

The Brandt Commission

Proposal for a North/South Summit

ECONOMIC
POLICY

PART 2.

Part 1: October 1979
Part 2: November 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
26.11.80		31.9.81					
9.12.80		24.9.81					
13.1.81		- ends -					
4.2.81							
3.3.81							
5.3.81							
12.3.81							
13.3.81							
19.3.81							
20.3.81							
11.4.81							
1.6.81							
16.6.81							
15.6.81							
23.6.81							
24.6.81							
17.7.81							
22.7.81							
31.7.81							
3.8.81							
6.8.81							

PREM 19/435

PART 2 ends:-

Industry to WR
MODBA to FCO of 24/9/87.

PART 3 begins:-

FCO to MODBA of 24/9/87.

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
OD(80) 69	19/11/80
CC(81) 11 th Meeting, Item 2	12/03/81
CC(81) 12 th Meeting, Item 2	19/03/81
DCO(81) 7	23/04/81
DCO(81) 8	24/04/81
DCO(81) 10	18/05/81
DCO(81) 14	26/05/81
DCO(81) 15	21/05/81
DCO(81) 16	27/05/81
DCO(81) 17	03/06/81
DCO(81) 18	04/06/81
DCO(81) 19	10/06/81
DCO(81) 22	16/06/81
DCO(81) 24	18/06/81
DCO(81) 25	18/06/81
DCO(81) 15 (Revise)	22/06/81
DCO(81) 24 (Revise)	22/06/81
DCO(81) 26	23/06/81
DCO(81) 16 (Revise)	23/06/81
DCO(81) 17 (Revise)	23/06/81
DCO(81) 19 (Revise)	24/06/81
DCO(81) 27	01/07/81
DCO(81) 28	03/07/81
DCO(81) 29	03/07/81
DCO(81) 30	03/07/81

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed Wayland

Date 29 March 2011

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

Cmnd. 8369

Fifth Report from the Foreign Affairs Committee, Session 1980-81:
Government reply to "The Mexico Summit – the British Government's
Role in the light of the Brandt Commission Report"
Published by HMSO, September 1981

Signed Wayland Date 29 March 2011

PREM Records Team



Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

24 September 1981

W F S Rickett Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Mr Alexander (Melbourne)

Dear Willie

TK
25/9

CODE OF PRACTICE ON THE TREATMENT OF PRIVATE CAPITAL INVESTMENT
IN DEVELOPING COUNTRIES

Your letter of 20 August to Francis Richards at the Foreign and Commonwealth Office explained the background to the Prime Minister's remarks at the Ottawa Summit about a code of practice on the treatment of private capital investment in developing countries. You said the Prime Minister had asked for advice on how this suggestion might be followed up.

2 I enclose a note which has been prepared in consultation with the FCO, Treasury and other interested Departments in response to the Prime Minister's request.

3 I am sending copies to Francis Richards (FCO), John Kerr (Treasury), John Rhodes (Trade) and to David Wright (Cabinet Office).

Yours ever

Ian Ellison

I K C ELLISON
Private Secretary



Promotion of Private Direct Investment to Less Developed Countries (LDCs)

Summary

1 Given the varying and ambivalent views of LDCs about foreign investment, and bearing in mind recent UN history in this area, there appears no scope for a new proposal for an international code of practice dealing with the treatment of foreign investors by governments. A bilateral approach, supplemented by developments in the EC, offers better prospects and the FCO will continue to negotiate as many bilateral Investment Promotion and Protection Agreements (IPPAs) as it can. A line to take at Cancun is put forward but no new initiatives are proposed.

Introduction

2 The Prime Minister suggested at the Ottawa Summit that flows of investment to LDCs would grow if there were an international code of practice on the treatment of private capital, and that this idea might be discussed at the Cancun Summit. She had in mind a code protecting investment from nationalisation or expropriation. This note responds to the Prime Minister's request for advice on how this suggestion might be followed up if she decided to pursue it (letter of 20 August from Rickett, No 10, to Richards, FCO).

