). The prospect of substantial spare capacity in Western fertiliser industries makes this a particularly good time for such an initiative. And since the OPEC countries would have a considerable interest in it, it should be possible to reach an agreement for sharing the financial cost involved with them.

14. More research into methods of improving agriculture in the developing world needs to be promoted by the industrialised countries - again, with a financial contribution from the oil producers if possible. Here, a great deal could be achieved at minimal expense. Basic agricultural research - such as into water management or into the development of "poor men's crops" (like millet and root crops) - not only serves the interests of a large number of developing countries, but can also produce economic returns which are both substantial and rapid.

PROTECTIONISM

I have not mentioned in the above list of specific initiatives the urgent problem of growing protectionism in the industrialised countries against manufactured imports from the Third World. This is because I frankly doubt whether anything beyond rhetorical commitments to dismantle these barriers will emerge in the immediate future. This is particularly true for textiles, the area of North-South

trade where it is now most essential to halt and reverse the protectionist tide. Nevertheless, it is still reasonable to expect the industrialised countries to do two things, within the next year if not immediately, to indicate to the South that they are not totally opposed to substantive progress in the field of trade liberalisation :

- The first is to reaffirm their determination to implement the agreements of the Tokyo Round and to build on them where possible (eg, codes of conduct).
- The second is to point to one or two specific areas in which some progress towards trade liberalisation might be possible. Footwear, agriculture and semi-processed goods are three practical examples.

CONCLUSION

The 14 proposals enumerated above show that it is possible for the industrialised countries to do a great deal to assist the non-oil Third World which is highly cost-effective, which requires modest sums of public money, which involves minimal changes to existing international institutions, and which permits an equitable degree of financial burden-sharing with OPEC.

The Summit of the Western Seven in Venice on June 22-23 provides a major opportunity to generate urgently-needed political momentum towards these objectives. While it is unlikely to be a suitable occasion to enter into detailed negotiations or commitments on any of the 14 initiatives proposed above, it is reasonable to expect two things to emerge from Venice.

The first is a declaration of intent to make progress in the four problem-areas to which I have referred : international payments, energy, food, and protectionism. The second is action - or at least a pledge to find ways of taking action - on several specific initiatives within these areas. They could be drawn from the 14 which I have suggested.

Taken together, these gestures could do a great deal to convince the developing countries that the North takes their problems seriously and genuinely means to do business with them. As a result, the OPEC countries might be more willing to cooperate with the North in assisting the growth of the non-oil developing countries as well as over the vital question of oil supplies. And the developing world as a whole might have a greater incentive to restrict the range of demands which it makes of the North at any one time and in any one forum. This, in turn, is a pre-condition of progress in the Special Session of the United Nations this August and in the Global Negotiations which are due to follow it in the New Year.

In short, the forthcoming Summit of the Western Seven at Venice provides an ideal opportunity to improve the atmosphere of North-South negotiations and therefore to make progress on a range of issues which vitally affect the prosperity and security of the entire global community. It is my hope that the Heads of State or government involved will seize that opportunity.

Evon PSI - ~~Box~~

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Ref. No. FAC (80) 4

BRANDT COMMISSION REPORT

It is hoped that the following brief will be useful for the debate on the Report of the Independent Committee on International Development Issues (Brandt Report) on Monday 16th June 1980.

Contents

	<u>Page</u>
1. Introduction and Analysis	1
2. The Report's Proposals: An Emergency Programme for 1980-85	2
Long-term measures	2
3. Conservative Government's Response: Preliminary Reactions	4
The role of Trade	4
Energy Policy: Adjusting to expensive oil	4
4. Britain's Overseas Aid Programme: Government Policy	5
Planned Expenditure to 1983-84	5
Background Facts	6
5. Some possible lines of argument	7

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EMCD/CDB
June 11th, 1980

1. Introduction and Analysis

At the instigation of the President of the World Bank, Mr. Robert MacNamara, an "Independent Commission on International Development Issues" was formed in 1977 under the Chairmanship of Herr Willy Brandt, former Chancellor of the Federal German Republic. Its members consisted of eighteen distinguished politicians and public figures, one of the four members who had been Heads of Government being Mr. Edward Heath. The Commonwealth Secretary-General, Mr. Shridath Ramphal, was also a member. The members served independently on a personal basis and came from all parts of the world except the Communist bloc. The Commission's report, entitled North-South: A Programme For Survival, was published on 7th March 1980 (Pan Books).

Analysis of Problems: The subject it deals with is described as no less than the "threat to human survival posed by the threatening chaos in the world economy".

In addition to examining the record of previous development efforts and reviewing the prospects for the world's economy in the 1980s and beyond, the Commission's terms of reference enjoined it to 'strive above all to carry conviction with decision-makers and with public opinion that profound changes are required in international relations, particularly international economic relations'. It was also asked to 'pay attention to the responsibilities of developing countries in their domestic policies, to match the effort for international economic and social justice with efforts to promote the same ends among their own populations'.

In a summary of its findings, the Commission's report states: 'At the beginning of the 1980s the world community faces much greater dangers than at any time since the second world war. It is clear that the world economy is now functioning so badly that it damages both the immediate and the long-run interests of all nations. The problems of poverty and hunger are becoming more serious; there are already 800 million absolute poor and their numbers are rising; shortages of grain and other foods are increasing the prospects of hunger and starvation; fast-growing population, with another (2,000 million) people in the next two decades, will cause much greater strains on the world's food and resources. The industrial capacity of the North is under-used, causing unemployment unprecedented in recent years, while the South is in urgent need of goods that the North could produce. Rapid inflation, erratic exchange rates, and unpredictable interventions by governments are seriously disrupting the trade and investment on which an immediate return to world prosperity depends. Three main interconnecting strands of analysis can be identified in the Report:

(i) The North-South Divide. Most of the countries north of the Equator are rich and industrialised; they contain a quarter of the world's population but produce four-fifths of its income. Those in the South are predominantly developing and, although containing three-quarters of the world's population, are responsible for only one fifth of its income and one-tenth of its manufacturing industry. Many statistics illustrate the enormous divide. For example, in 1976 countries with a population totalling 1.2 billion produced a GNP amounting to less than \$250 per capita per annum, while the GNP per capita of Western European countries was almost 20 times that figure. India with a population of over 600 million has a total GNP only two-fifths as large as that of the United Kingdom. The Report states that 800 million people throughout the world can be classified as "destitute".

.../Many

Many developing economies are a combination of a predominant but low-intensity and inefficient agricultural sector (typically employing 70 per cent of the population) and a very limited manufacturing base. Rural areas can barely support those living on the land. The resulting exodus to the cities has led to appalling problems of urban squalor (e.g. Mexico City with fourteen million inhabitants and growing at a rate of 5 per cent per annum).

The Report points out that the divide between the developed and developing countries has widened since 1973 and is continuing to grow. Owing to inadequacies in the world monetary system, and oil price rises leading to a slowing down of the world economy, the GNPs of poorer countries have failed to grow at a sufficient rate to narrow the gap.

(ii) Failure of the International Monetary System. The Report suggests that the post-war system established at Bretton Woods has broken down - and points to the abandonment of exchange rate management in 1973. In the opinion of Herr Willy Brandt, the system now "faces numerous disadvantages which need fundamental correction" (p. 11). The results of the breakdown have been a shortage of international liquidity and development funds as well as instability of commodity prices and currency fluctuations.

(iii) Oil Price Rises Leading to World Slump. The massive increase in oil prices (they have doubled since 1978) has led to developing countries building up vast external deficits. The Third World is likely this year, according to a report in The Times (31st March 1980), to have a current balance deficit of \$63 billion; in 1973 the figure was \$6 billion. The slump in the world economy has hit developing countries severely as richer countries have cut back imports at the Third World's expense. At the same time, the 18 million unemployed in OECD countries has left enormous spare capacity for potential production which could be sold to the South. Nor has there been a corresponding transfer of financial resources to poorer economies to fill the gap.

2. The Report's Proposals

Although some of the proposals contained have been postulated before, the Report breaks new ground in basing its analysis on the "mutual interest" of North and South. It is admitted that the "dialogue" between North and South has been flagging, with limited progress at the latest United Nations Trade and Aid Conferences (UNCTAD IV and V). However Mr. Heath has pointed to the novelty of the Report's approach. It is, he said, "dominated by one major theme: the action proposed ... must be of benefit to both sides" (The Times, 26th February, 1980). An Emergency Programme for 1980-85 of four parts is proposed:

- A large-scale transfer of resources to developing countries, including more support from developed communist countries;
- An international energy strategy;
- A global food programme to increase production and agricultural development;
- A start on some major reforms in the international monetary system.

Long-term Measures. In addition, the Report makes detailed long-term proposals for world structural reform, with a view to creating the economic environment required to enable "all countries ... to participate fully in the world economy in a way which assists genuine development".

Priority Needs of the Poorest. Urging that priority should be given to the needs of the poorest countries and regions, the report calls for a major initiative in favour of the "poverty belts of Africa and Asia" involving both long-term and emergency measures. These would embrace large regional projects of water and soil management; the provision of health care and the eradication of major diseases; afforestation projects; solar energy development; mineral and petroleum exploration; and support for industrialisation, transport and other infrastructural investment. Additional annual transfers to developing countries of \$4 billion would be called for.

Abolition of Hunger. The report calls for increased food production, particularly through raising the capacity of food-importing developing
.../countries

countries to meet their requirements through their own efforts and through expanded financial flows for agricultural development. The establishment of an International Grains Arrangement, larger international emergency reserves and provision for a food financing facility to assist low-income countries in times of severe food shortages are all called for.

Commodities. The report stresses the need to increase producer countries' earnings from commodities, particularly through greater participation in commodity processing and marketing, in order that such earnings could contribute more adequately to development. It also calls for the expansion and improvement of compensatory financing facilities (for example, the STABEX scheme of the Lome Convention; see below).

Manufacturers. Pointing out that the industrialisation of developing countries would provide increasing opportunities for world trade and need not conflict with the long-term interests of developed countries, the report calls on the latter to reverse the present trend towards protecting its industries from Third World competition and to promote instead "a process of positive, anticipatory restructuring" to adjust to new patterns of world industrial production. This would be facilitated by improved institutional machinery - a new body embracing both the General Agreement on Tariffs and Trade (GATT) and the United Nations Conference on Trade and Development (UNCTAD) is suggested.

Multinationals, Technology and Mineral Development. The report calls for international codes of conduct and effective national laws to ensure a broader sharing of technology; to control restrictive business practices and to provide a framework for the activities of transnational corporations.

Reform of the Monetary System. A key issue, the report states, is the reform of the monetary system in order to establish more stable exchange rates, symmetry in the burden of adjustment to balance of payments deficits and surpluses, an orderly expansion of international liquidity and the participation of the whole international community in the management of the system. With regard to increasing monetary stability, it suggests that improved Special Drawing Rights should become an international currency and replace national currencies as the principal reserve asset, their issuance being geared solely to the agreed need of non-inflationary increases in world liquidity.

A New Approach to Development Finance. The report recognises that the above measures will involve more than a doubling of the current \$20,000 million of annual overseas development assistance, together with a substantial additional lending on market terms. To facilitate this, it suggests a new approach to development finance, the main features of which would be:

- 1) An international system for mobilising aid funds.
- 2) The adoption by industrialised countries of a timetable for reaching the 0.7 per cent of gross national product target for official development assistance by 1985, and advancing to 1 per cent by the end of century.
- 3) The introduction of automatic revenue transfers through international levies on, for example, international trade, arms production or exports and international travel, and revenues from new global enterprises such as sea-bed mineral exploitation.
- 4) Increased lending through international financial institutions, particularly the World Bank, by raising its borrowing capacity from the present \$80,000 million to \$160,000 million, the regional development banks, and the International Monetary Fund through further sales of its gold reserves.
- 5) Greater participation by developing countries in the management of international institutions, and particularly in a new World Development Fund.
- 6) Increased lending by commercial banks and other private financial bodies.

3. Conservative Government's Response

In a recent debate devoted to the report, Mr. Cecil Parkinson, Minister of State for Trade, welcomed the report as "a major attempt to outline some of the great problems that the developed and developing world will face in the next twenty years and to suggest answers" (Hansard, 28th March, 1980, Col. 1859). He emphasised that the Government could at present only give preliminary reactions. He also pointed out that only concerted action would be effective and this would require consultation (e.g. with EEC partners).

The Role of Trade. The Report speaks out strongly against a retreat into protectionism by developed countries (see e.g. page 287).

Stressing the importance the Government placed on trading relations, Mr. Parkinson pointed out that developing countries take about 22 per cent of our exports and provide us with 18 per cent of our imports. In 1977, two-way trade between these countries and the OECD amounted to \$500 billion while development assistance from the latter amounted to only \$15 billion. (1978, UK exports to developing countries: £9,798 million; UK gross public expenditure on aid: £726 million; UK aid net of repayments: £632 million.) "Can anyone deny" he asked, "that trade is by far the most significant element in the relationship between the developed and developing world?" (Hansard, *ibid.*, Col. 1860). In this context Mr. Parkinson also pointed to the common ground between the Report and the Government's position over the desirability of maintaining in general an open trading system and avoiding protectionism. Referring to Britain's ability to support overseas development, Mr. Parkinson stated that this ultimately depended on strengthening our domestic economy, a process which has necessitated public expenditure cuts.

Mr. Parkinson went on to highlight some of the measures the British Government has taken for the benefit of Third World countries. These include:

- (a) The maintenance of a substantial Overseas Aid Programme currently worth over £700 million a year.
- (b) Britain's food aid programme worth £40 million a year.
- (c) The removal of exchange controls to aid private flow and overseas investment by British firms.
- (d) Britain's active role in recent UNCTAD V negotiations, the Tokyo Summit and the Lome II Convention (see footnote).

Energy Policy: Adjusting to expensive Oil. Mr. David Howell, Secretary of State for Energy, said in a recent speech (London Europe Society, June 5th 1980):

"The developed world's dependence on oil casts a triple shadow across our hopes for world stability and peace.

First, it puts pressure on the world's stretched supplies, and on oil prices. Of course, since 1973 the prices have been formally set by OPEC. But without that pressure of demand, oil prices could not have risen as they have.

Second, it prejudices progress in the developing countries. Tight oil supplies hamper their development and high oil prices dog their balances of trade.

.../Third,

Note: UNCTAD: UN Conference on Trade and Development, which aims to produce measures to foster international trade and development.

Tokyo Summit: International Economic Summit in June 1979 between UK, USA, West Germany, France, Italy, Japan and Canada (see Politics Today, No. 11, 1979).

Lome II Convention: A comprehensive trade and aid agreement signed between the EEC and 58 African, Caribbean and Pacific (ACP) countries on 31st October 1979 (see Politics Today, No. 20, 1979).

Third, unless we decrease our oil dependence, nation may be set against nation struggling for too little oil. East and West could jostle each other with increasing roughness in a desperate sort of international musical chairs.

Pending the basic long-term changes needed to escape the oil trap our respite must lie in two directions:

- in cutting dramatically our growth of primary energy demand and thus taking the intense buyers' pressure out of the oil market

- in building up co-operative contacts with the OPEC countries to establish our common interest in avoiding total disruption of the West and of the developing countries.

The individual nations of the Community obviously have their parts to play in achieving these aims. The United Kingdom's supplies of oil, coal and natural gas help to reduce the Community's overall level of import dependence. But they do not reduce our responsibility to find and put into use alternatives to oil.

This inter-dependence goes wider and makes it absolutely essential that the US and Japan should be involved, along with the members of the European Community and other major oil consumers in the shaping of strategic goals. This must inevitably mean that the International Energy Agency is the most important forum for discussion of many major international questions. In particular that is where we must discuss the wide range of difficult issues associated with the international oil market and the vital need to let price play its full part in restraining consumption. If some countries hold prices artificially and thus delay conservation and inflate demand for oil, the efforts of all others are undermined. So Governments must be united in the actions required, which are often courageous and unpopular, to allow the price mechanism to work while, of course, taking vigorous steps to protect those least able to adjust their circumstances."

4. Britain's Overseas Aid Programme

Expenditure on Overseas Aid. A reduction in overseas aid has been announced as part of the Government's policy to reduce public spending generally. Britain's aid programme will nonetheless remain a substantial one.

The Government's Policy. On 30th October 1979, Mr. Neil Marten, Minister for Overseas Development, announced that the Government was instituting a review of overseas aid policy. Announcing the results of the review on 20th February 1980, Mr. Marten emphasised that "the Government will continue to provide aid to the developing countries on a substantial scale" (Hansard, Col. 464). He stated that the primary aim would be "to relieve poverty in the developing world so as to create conditions for greater peace and stability, and to contribute to the growth of world trade on which Britain so critically depends". He added that "political, industrial and commercial considerations will now play a more prominent part" (Hansard, Cols. 464-7).

Emphasising out the Government's concern to help Britain's trading performance, Mr. Marten pointed out that 70 per cent of bilateral aid provision was tied to trade agreements of commercial benefit to Britain. Two specific measures taken by the Government would help Britain's commercial prospects: the relaxation of exchange controls to allow increased investment overseas, and the channeling of 5 per cent of the bilateral aid programme into developmental projects of commercial value to Britain.

Mr. Marten stated that the Government was investigating ways of obtaining more benefit from multilateral aid provision (i.e., via input to agencies of the EEC, UN, etc.).

Planned Expenditure on Overseas Aid. The Public Expenditure White Paper, Cmnd. 7841, March 1980, shows planned expenditure on overseas

.../aid

aid(at 1979 survey prices) until 1983-4 as follows:

	1979-80	1980-1	1981-2	1982-3	1983-4
Expenditure	£794m	£779m	£730m	£680m	£680m
Annual reduction		-1.9%	-6.3%	-6.8%	Nil
1979-84 reduction					-14%

Even taking the cuts into account, the programme for 1983-4 will still be greater than in 1976-7 (in real terms).

Announcing the figures, Mr. Marten said the Government had "inherited plans which bore no realistic relationship to the resources likely to be available". He said: "We regret the need to cut back on overseas aid but it is a necessary part of the Government's action to bring down public spending to a level the country can afford. If we do not get our economy right, we shall not be able to sustain any worthwhile aid programme ... The amount we can devote to aid will ultimately depend on our success in strengthening the wealth-creating sectors of our economy" (Press Statement, 26th March 1980). This echoes the view of the World Bank that "the economic difficulties of the industrialised countries ... suggest that it will be more difficult for the developing economies to expand their economies" (1979 Report).

British Aid: Background Facts. Britain's gross public expenditure on overseas aid amounted to £726 million in 1978 (British Aid Statistics 1974-78), of which 75 per cent, £524 million, went on bilateral agreements (i.e. between Britain and individual countries). 74 per cent of bilateral aid went to Commonwealth countries. Accounting for 0.48 per cent of GNP, Britain's official (i.e. government) assistance is a higher percentage than the averages for all OECD (DAC) and EEC countries, but lower than the UN target of 0.7 per cent. However, when private flows are included, the UK is the second highest provider country in terms of proportion of GNP (3.35 per cent); well above the UN's 1 per cent target. 131 countries received bilateral aid from Britain in 1978 with a few countries receiving large amounts e.g. India (£119 million), Bangladesh (£44 million), Zambia (£33 million), Kenya (£29 million), Jamaica (£20 million) and Pakistan (£18 million). 64 per cent of bilateral aid went to the very poorest countries. Some 9,500 men and women financed from public funds served overseas in 1978, including about 1,500 volunteers under the British Volunteer Programme. Some 14,400 students and trainees from developing countries attended publicly-funded courses under technical co-operation agreements, 9,480 of these came from Commonwealth countries.