Background

3 LDCs' attitudes to foreign investment vary widely and are often ambivalent. Most recognise the advantage of such investment and make some effort to promote it. But many are apprehensive of economic domination from abroad and of exploitation by the big multinational enterprise which are the main vehicle for international investment. These fears have led to widespread support at the UN for the concepts of the New International Economic Order, such as full permanent sovereignty over natural resources - implying an unfettered right to nationalise foreign investments - and the international regulation of multinationals.



RESTRICTED

An International Code of Practice?

4 In principle an international code could range from very general prescriptions of a non-legal character to a detailed mandatory instrument with quite specific commitments. In practice the international discussions which have taken place on this subject have been very much in the first category. The forum in which the matter is currently being pursued is the negotiations for a UN code of conduct on transnational corporations. The impetus for this work, which has been under way since 1977, came from the LDCs who saw the code as a tool for controlling the companies. Western countries however are determined that the provisions addressed to the companies should be balanced by others on the treatment of the companies by governments. While there has in consequence been considerable discussion of such issues as nationalisation and compensation, there has been little agreement so far. This is because some of the LDCs (particularly Latin Americans) are unwilling to make concessions on their hardline attitude that states have the right to expropriate and pay whatever compensation they think fit, irrespective of international or any other obligations.

5 It is generally accepted that if agreement can eventually be reached on formulae to deal with nationalisation, compensation and other contentious issues it will only be on the basis of a voluntary instrument. While this might improve the international climate for investment, it would not provide the more specific assurances which investors would like. These negotiations have shown that attempts to negotiate an international code of practice in this area acceptable to us and other developed countries are very difficult. Since the difficulties arise from fundamental and long-standing differences of attitude there is no reason to think an attempt to pursue the matter in another forum would be any more successful. A proposal to this effect would inevitably be met by renewed calls for concessions by us on points of principle in order for agreement to be reached on the transnationals code. Annex A records the exchanges on this topic at the recent annual session of the UN Commission on Transnational Corporations.



RESTRICTED

Other Approaches

6 This does not however mean that nothing can be done to provide the assurances investors want. Bilateral agreements with LDCs who see the practical advantages often serve the needs of industry better than multilateral negotiations where LDCs tend to strike political attitudes.

7 In these circumstances it is UK policy (pursued since 1971) to seek to negotiate as many bilateral investment promotion and protection agreements (IPPAs) as possible. These agreements, which are binding treaties, are designed to protect investments under the laws of the host country; to provide proper provisions for the transfer of profits and exchange of currency, and, in the event of expropriation, prompt, adequate and effective compensation; and can be negotiated without fuss. LDC governments have more flexibility when approached bilaterally and the agreements can be tailored to their particular requirements. The negotiations take time but the UK has signed agreements with 15 countries since 1971, mostly with Asian countries. Eight of these have been signed in the last 18 months and discussions are being pursued with a number of other countries at present.

8 In addition the UK may stand to benefit from agreements reached by the European Community. The second Lomé agreement provides for the principle of non-discrimination among EC investors. Bilateral agreements have to be negotiated to implement this provision but we may be able to benefit from existing bilateral investment agreements which the FRG, in particular, has with a number of the Lomé countries. Negotiations are also under way for a convention on investment protection between member countries of the EC and of the Arab league. The gradual build up of these agreements not only provides specific assurances in the case of the countries directly concerned but also improves the international investment climate generally, gaining wider acceptance for Western notions of international law in this area.



RESTRICTED

9 Another approach is the provision of insurance for investors to cover the non-commercial risks of war damage, expropriation and restrictions on remittances. All major OECD countries operate such schemes. Utilisation of the UK scheme, operated by ECGD, has been low and the scheme is currently being re-examined with a view to generating more business and strengthening the financial position.

10 Consideration has been given internationally on several occasions to the idea of a multilateral investment insurance scheme to complement or replace national schemes. It was hoped that the involvement of LDCs and the international community generally in the provision of insurance would influence LDC attitudes and behaviour towards foreign investment. A basic difficulty however was that LDCs would not accept any scheme which involved sanctions - eg in the form of reduced loan facilities - against countries which failed to comply with their obligations. Recent proposals by Shell on this theme are to be discussed with them shortly. Should this, contrary to expectations, provide a basis for a UK initiative, further advice will be submitted. There are no objections in principle to a multilateral scheme but the financial arrangements would need to be satisfactory. It is doubtful whether it would be self-supporting and it could be very costly. Nor is it clear that it would necessarily be an improvement on existing national arrangements.