The aid contribution of Western countries compares extremely favourably with that of Communist countries. The Soviet Union, Eastern Europe and China give in total (excluding arms aid) half of what Britain alone gives. (The Soviet Union gave only 0.04 per cent of her GNP in 1975, Britain gave .38 per cent.) In 1979 COMECON disbursed \$0.7 billion dollars worth of aid (excluding aid to Cuba). (OECD sources). (N.B. The figure of 0.48 per cent of GNP for Britain for 1978 is not comparable with figures given for previous years. On the old basis the figure for 1978 is 0.39 per cent.)

5. Some Possible Lines of Argument

In view of the length and complexity of the Report, some possible lines of argument and criticism are suggested:

1) The Government has emphasised that Britain's economic difficulties have first priority (this echoes the view of the World Bank, see page 6). The report arguably fails to recognise the importance to the Third World of maintaining the buoyancy of the developed economies in the North.

2) The North-South analysis: too simplistic?

a. As the economies of the North face increasing pressure (e.g. because of escalating energy costs) so the need to discriminate between the more/less successful economies of the South increases.

b. The report neglects the all important transfer from Developed O.P.E.C. (although the latter are included in the 'South' category). Is a concerted response by O.P.E.C. to be encouraged?

c. The report strikes new ground in its 'mutual interest' (see p.2) analysis. But in practice its specific analysis and recommendations tend to concentrate on problems where the South suffers relatively. But many problems e.g. inflation, oil producers' surpluses are of interest to all countries.

d. The role of the Communist Bloc. Richer Communist countries are very weak in providing development aid etc.: this suffers because of concentration on arms aid (see p. 6). The report does not specify steps to be taken to encourage the Eastern Bloc.

3) Energy prices. Problem of massive transfers to O.P.E.C. (see above). What steps can be taken to encourage O.P.E.C. to act in a more ordered regularised fashion i.e. avoiding price rise 'shocks'? Countries in the South tend to be heavily dependent on energy imports: What can they do in the way of adjustment, energy source development?

4) Aid. See p. 5 on the Aid/Trade question. The Report is silent on those Southern economies like Singapore, South Korea, Hong Kong that have achieved economic success by market means and without development aid.

5) Monetary Reform. Recycling, Balance of Payments problems. The report concentrates on the role of public funding but private sector funding is likely to retain the major role. The report suggests numerous improvements, reforms to the world monetary system and institutions (see above p. 3) but:

a. Institutions such as the IMF, World Bank are in a constant state of reform. For example, the IMF is at present investigating the problem of "conditionality" (e.g. conditions under which loans are made); the Interim Committee met in Hamburg in April and was attended by Ministers. The World Bank in January doubled its authorised capital to \$80 billion.

b. The North is not as protectionist as is sometimes made out. Important work has been done in G.A.T.T., Lome II, suspension of exchange controls to foster trade.

c. Is major, radical reform of the world monetary system desirable in a world depression? Would such steps be inflationary?

d. These criticisms reflect a major shortcoming of the report that it views reform as a matter of simple 'diktat' (e.g. via a Summit of "world leaders") rather than the result of patient negotiation between countries with differing problems and interests.

Econ Policy

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PRIME MINISTER

The Report of the Brandt Commission

(OD(80) 39)

BACKGROUND

Annex A to the Foreign and Commonwealth Secretary's memorandum summarises succinctly the origins and recommendations of the Brandt Commission together with officials' comments on it. The Foreign and Commonwealth Secretary invited his colleagues to endorse the officials' note and their recommendations in paragraph 24 of the Annex.

2. The Committee's discussion will take place shortly before the Commons debate on the report on 16th June, on a Government Motion whose wording is still under discussion. The immediate purpose of the Committee's discussion will thus be to establish a clear Government line to be used in the debate (the Lord Privy Seal will open and the Minister of State, Foreign and Commonwealth Office (Mr. Neil Marten) will wind up). This will be the first occasion on which the Government makes known its considered view on the report, since officials have held up the provision of the memorandum requested by the Sub-Committee on Overseas Development of the Foreign Affairs Committee until Ministers have had an opportunity to consider the report collectively.

3. My impression is that the Brandt Report has attracted a good deal more public interest in this country and in Germany than in the United States or in other European countries (it has apparently sold many more copies in this country alone than in the United States). Aid to the developing countries (other than food aid, which helps the grain states) seems unlikely to be a vote-winner in the Presidential election, and the United States Government is likely to stress food aid and what is already being done in other fields, including the World Bank, than take the lead in pressing for more.

CONFIDENTIAL

HANDLING

4. You will wish to invite the Foreign and Commonwealth Secretary to introduce his paper and then seek general comments from the Chancellor of the Exchequer and the Secretary of State for Trade. You might then invite more detailed comments on the main aspects of the Commission's proposed Emergency Programme, described in paragraphs 10 and 11 of the official paper. To some extent the question of a transfer of resources will have been covered in the opening discussion of the economic context of the Report, but the Chancellor will wish to underline the inconsistency of any substantial increase in official aid with the Government's overriding economic priorities. You will wish to invite the Secretary of State for Energy (who has been invited to attend for this item) to comment on the proposed international energy strategy. Although consideration of Mr. Howell's proposals for a bargain or understanding between producers and consumers is not complete, prospects for an "accommodation" between the two are poor. You will wish the Minister of Agriculture (who has also been invited for this item) to comment on the proposal for a global food programme.

5. The Chancellor and the Secretary of State for Trade will wish to comment on the proposals for reforming the international economic system. However, you will not wish the Committee to spend much time on these recommendations which cover ground which has been well trodden in previous meetings designed to bring about a new international economic order.

6. Finally, you will wish the Committee to consider the line to be taken on the Commission's proposal for a summit of (25) world leaders. You have reacted cautiously to this proposal, as have other leading Western states, to judge from the line taken by their officials in preparing for the Venice Economic Summit. The feeling is beginning to grow, however, that pressure to hold a North-South Summit will prove very difficult to resist; people are therefore reluctant to come out in outright opposition against it.

CONFIDENTIAL

CONCLUSIONS

7. Subject to points made in discussion, you might lead the Committee to
 1. endorse the officials' note and its conclusions and
 2. agree in particular that the Government should present their views in as sympathetic a way as possible.

RA

(Robert Armstrong)

9th June, 1980

CONFIDENTIAL

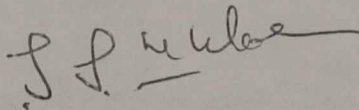
Econ Pa.

Prime Minister (2)

Hurd

Financial Relations DepartmentSecretary of State's talks with Dr Waldheim:North/South Summit

Waldheim raised this at lunch with Lord Carrington today. He said that, following discussions he had had with Schmidt, Giscard, Kreisky and others, it seemed clear that only the Mexican President was keen for an early Summit. Schmidt had told him that he could not go in for this sort of initiative before his elections in October; and Giscard had stressed the wisdom of waiting until a new American President was elected. Kreisky too had been unenthusiastic. The general tendency was therefore to agree that the Special Session in August should go ahead first, followed by the beginning of the global negotiations in January next year, and that consideration should be given to holding a North/South Summit in the light of the progress of these negotiations. The Secretary of State said that we were unenthusiastic about a Summit. The countries suggested by the Mexican President were an odd mixture, and we were not sure what a Summit could achieve. There was a danger of raising expectations too high. But we would have to go along with it if necessary.



(G G H Walden)

21 May 1980

cc: PS
 PS/LPS
 PS/Mr Hurd
 PS/Mr Ridley
 PS/Mr Marten
 PS/PUS
 PS/Sir D Maitland
 Lord Bridges
 Sir A Acland
 Mr Bullard
 Mr Evans
 UN Dept

M O'D B Alexander/
 10 Downing Street

CONFIDENTIAL

VLB

FILE

Econ Pol.

15 May 1980

Possible North/South Summit

The Prime Minister has seen your letter to me of 14 May. She remains unenthusiastic about the prospect of attending a North/South Summit, but agrees that we may express polite interest in the possibility.

MICHAEL ALEXANDER

G. G. H. Walden, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

Ge.



Foreign and Commonwealth Office

London SW1A 2AH

14 May 1980

Dear Michael,

Possible North/South Summit

You will recall that the Prime Minister was not enthusiastic about the prospect of a North/South Summit when this was raised with you earlier this year (your letter to me of 8 January). At the same time you said that, should support for a summit grow, and should there be a real possibility of its taking place, the Prime Minister would have to be consulted again about the UK contribution to any preparatory discussions and about participation.

The main arguments against a North/South Summit are largely unchanged. Briefly, these are that it would raise too many expectations; preparation would be difficult; a failure could do positive harm; and that we have a particular problem over our declining aid programme.

However, as you will see from the attached draft brief for Lord Carrington's visit to Vienna, during which we expect Chancellor Kreisky to raise this question, there appears to be a somewhat greater likelihood that a summit will eventually be convened. The Department therefore suggest that the Secretary of State should take a slightly less negative line in Vienna, should Chancellor Kreisky mention a summit. Their reasons are that active opposition to the idea, now that it has gained a little more momentum, could damage us. Moreover developments in Afghanistan and Iran have enhanced the importance to us of our political relations with the non-aligned and Third World. Our attitude should therefore be one of polite interest, though still not of enthusiasm.

I should mention that Lord Carrington, who returned from Brussels only today, has not yet seen this letter or the draft brief.

Tom
G.G.H.

(G G H Walden)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

CONFIDENTIAL

PROPOSAL FOR A NORTH/SOUTH SUMMIT

POINTS TO MAKE

1. Recognise very serious economic problems of developing world.
2. Importance of political relations enhanced by Afghanistan and Iran.
3. Must seek practical and effective solutions addressed to concrete problems rather than ritual disagreements over texts.
4. A Summit meeting might help but would have to be very carefully prepared.
5. Interested in progress report.
6. If a Summit happens, the UK would wish to be there.
7. August 1980 much too early. Elections in US, Germany, France. Global Negotiations should be given a chance.
8. Spring 1981 would make more sense. Cannot afford to risk a failure.