Line To Take

11 If the Prime Minister wishes to raise the subject at Cancun it is suggested that she take the following line:

- (a) stress the mutual interest of developing and industrialised countries alike in facilitating flows of private investment;
- (b) the UK does what it can to promote flows of outward investment to LDCs and has removed all exchange controls;
- (c) but host country governments have the main part to play in creating a favourable investment climate. The UK is ready to enter into arrangements with any LDC to assist this process;



RESTRICTED

- (d) (only if needed) The UK supports the negotiation of a code on transnationals which will help ensure that companies' activities are in harmony with host country objectives. However, the code must not include provisions which will deter companies from going ahead with much needed investments. It should include adequate provisions regarding fair treatment of companies by governments (as recommended by Brandt).

Department of Industry
September 1981



RESTRICTED

ANNEX A

DISCUSSION AT THE UN COMMISSION ON TRANSNATIONAL CORPORATIONS (TNCs)

At the seventh annual session of the UN Commission on TNCs which ended in Geneva on 11 September the question of the international climate for investment arose during debate on the research programme of the Centre on TNCs. The following extract from the official report summarises the exchange.

"Some delegations (OECD countries) thought that the research work should examine the ways which would enhance the contributions that transnational corporations make to development and should deal also with issues related to an investment climate which fosters mutually beneficial relationships. Many delegations, however (the Soviet bloc and LDCs) strongly objected to this idea which they consider to deviate from the original mandate of UNCTC and stressed that the Centre should continue along the lines already indicated by ECOSOC and the Commission".

The argument about the original mandate is bogus since it has long been agreed that the work programme should aim to promote the contributions of TNCs to national developmental goals and world economic growth as well as "controlling and eliminating their negative effects".

2 This discussion illustrates the considerable hostility which greets Western attempts to argue at the UN for an improved investment climate. It is clear that many of the LDC representatives, egged on by the Soviet bloc, choose to regard this an interference in their internal affairs, at least when the subject is raised in the abstract. In private and in practice some at least recognise the benefits of such investment and behave accordingly.



ce Duss
fel
original attachments
sent to FCO.

10 DOWNING STREET

From the Private Secretary

24 September 1981

I enclose, together with its attachments, a copy of a letter which Clive Whitmore has received from the President of the Royal Society of Tropical Medicine and Hygiene. I have acknowledged Mr. Duggan's letter and told him that his material will be taken into account in the Prime Minister's briefs for her visit to Cancun. No further action would be seen to be called for.

I am sending a copy of this letter, together with those of the attachments which can be readily copied, to Don Brereton (Department of Health and Social Security).

M. O'D. B. ALEXANDER

Francis Richards, Esq.,
Foreign and Commonwealth Office.

SR

HL

24 September 1981

Thank you for your letter of 23 September addressed to Clive Whitmore. I shall ensure that the material enclosed with your letter is included in the Prime Minister's briefing for the Summit Meeting in Mexico next month.

MICHAEL ALEXANDER

A.J. Duggan, Esq.

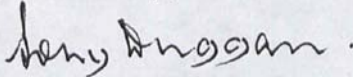
23 September 1981.

C.A. Whitmore Esq.,
Principal Private Secretary
to the Prime Minister,
No.10 Downing Street,
London S.W.1.

Dear Mr. Whitmore,

The Royal Society of Tropical Medicine and Hygiene has just published a report on the present state of tropical medicine in the United Kingdom. I have pleasure in enclosing a copy, with a press release which will accompany it when it is publicised next week. Much of this subject relates to British academic and humanitarian relationships with tropical Third World countries, and you may consider that it should be drawn to the Prime Minister's attention before the forthcoming Summit Meeting in Mexico.

Yours sincerely,



A.J. Duggan MD, FRCP.
President.

Encs.



**Royal
Society
of
Tropical
Medicine
&
Hygiene**

Patron: Her Majesty The Queen

Manson House,
26 Portland Place,
London,
W1N 4EY

Telephone:
01-580 2127

Telegrams:
Anopheles, London

PRESS RELEASE

EMBARGO: not for publication
before 00.01 hours
on 1 October 1981.

'DEEP CONCERN' FOR FUTURE OF TROPICAL DISEASE
RESEARCH IN BRITAIN

A disturbing 60 page report, published today (1 October) by the Royal Society of Tropical Medicine and Hygiene, highlights the effects of government policies on Britain's traditional leading role in research and education to help millions of suffers from major tropical diseases.

The combined effects of increased fees for overseas students - which will hit the poorest countries with the greatest disease problems - and the cuts in teaching staffs in Britain's two schools of tropical medicine, could mean a cessation of teaching of tropical medicine in this country, the report warns.

President of the Society, Dr. Antony Duggan, and Dr. Peter Williams, Director of the Wellcome Trust, warn that the result will be very damaging if Britain wants to maintain a place of influence in the international medical scene, both in the tropical countries themselves and in the international agencies such as the World Health Organisation.

Cont.....



**Royal
Society
of
Tropical
Medicine
and
Hygiene**

Patron: Her Majesty The Queen

Manson House,
26 Portland Place,
London,
W1N 4EY

Telephone:
01-580 2127

Telegrams:
Anopheles, London

They list the serious effects of Britain ceasing to be the leading centre of tropical medicine: "miniscule" supply of suitably trained British scientists for Third World industry, agriculture, exploration or charitable relief work; no replacements for the present dwindling supply of specialists and teachers of tropical medicine; disappearance of advisory services now provided for travellers, industry, media and general public in the UK, on such communicable imported diseases; reduction of postgraduates from overseas would impoverish the quality of UK universities.

"If the loss of income should compel either one or both of the Schools of Tropical Medicine in the UK (London and Liverpool) to close, the repercussions would be far-reaching", the report continues.

The problem is seen also as an international one and "not simply a matter for the British Government and British industry". "The world needs a centre of knowledge and strength in tropical medicine and Britain is that centre at present. A concerted effort is needed to ensure that the centre continues to exist".

(ENDS)

(copies of the report "The Present State of Tropical Medicine in the United Kingdom" are available, free, from the Royal Society of Tropical Medicine and Hygiene, Manson House, 26 Portland Place, London W1N 4EY - telephone: Miss Lilian Weir at 01.580.2127).

September, 1981

Dear Fellow,

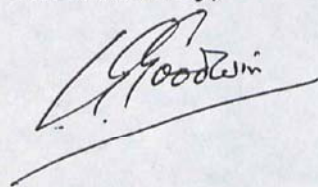
The economic situation in Britain has led the Government to make severe cuts in finance to universities and in the amount of aid given to developing countries. The result has endangered the service which Britain has given for many years to education, research and practice in Tropical Medicine and Public Health.

The Council of the Royal Society of Tropical Medicine and Hygiene has therefore collected the available information and published it in this Report. Its objectives are to persuade the British Government to review the situation as a whole and to enlist the interest of the Commonwealth and of international organizations.

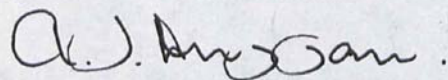
The publication of this Report is particularly timely because the relationship between the developed and under-developed worlds is being debated in the light of the Brandt Report.

The Council is anxious to obtain the views of Fellows on Britain's role in Tropical Medicine and would welcome letters and comments addressed to the Honorary Secretary at Manson House. It is intended to publish a selection of the correspondence in future issues of the *Transactions*.