CONFIDENTIAL

CONFIDENTIAL

ESSENTIAL FACTS

8. Mexican President Portillo and Chancellor Kreisky canvassing support for North/South Summit suggested in Brandt Report.

Latter believed to be in touch informally with Chancellor Schmidt and Brandt. We have not been approached.

9. Proposals for a meeting in August seem to be running into difficulty. Early 1981 may now be suggested.

10. Global Negotiations on 'major issues in the fields of raw materials, energy, trade, development, money and finance' likely to start in January 1981 and to last nine months - but closing date likely to slip. Negotiations to be formally launched at UN Special Session, August 1980. Meanwhile preparations under way in Committee of the Whole (COW). Some difficulties with G77 over agenda and procedure.

11. (Not for use). The Japanese have told us that the Mexicans intend to invite the economic/^{Summit}seven, minus Italy: Austria, Switzerland, Spain, Saudi Arabia, Algeria, Venezuela, Nigeria, Senegal, Tanzania, India and the Philippines. This list may not be complete - it omits the Soviet Union and Eastern Europe, as well as Yugoslavia. Obvious difficulties over Italy and European Commission.

12. (Not for use). Our main partners likely to be cautious about this proposal, but unlikely to take the lead in resisting it. For the Americans, Germans and French, electoral preoccupations argue against an early date. French and some non-aligned would prefer to give Global Negotiations a chance and hold the idea of a Summit in reserve.

CONFIDENTIAL

Elia B1

to Vint



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

Chancellor of the Duchy of Lancaster

1 May 1980

Dear Myles

DEBATE ON THE BRANDT REPORT

Thank you for your letter of 29 April. The Chancellor of the Duchy has seen it, and is content with what you propose.

I am copying this to the recipients of your letter.

Yours sincerely

MISS PETRA LAIDLAW
Private Secretary

Myles Wickstead Esq
Private Secretary to the Lord
Privy Seal
Foreign and Commonwealth Office
Whitehall

F-2 MAY 1960





Foreign and Commonwealth Office

London SW1A 2AH

29 April 1980

NBPA
Paul

DEBATE ON THE BRANDT REPORT

On 24 April, the Leader of the House agreed that the report of the Brandt Commission should in due course be debated in Government time.

We think that it would be right for Ministers to consider and discuss the issues raised before any debate takes place. The Foreign and Commonwealth Secretary is planning to circulate a paper by officials on the report of the Brandt Commission to his colleagues in OD either this week or next. Given this timing, but given also that the state of the North/South Dialogue will be discussed by Heads of State and Government at the Venice Summit meeting on 22 and 23 June, I suggest that the best time for a debate might be the first part of June.

I am sending copies of this letter to the Private Secretaries of members of OD, David Wright in the Cabinet Office, and to Murdo Maclean in the Chief Whip's Office.

M A Wickstead
Assistant Private Secretary/Lord Privy Seal

Miss Petra Laidlaw
Private Secretary/Chancellor of
the Duchy of Lancaster
Privy Council Office
Whitehall
London SW1

130 APR 1980





Econ Pd.

B

cfc

10 DOWNING STREET

THE PRIME MINISTER

31 March 1980

Dear Mr. Ramphal,

Thank you for your letter of 7 March enclosing a copy of the Brandt Commission's Report. The members of the Commission are to be complimented on an impressive and wide-ranging study to which, I believe, you yourself made a very important contribution.

We are still considering the contents of the Report, although the government have given some preliminary views in a House of Lords debate on 12 March. There will be a further debate in the House of Commons on 28 March.

We have noted the Commission's suggestion for a new form of North/South Summit meeting. Our shared experience at Lusaka is evidence that Summit meetings can lead to valuable progress. But they must be carefully prepared, lest the risks outweigh the advantages. It would be a pity to raise expectations only to find that they could not be fulfilled.

One aspect of the Report which we have particularly welcomed was its stress on measures of mutual benefit. I therefore very much share your aspiration that the Commonwealth, with its own sense of mutual interest, should continue to make its unique contribution.

Yours sincerely
Margaret Thatcher

His Excellency Mr. Shridath S. Ramphal, Kt, C.M.G., Q.C.

B



Foreign and Commonwealth Office

London SW1A 2AH

27 March 1980

Type for signature:
put in weekend box.

Paul

Dear Michael,

THE BRANDT COMMISSION

In your letter of 19 March you asked for a draft reply to a letter from the Commonwealth Secretary-General to the Prime Minister.

Mr Ramphal drew attention to the Commission's proposal for a Summit of world leaders from the North and South and is clearly fishing for a reaction. I understand (from your letter of 8 January) that the Prime Minister is not enthusiastic about such ideas but would wish to be consulted if they gathered momentum.

The proposal seems to have stalled for the time being. The Germans have given it a cautious public welcome, but Chancellor Schmidt has been sceptical in private conversation with Lord Carrington. The Americans are not enthusiastic nor are a number of developing countries. It is possible that the French, and in particular President Giscard, might be tempted to carry the idea forward. Dr Waldheim is in favour but would find it invidious to select candidates.

In these circumstances, the enclosed draft reply is cautious but, consistent with our public line until now, does not entirely rule out the idea.

Yours etc

Paul

(P Lever)

M O'D B Alexander Esq
10 Downing Street

DRAFT: ~~XXXXXX~~/letter/~~XXXXXX~~XXXXXX/XXXX

TYPE: Draft/Final 1+

FROM: Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO: Commonwealth Secretary General

Your Reference

Top Secret

Secret

Confidential

Restricted

Unclassified

Copies to:

Type to issue

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

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We have noted the Commission's suggestion for a new form of North/South Summit meeting. Our shared experience at Lusaka is evidence that Summit meetings can lead to valuable progress. But they must be carefully prepared, lest the risks outweigh the advantages. It would be a pity to raise expectations only to find that they could not be fulfilled.

Enclosures—flag(s).....

One aspect of the Report which we have particularly welcomed was its stress on measures of mutual benefit. I therefore very much share your aspiration that the Commonwealth, with its own sense of mutual interest, should continue to make its unique contribution.



[Faint, illegible handwritten text]

27 MAR 1960

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FILE

RH

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Bl

20 March 1980

Message to Herr Brandt

I enclose the signed text of a message from the Prime Minister to Herr Willy Brandt. This is in reply to Herr Brandt's message to the Prime Minister of 25 February. I should be grateful if you could arrange for the Prime Minister's message to be delivered by our Embassy in Bonn.

M. O'D. B. ALEXANDER

R M J Lyne Esq
Foreign and Commonwealth Office

TR



3

10 DOWNING STREET

Prime Minister.

'Dear Herr Brandt'.

(As you will see, this is
no more than a formal
acknowledgment.)

File

VB



cc:- FCO

10 DOWNING STREET

THE PRIME MINISTER

Dear Herr Brandt,

It was good of you to take the trouble to write to me about the conclusion of your Commission's work and to send me a copy of your Report. I am glad that the British Government's financial support proved valuable to you and your team.

Your Report is deservedly attracting much attention. There has already been a debate here in the House of Lords on 12 March. We are conscious of the effort, experience and expertise which was put into the Report's preparation and we are therefore giving careful consideration to the many proposals which it contains.

With kind regards,

Yours sincerely,

Margaret Thatcher

Herr Willy Brandt

RT

CONFIDENTIAL

GR 220

CONFIDENTIAL

FM UKMIS NEW YORK 192136Z MAR 80

TO PRIORITY FCO

TELEGRAM NUMBER 475 OF 19 MARCH

INFO WASHINGTON BONN PARIS VIENNA

INFO SAVING UKMIS GENEVA UKDEL OECD TOKYO UKREP BRUSSELS. *ms*

YOUR TELNO 229: PROPOSAL FOR A NORTH/SOUTH SUMMIT

1. THERE IS A HIATUS. NO ONE IS MAKING THE RUNNING, EITHER WITHIN THE UN SECRETARIAT OR OUTSIDE THAT WE ARE AWARE ALTHOUGHT ITS POSSIBLE THAT KRISKY IS STILL PURSUING SOME CONTACTS. THE SECRETARY-GENERAL HAS OTHER PREOCCUPATIONS AND IN ANY CASE FEELS HE HAS NO MANDATE. WHILE CHANCELLOR SCHMIDT EXPRESSED A POSITIVE INTEREST WHEN HE SAW WALDHEIM, HE MADE IT CLEAR THAT THE FRG WAS NOT WILLING TO TAKE A LEAD (MY TELNO 8 SAVING NOT TO ALL). A NUMBER OF COUNTRIES (INCLUDING FRANCE AND JAMAICA) ADMIT TO AN INTEREST IN ATTENDING SUCH A SUMMIT IF SOMEONE WAS TO ORGANISE IT, BUT HAVE NO INTEREST IN UNDERTAKING THE RUNNING THEMSELVES. THE JAMAICANS TOLD US SOME TIME BACK THAT THEY HAD NO INTEREST IN HOSTING A SUMMIT AND THEIR POSITION REMAINS UNCHANGED. THE MEXICAN IDEAS, WHICH TENDED MORE TOWARDS A POSSIBLE REGIONAL APPROACH, HAVE ALSO RUN INTO THE GROUND, NOT LEAST BECAUSE OF THE DELICACY OF THEIR POSITION WITHIN THE G77 AT THIS MOMENT. MOST COUNTRIES FEEL THAT THE PROPOSAL CAN GO NO FURTHER UNTIL AFTER THE US ELECTIONS.

PLEASE GIVE ADVANCE N/S DISTRIBUTION

FCO PASS INFO SAVING UKMIS GENEVA UKDEL OECD TOKYO UKREP BRUSSELS.

PARSONS

[REPEATED AS REQUESTED]

DEPARTMENTAL DISTRIBUTION
FRD

ADDITIONAL DISTRIBUTION
NORTH/SOUTH

CONFIDENTIAL

file file

From 20

BF 26.3.80 19 March 1980

THE BRANDT COMMISSION

I enclose a copy of a letter to the Prime Minister from the Commonwealth Secretary General about the Brandt Commission Report. Mr. Ramphal draws particular attention to the Commission's recommendation that there should be a Summit Meeting to consider the problems dealt with by the Report.

V I should be grateful for the text of a draft reply which the Prime Minister might send to Mr. Ramphal. It would be helpful if your draft could reach me by close of play on Wednesday, 26 March.

M. O'D. B. ALEXANDER

R. M. J. Lyne, Esq.,
Foreign and Commonwealth Office.

JP



Foreign and Commonwealth Office

London SW1A 2AH

Type for PM's signature

19 March 1980

RML

Dear Michael,

Brandt Commission Report

Thank you for your letter of 13 March enclosing Herr Willy Brandt's letter of 25 February to the Prime Minister. This really amounts to the formal communication of the Report to the Government and we think a brief reply would be appropriate. I attach a draft. Our support for the Brandt Commission amounted to £150,000, granted by the previous Government.

We have taken up separately the question of the Embassy in Bonn's communicating direct with you. If you wish, we could ask the Embassy to forward the Prime Minister's reply.

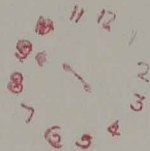
yours ever

Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

19 MAR 1960



DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

The Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

TO:

Herr Willy Brandt

Your Reference

Copies to:

PRIVACY MARKING

.....In Confidence

SUBJECT:

CAVEAT.....

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Your Report is deservedly attracting much attention. There has already been a debate here in the House of Lords on 12 March. We are conscious of the effort, experience and expertise which was put into the Report's preparation and we are therefore giving careful consideration to the many proposals which it contains.

With kind regards.

Enclosures—flag(s).....

~~S/P 20.3.80~~

ECM Pa
D



10 DOWNING STREET

From the Private Secretary

13 March 1980

I enclose a copy of a letter to the Prime Minister from Willy Brandt together with its covering letter. I should be grateful for advice as to whether the Prime Minister should reply to Herr Brandt and, if so, in what terms.

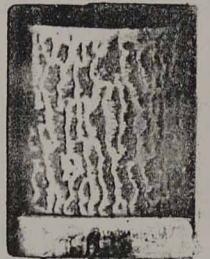
You may care to arrange for Mr. Paice to be gently reminded about the normal channels of communications for members of embassies abroad with this office.

I am sending a copy of this letter and its enclosure to Susan Unsworth (Overseas Development Administration).

M. O'D. B. ALEMANEE

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.

TWR



a.18

7 March 1980

My dear Prime Minister,

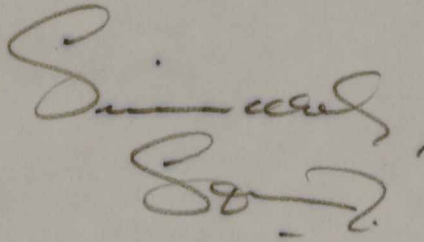
In November 1977 I wrote to inform Commonwealth Heads of Government that I had accepted an invitation from Willy Brandt to participate in a personal capacity in the work of the Independent Commission on International Development Issues. As you may know, the Commission has now completed its work and its report "North-South Dialogue: A Programme for Survival" was presented to the Secretary-General of the United Nations, on 12 February of this year. It has now been released publicly.

I am taking this opportunity of sending you a copy of the report which I hope you may have time to read and consider. In doing so may I also draw your attention to one of the key recommendations of the Commission: The proposal for a summit meeting of world leaders to consider those questions uppermost on the world's economic agenda in the expectation that an Emergency Programme, designed to institute action in these areas of most acute need, can be formulated.

The report of the Brandt Commission is not an end in itself. The hope of all members of the Commission is that it will help to bring the concept of interdependence to more material expression in the economic relationships between nations. It may be expected that the Commonwealth, whose membership bestrides both North and South, and whose special sense of mutual interest has already done so much to assist

The Rt. Hon. Margaret Thatcher, MP.,
Prime Minister,
10 Downing Street,
London SW1.

the processes of reconciliation between rich and poor can continue to give a lead to the world community as it strives toward the achievement of global change in the interests of all.

A handwritten signature in cursive script, appearing to read "Shridath S. Ramphal". The signature is written in dark ink and is positioned above the printed name.

Shridath S. Ramphal



BRITISH EMBASSY
BONN

6 March 1980

M O'D B Alexander Esq
10 Downing Street
London

Dear Alexander,

REPORT OF THE INDEPENDENT
COMMISSION ON INTERNATIONAL
DEVELOPMENT ISSUES

Herr Willy Brandt has written to the Ambassador to ask for the enclosed letter of appreciation for HMG financial assistance in support of the Commission's work to be sent to the Prime Minister. Herr Brandt has also asked that a copy of the report in English be forwarded.

*Yours ever
Tony Paice*

A J Paice

c.c. J Aitken Esq ODA
FRD FCO
WED FCO

ICIDI

INDEPENDENT COMMISSION ON
INTERNATIONAL DEVELOPMENT ISSUES

Bonn, February 25, 1980

WILLY BRANDT
Chairman

The Rt. Hon.
Margaret Thatcher, MP
Prime Minister of the United Kingdom
of Great Britain and Northern Ireland
10, Downing Street

London / Great Britain

Dear Prime Minister,

our "Independent Commission on International Development Issues" has finished its work after two years of intensive deliberations. A few days ago I had the privilege of handing over the first copy of our Report to UN Secretary-General Waldheim who was very appreciative of our efforts.

The British government has been so kind in 1978 to provide a substantial contribution for our work, and at this moment I feel urged to express our deepest gratitude for this support. It not only helped to secure the necessary independence of our task. We also drew encouraging comfort from the interest and general sympathy expressed by this assistance.


It is, therefore, with particular pleasure that I enclose a copy of our Report in the hope that your government may give it benevolent consideration.

I have advised our Secretariat to send you within short a statement of our accounts as accepted by our auditor, and I have also asked it to send your government some more copies of our Report.

Also on behalf of my fellow Commissioners I want to thank you once again for your important contribution to our work.

With best regards,

Yours sincerely,



CONFIDENTIAL

Weekend Box

Iron 10
②



Foreign and Commonwealth Office

London SW1A 2AH

Amie Rinder
You may like to
glance at this & the
summary.

12 February 1980

Pauls 13/2
MS
f.g. Pauls

Dear Michael,

Brandt Commission Report on Relations between Developed and
Developing Countries

The report of the Brandt Commission will be made public, both in London and elsewhere, on 12 February. Mr Heath, the British member of the Commission, will be giving a press conference here to launch the report and copies of it have already been distributed to journalists. We also have advance copies and can send you one if you wish.

The report covers the whole range of relations between developed and developing countries. Its main message is that all countries, but particularly the developed countries of the 'North', should take a fundamental new look at where their interests lie in North/South relations. The Brandt Commission argue that this should lead to new far-reaching measures to improve world economic relations, which would in particular involve greatly increased transfers of resources from rich to poor countries. The final shape of the report, we believe, owes much to Mr Heath's active intervention.

The discussion of North/South problems in the report is clear and often well balanced. It tries to move away from the idea of a Dialogue based simply on 'demands' from the South and 'concessions' from the North. But the OECD countries cannot in present circumstances contemplate the 'massive transfer' of resources which is recommended.

The report will attract attention in the press and perhaps in Parliament and will feature largely in future North/South discussions. Our initial response will inevitably have to be guarded. Formally, I think we should simply note that the Commission, whose views must carry weight, have produced an important and comprehensive report, which will need serious examination by all governments, including HMG. Since it will exercise strong influence on discussions in the North/South Dialogue, we shall be talking to our Community and OECD partners about it.

/We have

M O'D B Alexander Esq
10 Downing Street

CONFIDENTIAL

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We have made some enquiries about what the reactions of other major Western countries are likely to be. Most officials in these countries are advocating a cautious response. There are still signs that the Germans and the French (that is, President Giscard personally) may like to go further, particularly on the question of a North/South summit. On the summit, we shall continue to be guided by the points made in Paul Lever's letter of 7 January, and your reply of 8 January. Our general aim will be to discourage our partners from premature endorsement either of the report itself or of the summit proposals.

*Jan end
8/1*

(G G H Walden)
Private Secretary

CONFIDENTIAL



Copied to:

M A Hall, PS/Chancellor of the Exchequer
T G Harris, PS/Secretary of State for Trade
Dr W J Burroughs, PS/Secretary of State for Energy
A A Duguid, PS/Secretary of State for Industry
G R Waters, PS/Minister for Agriculture, Fisheries & Food

EMBARGO: 1300 hours/Tuesday 12 February 1980

Summary of the Report of the Independent Commission on International Development Issues presented by the Rt Hon Edward Heath MBE MP at the Commonwealth Hall, Royal Commonwealth Society, 18 Northumberland Avenue, London WC2 on Tuesday 12 February 1980 at 1200 hours.

The Brandt Commission, which has been considering North-South issues over the past two years, is now publishing its Report, called NORTH-SOUTH: A PROGRAMME FOR SURVIVAL. The Report analyses the world's economic and social predicament as it affects the Third World, and concludes with a set of far-reaching proposals for the reform and restructuring of the world system - which in the Commission's view are essential to avert disaster, and in the mutual interest of both North and South.

The Report breaks new ground in several ways. The Commission's members are prominent politicians and public figures from both North and South; they served independently and not under government instructions. Many of them had not previously been closely associated with Third World issues, but became convinced of the central importance of these issues for the world's prospects in the next decades. They believe these issues will affect the material interests of ordinary people everywhere; the Report is designed to be read by the non-specialist.