Yours sincerely,



L. G. Goodwin, C.M.G., B.Pharm., F.P.S. (Hon.), B.Sc., M.B., B.S., F.R.C.P., F.I.Biol., F.R.S., Past President, 1979/81.



A. J. Duggan, M.D., F.R.C.P., D.T.M.&H., F.I.Biol., F.M.A., President.



Royal Society of Tropical Medicine & Hygiene

Patron: Her Majesty The Queen

Manson House,
26 Portland Place,
London,
W1N 4EY

Telephone:
01-580 2127

Telegrams:
Anopheles, London

DEPARTMENT OF
FOREIGN AFFAIRS



Backgrounder

SPECIAL ISSUE

23 SEPTEMBER 1981

THE NORTH AND THE SOUTH

THE NORTH/SOUTH DEBATE.....	1
GLOBAL NEGOTIATIONS.....	6
NORTH/SOUTH ISSUES AT CHOGM: AN AUSTRALIAN VIEW.....	10

THE NORTH/SOUTH DEBATE

BACKGROUND

The North/South debate refers generally to discussions between developed and developing countries over the organisation of international economic relations. The terms "North" and "South" reflect the fact that most industrialised, developed states lie in the northern hemisphere, and that the developing countries are in the "South". Australia and New Zealand are considered to be part of the "North" economically, but obviously do not fit geographically.

For a number of years, international debate on North/South issues has focussed on proposals by developing countries for creation of a "New International Economic Order". This concept embraces a range of proposals, which are in some cases no longer supported in the original form, but were endorsed in the United Nations General Assembly in 1974. The idea of a New International Economic Order was supported by consensus, but with a range of reservations entered by developed countries including Australia. Most developed countries now support the ultimate objective of creating significant improvements to the present system of international economic relations.

DEVELOPING COUNTRY PROPOSALS

Objectives in key areas of international economic activity have been set by developing countries. Principal examples are:

- industrialisation: to increase significantly the share of developing countries in world industrial capacity and world trade in manufactures
- food and agriculture: to achieve a significant annual growth in agricultural production in developing countries, and to enhance levels of food security in least developed countries
- commodities: to secure higher returns for exports, and stabilisation of prices, through a series of commodity agreements operating with buffer stocks financed by a Common Fund; and to achieve a greater processing of commodities before export
- trade: to gain greater trade opportunities for developing countries, through preferential access to developed country markets and further strengthening of the GSP system, elimination of selective safeguards, and an increased share of invisible trade
- resource transfers: to have developed countries increase development assistance and to have greater access, on more concessional terms, to loan funds

- . transfer of technology: to establish codes of conduct to govern the activities of transnational corporations and the transfer of technology
- . international monetary arrangements: to re-organise International Financial Institutions, and arrangements to provide a greater role for developing countries.

Over the past couple of years, however, North/South discussions have focussed on a few key areas, particularly energy, food, trade and commodities, development, and money and finance.

International discussions on North/South questions tend to be carried out between industrialised countries with free market economies and developing states. The Soviet Union and the Eastern Europeans have usually stood aside from North/South negotiations. They traditionally maintain that they do not have a responsibility to assist in resolving the economic development problems of developing countries: they assert that the principal cause of economic difficulties in the developing world arises from imperialism and colonialism. The majority of developing countries do not give weight to these arguments.

INTERDEPENDENCE

The North/South debate became the focus of international attention after the Arab oil embargo in 1973. The OPEC states gave general support to the demands of developing countries, including changes to trade and international financial arrangements. OPEC itself seeks agreement from industrialised countries on measures to preserve the value of assets derived from oil sales.

In recent years, developed states have increasingly recognised the interdependent nature of relations between developed and developing states. The economic benefit which could be gained by developed countries - for example in the form of larger markets - through improvement in economic performance of the South, is increasingly accepted in the developed world; as is the importance - for economic growth - of increasing exports to developed countries. The OECD has estimated that the growth in exports between its members and the newly industrialising countries (NICs) of the South has created more jobs than have been 'lost' as a result of competition from imports.

GLOBAL NEGOTIATIONS

Particular aspects of international economic development issues are the subject of continuing consideration in specialised international forums such as the UN Conference on Trade and Development (UNCTAD), the Food and Agricultural Organisation (FAO), the UN Industrial Development Organisation (UNIDO), and the International Monetary Fund and the World Bank. A basic element of the concept of the North/South dialogue, however, is to seek to address and negotiate all of these issues in a comprehensive and universal framework.