As well as treating subjects which do not often come up in the Third World context (disarmament, relations with Eastern countries, refugees), the Report tries to relate the different items it covers. Thus it shows the connections between foreign debt, recycling, the problem of the publication of banking information, and protectionism; or between mineral and energy problems, commodity issues, and the need for a better regime to govern the behaviour of multinational corporation. The measures the Report proposes are interrelated both analytically and politically; the solutions to world problems are connected. And the problems of every country must be considered if their representatives are to sit round the table and negotiate fruitfully.

The Report has a number of constructive new proposals, and also attempts to bring before a wider public some valuable ideas which have hitherto been topics largely restricted to technical discussion. (The full range of the Report's recommendations are not set out here. In the Report they appear at the end of each chapter, and all together in an annexe at the back.)

In his Introduction, the Chairman Willy Brandt makes his own 'Plea for Change' based on his own experience. He stresses that the current recession and economic instability are more serious than past recessions. Calling for much bolder reforms, he writes: 'it is precisely in this time of crisis that basic world issues must be faced and bold initiatives taken.'

He notes that while there is a new awareness that mankind is a single community, the international situation went from bad to worse during the two years that the Commission was sitting. But he says 'it seems to be a permanent task for man to shape order out of contradictions'.

He discusses the dangerous build-up of weapons and the threats to peace, not just through possible wars, but through growing chaos; and he insists that 'people must be made aware of the relationship between the problems of disarmament and development'. He calls for a summit of world leaders, in close contact with the UN, to work out new solutions, and concludes that 'the shaping of our common future is much too important to be left to governments and experts alone'.

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both a moral and a practical case for reforming the world economy and transferring resources to the benefit of developing countries. Human solidarity and compassion for the extremes of suffering in poor countries, and the hard-headed interests of the rich countries, point in very similar directions.

Surveying the fundamental problems of poverty (chapter 4), the Report insists that the poorest countries must receive special attention to help them to help themselves, and it calls for a major initiative to assist them with basic investments in economic infrastructure. These would cost at least \$4 billion a year above current aid. Part of that would be agriculture, whose total additional aid needs would be about \$8 billion annually to step up food production in poor countries (chapter 5). A programme for international food security and emergency food aid is also called for. Without these measures the Report foresees widespread hardship, and inflation in food prices in all countries. Abolishing hunger requires incomes for the poor as well as improved food supplies. But 'the world has the capacity to achieve such a goal. It is imperative that it does so'.

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On disarmament and development, the Report aims to increase awareness of the dangers and the crippling cost of the arms race, and the importance to everyone's security of non-military threats to survival. 'More arms are not making mankind safer, only poorer' (chapter 7).

As well as international reforms, the Commission deals with the responsibilities of the developing countries in ensuring that the benefits of development are equitably spread and, in particular, reach the poor (chapter 8). While stressing that 'changes at home, national reforms, are not a precondition for the international reforms called for in the Report, the Commission observes that 'in the vast majority of developing countries much more could be done to achieve equitable development', and calls on the Third World to undertake the necessary reforms.

A new emphasis in the Report lies in the measures proposed to enable the producing countries, by playing a larger part in processing and marketing, to obtain a bigger share of the final sale value of commodities, as well as to achieve more stability in prices and earnings (chapter 9). 'Commodities are the South's lifeblood, especially for the poorer countries, and to know what damage is done by the vagaries of the market is to understand why they feel so passionately about them'. The Report supports the Common Fund, which should be provided with adequate resources to stabilize prices at remunerative levels, finance national stocking outside of commodity agreements, and carry out development and diversification through its 'second window'. A complementary role is seen for individual commodity agreements and compensatory finance, both of which require greater efforts and commitment by the parties concerned. And a case is made out for a new financing facility for mineral exploration to help to overcome existing problems 'on the basis of a global responsibility for investment in mineral development'.

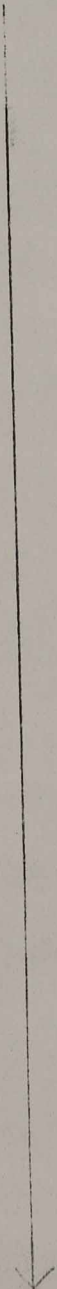
The Report considers the central role of energy, and, in the immediate future, of oil in the world economy and international relations. It describes the disparities of energy use in the world. Per capita energy consumption in industrialized countries compared to that of middle-income and low-income countries is in the proportion of 100:10:1. The Report accepts that oil prices will

have to rise in real terms; but they should do so predictably and gradually. It emphasizes the need for an international energy strategy to balance supply and demand in a context of stringent conservation, to develop new sources of energy, and to ensure in particular that the needs of poor countries are met. And it underlines 'how essential it is that ... the world's energy problems be solved by peaceful means' (chapter 10).

The Report argues that the industrialization of the Third World, needs not pose a threat to the North, whose employment gains and losses in trade with the South are well balanced - though it recognises that for particular sectors 'adjustment creates difficult political and social problems which call for sensitive and imaginative handling by governments' (chapter 11). The expansion of trade must play a major part in world economic recovery, and the Report takes a strong stand against protectionism - calling for it to be rolled back. It speaks of the need for positive, anticipatory adjustment measures, for the resumption of negotiations on 'safeguard' mechanisms, for the inclusion of more trade issues under international rules and surveillance; and - over the longer run - for moving towards a more comprehensive trade institution combining the functions of UNCTAD and GATT.

The Report makes constructive proposals to reconcile the interests of all parties over the issues of multinational, or transnational corporations and the sharing of technology (chapter 12). It sees a great mutuality of interest in the erection of a regime under which the corporations can contribute more to development. At present relationships are too often prone to mutual suspicion and mistrust which inhibit investment and cause conflicts and even political tensions over existing operations. The proposed regime would include a framework - as far as possible a contractual one - imposing obligations on all parties concerning such matters as the avoidance of restrictive practices; the treatment of the corporations in both home and host countries; legislation to regulate various activities of the corporations, including transfer pricing; and cooperation over tax policies and fiscal and other incentives. 'Fair contracts are more stable' is one of the main

themes. The discussion also covers the transfer of technology in considerable detail. The important role of the corporations 'in world production, processing and trade, as well as in other developments such as their increasing technological cooperation with several Eastern countries, make the transnationals issue today one of global rather than solely North-South concern'.



One of the key problems in the world economy is the disarray of the international monetary system. The Report recommends a system to be established on the basis of more stable exchange rates, greater symmetry in the burden of adjustment as between surplus and deficit countries and an orderly expansion of world liquidity. A central part would be played by Special Drawing Rights becoming the principal reserve asset; these should be created in a non-inflationary manner and solely in response to world liquidity needs. But the Report also recommends that their allocation should favour developing countries, especially those with heavy adjustment burdens: the so-called 'SDR-link'. IMF gold should be used to assist lending to the Third World. And the Report calls for greater responsiveness by the IMF to the adjustment problems of developing countries, which should be seen in a context of maintaining long-term social and economic development, and not be subject to inappropriate or excessive regulation (chapter 13).

The Report identifies a number of unmet needs in development finance, deficiencies both in the quantity and types of available assistance, and in the relationships between lenders and borrowers. The poorer countries need considerably higher levels of concessional assistance; the better-off need to be able to continue to borrow, mainly at market terms, but with improved maturities which will facilitate their debt management. In both groups of countries deficits and indebtedness have been growing at disquieting rates, and urgent measures are needed if a serious breakdown is to be avoided. It is especially important to lenders and borrowers and to the health of the world economy to find ways of recycling the new surplus oil revenues. The main types of finance missing are 'programme lending' - lending not tied to specific investment projects; export finance; and finance for economic integration schemes and for commodity stabilization (chapter 14).

Against this background the Report put forward 'a new approach to development finance' (chapter 15). Its main features are, firstly, a more universal and automatic system of international burden-sharing;

universal in the sense of calling for contributions not only from the industrialised Western countries but from Eastern countries and developing countries - excepting the poorest - as well. And automatic in the sense of an increasingly higher proportion of assistance coming from sources not subject to frequent budgetary appropriations. Contributions on a sliding scale related to national income could be one element in a system of 'international taxation'. Levies on international trade, on military expenditure or arms exports, on the mining of sea-bed minerals could be other elements.

Another important feature of the 'new approach' is institutional reform; greater regionalization of assistance, through decentralization of the World Bank's operations and strengthening of the Regional Development Banks; greater participation of developing countries in the control and management of multilateral institutions - including the IMF; and consideration of a new institution, a World Development Fund with universal membership and fully shared management and control, to complement the World Bank and the IMF and to undertake some of the missing types of lending, especially programme lending - and ultimately to serve as a channel for revenues raised on a universal and automatic basis.

The Report calls for a large-scale transfer of resources on concessional and on market terms to the developing countries; some \$50-60 billion annually above current levels could be flowing through public channels by 1985. The money would come from a variety of sources; increased share-capital and borrowing powers for the multi-lateral development banks (at least a doubling in the case of the World Bank); SDR allocations; use of IMF gold; measures to give developing countries greater access to market borrowing, including the use by public institutions of surplus liquidity from oil-revenues and other sources. The Report also recommends that the industrialised countries meet the 0.7 per cent of GNP target for official aid by 1985 and a target of 1 per cent by the end of the century, to provide more concessional funds for the poorer countries. In the longer run more resources should also become available from the universal contributions and automatic revenues already mentioned.

In its penultimate chapter the Report considers international organisations and negotiations. It suggests a high level and continuing monitoring body to pursue the 'difficult but essential task of streamlining the system' of the UN and associated agencies, as part of the measures needed 'to avoid duplication of tasks and wasteful overlapping' and to increase efficiency. It also suggests possible improvements to the procedures of North-South negotiations. And it calls for the selective use of summits 'to advance the cause of consensus and change'.

In its final chapter the Report discusses a 'Programme of Priorities' : it sets out the main tasks for the 1980s and 90s to remedy the defects of the international economy and its institutions, to improve the conditions of trade in commodities and manufactures and to reform the structure of development finance and the money system. But 'the world cannot wait for the longer term measures', says the Commission, and the Report proposes an Emergency Programme for 1980-85. 'At the beginning of the 1980s, the world community faces much greater dangers than at any time since the Second World War. It is clear that the world economy is now functioning so badly that it damages both the immediate and the longer-run interests of all nations.'

The Emergency Programme has four parts:

- A large-scale transfer of resources to developing countries
- An international energy strategy
- A global food programme
- A start on some major reforms in the international economic system.

The transfers of resources, the food programme and the reforms of the economic system comprise elements of the measures described above, essentially those which can be acted on relatively soon. The energy strategy aims at an accommodation between oil producers and consumers to ensure four things: regular supplies of oil; rigorous conservation; more predictable and gradual oil price increases in real terms; and joint development of alternative and

renewable energy sources.

The Commission emphasizes that the Emergency Programme is not a substitute for the priority reforms it recommends and must in its implementation be consistent with them. It sees the Emergency Programme as the basis for an international agreement whose components are of equal importance and related to each other. The Programme carries obligations for all parties and brings benefits to all. 'Its implementation will do much to create confidence, stimulate trade and investment, and improve the prospects for growth in the world economy. Conducted in partnership between North and South, it would amount to a major step towards a new international order, and the development of a true world community.'

Finally the Report calls for a summit of world leaders from both industrialised and developing countries. It could not commit those not present, but it could change the international climate and enlarge the prospects for global agreement, which it envisages being negotiated within the UN system. The summit should in the Commission's view concentrate on the Emergency Programme, without detracting from the other long-term measures to turn round the world economy, and give a lead to the negotiating process. It is now dramatically urgent for the world to take action: 'the search for solutions is not an act of benevolence but a condition of mutual survival.'

The Commission and its work

An annexe to the Report, following the Summary of Recommendations, describes the Commission's composition, its staff, its work programme of meetings in a variety of countries, and the extensive contacts with experts, officials, and leaders from numerous countries, including the Eastern countries.

It also describes the Commission's financing. A number of governments - Denmark, Finland, India, Japan, Republic of Korea, the Netherlands, Norway, Saudi Arabia, Sweden, the United Kingdom - gave substantial untied contributions. Assistance also came from regional organisations and funds, such as the Commission of the European Communities and the OPEC Special Fund, and from a number of foundations in North America and Europe. Governments in several countries met the costs of visits by the Commission and its staff, and the Swiss Government bore the costs of the Secretariat's offices in Geneva.

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11 February 1980

Many thanks for sending us an advance copy of the summary of the report of the Independent Commission on International Development Issues which is to be presented by Mr. Heath tomorrow. Thank you for sending us a copy of "North/South".

CAROLINE STEPHENS

Miss Serena Pilkington.

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REPORT OF THE BRANDT COMMISSION

(Independent Commission on International Development Issues)

A Synopsis

H. Brandt 13/2

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The Brandt Commission, which has been considering North-South issues over the past two years, is now publishing its Report, called NORTH-SOUTH: A PROGRAMME FOR SURVIVAL. The Report analyses the world's economic and social predicament as it affects the Third World, ~~including trade, financial and monetary problems,~~ and concludes with a set of far-reaching proposals for the reform and restructuring of the world system - which in the Commission's view are essential to avert disaster, and in the mutual interest of both North and South.

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The Report breaks new ground in several ways. The Commission's members are prominent politicians and public figures from both North and South; they served independently and not under government instructions. Many of them had not previously been closely associated with Third World issues, but became convinced of the central importance of these issues for the world's prospects in the next decade^s. They believe these issues will affect the material interests of ordinary people everywhere; the Report is ~~highly accessible,~~ and designed to be read by the non-specialist.

As well as treating subjects which do not often come up in the Third World context (disarmament, relations with Eastern countries, refugees), the Report tries to relate the different items it covers. Thus it shows the connections between foreign debt, recycling, the problems of bank exposure, and protectionism; or between mineral and energy problems, commodity issues, and the need for a better regime to govern the behaviour of multinational corporation. The measures the Report proposes are interrelated both analytically and politically: the solutions to world problems are connected. And all countries' problems must be addressed if they are to sit round the table and negotiate fruitfully.

The Report has a number of constructive new proposals, and also attempts to bring before a wider public some valuable ideas which have hitherto been topics largely restricted to technical discussion. (The full range of the Report's recommendations are not rehearsed here. In the Report they are set out at the end of each chapter, ^{all together} and ~~complete~~ in an annexe at the back.)

In his Introduction, the Chairman Willy Brandt makes his own 'Plea for Change' based on his own experience. He stresses that the current recession and economic instability are more serious than past recessions, calling for much bolder reforms: 'it is precisely in this time of

crisis that basic world issues must be faced and bold initiatives taken'.

He notes that while there is a new awareness that mankind is a single community, the international situation has gone from bad to worse during the two years that the Commission was sitting. But he says 'it seems to be a permanent task for man to shape order out of contradictions'.

He discusses the dangerous build-up of weapons and the threats to peace, not just through possible wars, but through growing chaos; and he insists that 'people must be made aware of the relationship between the problems of disarmament and development'. He calls for a summit of world leaders, in close contact with the UN, to work out new solutions, and concludes that 'The shaping of our common future is much too important to be left to governments and experts alone'.

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The Report analyses the growing mutual interest in change that now exists between North and South, whether in remedying the root causes of mass poverty in trade or commodity agreements, in oil and mineral exploration, or in facilitating the recycling of surplus fund. 'We are convinced that there are gains for all in new order of international economic relations' (chapter 3). There is both a moral and a practical case for reforming the world economy and ⁵ transferring

resources to the benefit of developing countries. Human solidarity and compassion for the extremes of suffering in poor countries, and the hard-headed interests of the rich countries, point in very similar directions.

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for solutions is not an act of benevolence but a condition of mutual survival.'

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VB Ecauld

of Sport. Jan 08
Olympics

SIR ROBERT ARMSTRONG

The Prime Minister has seen your minute to me of 6 February about the establishment of an official committee to deal with the North/South dialogue. She is content with the proposal.

I have also informed the Prime Minister of your intention to set up a similar committee to deal with the problems relating to British participation in the Olympic Games in Moscow.

MICHAEL ALEXANDER

8 February 1980

KRG

cc Sport. Jan 80.
Olympics (2)

Ref: A01356

Prime Minister
A similar committee is
being set up to deal with the
Olympics. *Paul 7/2*

MR. ALEXANDER

As you know, there is a good deal of current interest in the North/South Dialogue; and Whitehall is feeling the lack of some means for co-ordinating the British Government's approach to the various aspects of the matter. I therefore propose to set up an official committee for this purpose. I do not think there is any need to set up a corresponding committee of Ministers: if there is any business which requires collective Ministerial consideration, it will no doubt come to OD.

(Robert Armstrong)

6th February 1980



From the Secretary of State

CONFIDENTIAL

M O'D B Alexander Esq
10 Downing Street
London, SW1

11 January 1980

Dear Michael

PROPOSAL FOR A NORTH/SOUTH SUMMIT MEETING

My Secretary of State has seen Lever's letter to you of 7 January about the UN Secretary General's idea of a North/South summit to prepare for the "global negotiations".

He agrees that such a summit is unlikely to be fruitful. Indeed, for precisely the reasons given - that it would arouse greater expectations than could be satisfied - it would be positively dangerous. He also agrees that the idea may nonetheless gather momentum and attract support from the French and Germans.

Mr Nott has one comment however on the conclusion that, if despite our arguments there were to be a summit, the United Kingdom should take part. He feels that this is something on which we should not take a final decision until it is clearer what the nature of the summit is going to be and in particular which other countries are going to attend. We might wish to opt out ourselves if, for example, the United States decided not to go. It would certainly be in our interests to stay away if in the event the meeting was a highly restricted and unbalanced affair on the lines of Mr Manley's Jamaican "summit" in December 1978, which the last Prime Minister did not attend.

I am sending copies of this letter to P Lever (Foreign Office), M Hall (HM Treasury), A Duguid (Department of Industry), Dr W Burroughs (Department of Energy) and Martin Vile (Cabinet Office).

*Your Sincerely
Hugh Bartlett*

S HAMPSON
Private Secretary

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Leon Pol.

10 DOWNING STREET

From the Private Secretary

8 January 1980

Dear Paul,

Proposal for a North/South Summit Meeting

The Prime Minister and the Foreign and Commonwealth Secretary had a word this afternoon about your letter to me of 7 January on this subject. The Prime Minister is not enthusiastic about the prospect of a North/South Summit in present circumstances. She would be grateful therefore if, as you propose, the view could be put to the French, Germans and Americans that a Summit in the immediate future would be unlikely to be fruitful.

In the event that it becomes clear that support for a Summit is growing, and that there is a real possibility of it taking place, the Prime Minister would wish to be consulted again about the U.K. contribution to any preparatory discussions and about participation in the Summit. The Prime Minister would probably be prepared to attend a North/South Summit but she would wish to have some assurance that it would not be a complete waste of time.

I am sending copies of this letter to Martin Hall (H.M. Treasury), Stuart Hampson (Department of Trade), Ian Ellison (Department of Industry), Bill Burroughs (Department of Energy) and Martin Vile (Cabinet Office).

Yours ever

Richard Alexander

Paul Lever, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London S.W.1

7 January 1980

Dear Michael

Proposal for a North/South Summit Meeting

When I wrote to you on 26 October about the work of the Brandt Commission, I recorded that the Commission was already floating the idea of a summit meeting of leaders representing developed and developing countries.

When Herr Brandt announced on 17 December the completion of his Commission's work, he referred in public to the idea of such a North/South summit and said that he had asked a neutral country to carry the idea forward (he had in mind Chancellor Kreisky of Austria). But we have now learned from the Embassy in Bonn - see the attached telegram - that the UN Secretary-General will be floating the idea of a North/South summit with President Giscard and Chancellor Schmidt when he sees them, separately, on 15 January. His idea is rather different; he wants a summit to prepare for the 'global negotiations' to be launched in the United Nations on the whole range of North/South economic subjects. But it clearly has the same origin.

At the time of my last letter, our Embassies in Paris and Bonn had no indication that President Giscard or Chancellor Schmidt were keen on the idea of a North/South summit. But Bonn now think that Herr Schmidt will not oppose the idea in principle; and Waldheim will not go to Paris without at least some hope of support from the French. We have not yet been asked for our views; nevertheless I think that we should take a position quickly and I should be grateful if you could seek the Prime Minister's views on the subject.

In our view, a North/South summit is unlikely to be fruitful. It will arouse greater expectations than it can satisfy, since, in present conditions, the West can do little to meet the very extensive demands of the developing countries. We believe that if the Prime Minister shares this view we should put it at once to the French, Germans and Americans. (Any approach should be based on the Brandt Commission recommendation, so as to respect German confidence about the Waldheim visit.) But we must face the possibility that the idea may gather momentum, with support from the French and Germans. There is no doubt that the problems facing developing countries are very severe, and will get worse in the immediate future. In that case a summit ought to cover North/South questions as the participants wish to raise them, and not be tied to the unhelpful framework of 'global negotiations' as Waldheim proposes.

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/If



If despite our arguments there were to be a summit, we believe that the United Kingdom should take part. There will be many difficulties over the selection of other participants, as regards the Community, the choice of developing countries and the presence of Communist states. The timing proposed for the conference - February or March - may be premature, with the world's leaders still preoccupied with Iran and Afghanistan. But, whatever the timing, any North/South summit should be entirely separate from the Western economic summit to take place at Venice in June.

I am sending copies of this letter to M Hall (HM Treasury), T Harris (Department of Trade), A Duguid (Department of Industry), Dr W Burroughs (Department of Energy) and Martin Vile (Cabinet Office).

Yours ever

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

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TELEGRAM NUMBER 8 OF 3 JANUARY

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GLOBAL NEGOTIATIONS: UN SECRETARY GENERAL'S INITIATIVE

1. WE WERE INFORMED IN CONFIDENCE TODAY BY SULIMMA, HEAD OF THE NORTH/SOUTH DEPARTMENT AT THE FEDERAL FOREIGN MINISTRY THAT DR WALDHEIM WOULD BE CALLING ON THE FEDERAL CHANCELLOR AND GENSCHER ON 15 JANUARY ON HIS WAY TO THE UNIDO MEETING IN DELHI. HE HAD ARRANGED TO LUNCH IN PARIS WITH GISCARD EARLIER IN THE DAY. THE MINISTRY UNDERSTOOD THAT WALDHEIM WISHED TO SEEK THE FEDERAL GOVERNMENT'S SUPPORT FOR A SUMMIT CONFERENCE WITH LIMITED PARTICIPATION WHICH WOULD PREPARE FOR GLOBAL NEGOTIATIONS. WALDHEIM HAD BEEN PUT UP TO THIS INITIALLY BY MCNAMARA. POSSIBLY THE EXERTIONS OF THE BRANDT COMMISSION HAD ALSO SERVED AS A STIMULUS.
2. ACCORDING TO SULIMMA, WALDHEIM HAD PROPOSED THAT THE SUMMIT SHOULD TAKE PLACE IN FEBRUARY OR MARCH AND BE LIMITED TO 12 INCLUDING THE U S, UK, FRANCE, FRG AND JAPAN, REPRESENTING THE INDUSTRIALISED COUNTRIES AND, FOR THE DCS, SAUDI ARABIA, VENEZUELA, MEXICO, NIGERIA, INDIA (AS G-77 SPOKESMAN) AND ONE ASEAN COUNTRY. IT WAS ENVISAGED THAT THE SUMMIT SHOULD TAKE THE FORM OF AN INTENSIVE EXCHANGE OF VIEWS WITHOUT AGENDA. IT WOULD SERVE AS A CATALYST TO DIALOGUE IN OTHER FORA.
3. SULIMMA TOLD US THAT THE FEDERAL GOVERNMENT'S INITIAL VIEW WAS ONE OF QUOTE POSITIVE SCEPTICISM UNQUOTE. SCHMIDT AND GENSCHER WERE NOT OPPOSED IN PRINCIPLE: THE FEDERAL CHANCELLOR HAD BEEN VERY SATISFIED WITH THE OUTCOME OF THE MANLEY SUMMIT IN DECEMBER 1978 TO WHICH WALDHEIM'S PROPOSAL BORE SOME RESEMBLANCE. THE FRG HAD, HOWEVER, THE FOLLOWING SPECIFIC RESERVATIONS:
 - A) THE PARTICIPATION PROPOSED BY WALDHEIM WAS NOT REPRESENTATIVE. WITHOUT INDIA AND THE ASEAN MEMBER, THE SUMMIT WOULD RESEMBLE A CONSUMER/PRODUCER DIALOGUE. THE FEDERAL FOREIGN MINISTRY REGARDED THIS AS POLITICALLY UNVIABLE: /B)

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- B) WALDHEIM HAD NOT PROPOSED TO INVITE REPRESENTATION FROM THE SOVIET BLOC. ONE OF SCHMIDT'S IMPORTANT PRIORITIES WAS TO CONFRONT THE SOVIET UNION AND HER ALLIES WITH A SHARED RESPONSIBILITY FOR THE NORTH/SOUTH DIALOGUE (SULIMMA TOOK THE LINE THAT THE DIALOGUE COULD BE COMPARTMENTALISED FROM RECENT EVENTS IN THE MIDDLE EAST):
- C) THERE WAS A DANGER THAT THOSE GOVERNMENTS NOT INVITED TO ATTEND COULD TAKE OFFENCE. IT SHOULD BE MADE CLEAR THAT THE INITIATIVE WAS WALDHEIM'S AND THE LACK OF UNIVERSALITY HIS.

4. SULIMMA ADDED THAT A SUMMIT THUS LIMITED IN ITS MEMBERSHIP WOULD RAISE FAMILIAR DIFFICULTIES WITHIN THE COMMUNITY. NOT EVEN THE PRESIDENCY WERE INVITED. IN RESPONSE TO A QUESTION HE SAID THAT THE FRG SIDE WOULD NOT REPEAT NOT MENTION WALDHEIM'S INITIATIVE AT NEXT WEEK'S HIGH LEVEL GROUP IN BRUSSELS. HE ASKED US TO TREAT THE FOREGOING AS CONFIDENTIAL.

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Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

26 October 1979

Dear Michael,

The Brandt Commission (Independent Commission on
International Development Issues)

The Brandt Commission, on which Mr Edward Heath sits, is preparing a Report on the future of North/South relations. It has not received much public attention so far. But there are potential problems of which we think the Prime Minister would wish to know before she meets Chancellor Schmidt and President Giscard.

Founded in 1977 at the instigation of Mr Robert McNamara, President of the World Bank, the Commission has been strictly independent of governments and international organisations, though it has received their financial backing. The last Government gave £150,000. A list of its members is attached. Thanks to Mr Heath, we have been kept privately informed about the Commission's work, a confidence which we have been careful to respect. He has been very critical of Herr Brandt's weak chairmanship and the pretensions of the Secretariat.

The quality of the Commission's work showed a marked improvement with the appointment earlier this year of Mr Anthony Sampson as Editor. But the most recent drafts have re-introduced standard developing country prescriptions for the 'New International Economic Order', as well as a number of new ideas which we regard as unhelpful. An example is a proposal for a new 'World Development Fund', to be established in parallel with the existing international financing institutions and financed by an international levy on trade. If ideas like this were to appear in, and set the tone of, the final Report, it could be an embarrassment for us.

The Commission met for what were to be its final meetings in Bonn and Brussels earlier this month. In fact the Commission split on North/South lines. Mr Heath and the American members were forthright in their resistance to the Secretariat's drafts. As a result Mr Heath and Mr Ramphal, the Commonwealth Secretary-General (supported by a small team including Mr Sampson, but excluding the more radical members of the Commission's Secretariat), have been given the task of trying to work out the report here in London. The Commission will now meet again on 14-17 December. Their target date of publication on 1 January will certainly slip.

/Mr Heath's

M O'D B Alexander Esq
10 Downing Street

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Mr Heath's staff have had ample material from us for him to draw on as he thinks fit. But the Minister of State, Mr Hurd, plans to continue to keep in touch with Mr Heath himself as necessary. Much will depend on how far Mr Heath is able to resist Mr Ramphal's practised advocacy of the 'South's' point of view.

We have also had reports of President Giscard's interest in the Commission's work. Mr Heath has told us that Herr Brandt believes he has a promise from President Giscard to take an initiative at the Venice Summit in favour of the Commission's Report. Mr Heath's office later informed us that when President Giscard, Chancellor Schmidt and Herr Brandt met recently in Bonn, President Giscard showed considerable interest in the Commission's idea that there should be a meeting of leaders from both North and South, before the Venice Summit, to discuss issues which the Commission had identified. Whether President Giscard sees himself as convening such a meeting or only as a necessary participant was not at all clear, but it is the sort of idea which might appeal to him. Our Embassy in Paris have sounded President Giscard's staff, and have found that they were apparently unaware of any such intention. But President Giscard does not always reveal his thinking to his advisers. Our first reaction is that this would be an unwelcome addition to Summit practice.

Our Embassy in Bonn do not think it likely that Chancellor Schmidt will raise the Commission with the Prime Minister, because the German Government have been careful to respect the independence of the Commission. But Chancellor Schmidt must be well aware of Herr Brandt's activities, as the three-cornered meeting with President Giscard makes clear.

I am copying this letter to Martin Hall (Treasury), Tom Harris (Department of Trade) and Martin Vile (Cabinet Office).

(G G H Walden)

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THE BRANDT COMMISSION

Members

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