North/South questions have again figured prominently on the international agenda over the past couple of years. The focus of activity at the United Nations in New York during 1980 was protracted and intense negotiation over arrangements for a Global Round of negotiations on international economic development questions (the "Global Negotiations"), principal issues to be covered being energy, trade, raw materials, development, and money and finance. If convened, the Global Negotiations would be the most comprehensive international effort yet to address all major North/South issues together. The previous major international effort to negotiate on North/South issues was the Conference on International Economic Co-operation which met in Paris between 1975 and 1977. Its scope and level of participation were limited, however. It ended inconclusively: differences over energy and international financial issues could not be reconciled.

Differences over the respective roles of a central negotiating forum and specialised technical bodies, and over how the energy and international financial issues were to be handled, prevented agreement in New York in 1980 to begin Global Negotiations. Efforts to resolve these differences have been effectively suspended following the election of the Reagan Administration. The US Administration indicated that it wished to defer the question of participating in such discussions again until the North/South Summit which will be held in Cancun, Mexico in October. Developing countries see the holding of Global Negotiations as a key test of the North's willingness to participate seriously in international efforts to address the problems of developing countries.

RECENT NORTH/SOUTH ACHIEVEMENTS

Only limited results have been achieved so far from North/South discussions. Some of the more substantive achievements have been:

- a Common Fund to finance buffer stocks for international commodity arrangements to stabilise prices for commodities (Australia played a leading role among developed countries in efforts to secure international agreement on the Fund)
- the International Fund for Agricultural Development (IFAD); it was established in 1977, and is the first major multilateral development assistance body funded jointly by OPEC and OECD countries
- the International Development Strategy (IDS) for the third United Nations Development Decade; the Strategy was adopted at the UN General Assembly in 1980; it established objectives to be achieved to facilitate economic progress in developing countries

THE INTERNATIONAL ECONOMIC SITUATION

Current difficulties in the global economy do not provide the best circumstances for progress in the North/South dialogue. OECD projections are for little or no growth in the developed world in the aggregate over the next year or two. Domestic economic problems - for example, inflation and unemployment - create pressure to address these matters rather than external international economic problems. Nevertheless, even under these circumstances, a number of important Western governments have allocated higher priority to the need to attend to the problems of developing countries. A number have undertaken to increase levels of aid.

The second oil price shock (1979-80) has had its most serious affect on developing countries. It has compounded their energy problems and increased national debts. There is a significant possibility that the real cost of imported food may rise over the next few years. High interest rates also add to the financial burdens of developing countries.

INTERNATIONAL CONFERENCES

In 1981 a number of important meetings were scheduled on North/South matters. Summits at which North/South issues were or are expected to be prominent are:

- Ottawa Summit: a meeting of heads of government of the major western industrialised states which was held in late July. Participants were the USA, Canada, the UK, France, West Germany, Italy and Japan, as well as the European Commission. North/South issues were a focus of attention. Although support in the communique of the Summit for the process of Global Negotiations was qualified, the outcome was widely regarded as constructive, and as offering prospects for further international movement later in the year.
- Commonwealth Heads of Government Meeting (CHOGM): to be held in Melbourne, September 30 - October 7. This will be the first meeting of leaders of developed and developing countries this year at which North/South matters will be addressed. There is determination by leaders of major Commonwealth countries in several regions to take the opportunity which the meeting offers to give momentum to the North/South dialogue, and to adopt practical measures to assist in the solution of particular problems. Seven heads of government attending CHOGM - those of the UK, Canada, Bangladesh, Guyana, India, Nigeria and Tanzania - will attend the Cancun Summit.
- Cancun Summit: to be held in Mexico, October 22 & 23. This meeting was convened in response to a recommendation for such a Summit in the Brandt Report on North/South issues. Twenty-one government leaders,

including President Reagan, will attend. (Publication of the Brandt Report on North/South issues has drawn international public attention to North/South questions. It argues for the urgent need to address the economic problems of developing countries. The Report is the work of an independent commission of prominent world figures such as Commonwealth Secretary General Ramphal and Edward Heath, who were brought together by former West German Premier Willy Brandt.)

The Cancun Summit will focus on four basic areas - food and agricultural development; energy; money and finance; and trade, commodities and industrialisation. There will be no communique. At a preparatory meeting of foreign ministers of participants in the Summit, it was also agreed that a basic objective would be to facilitate reaching agreement on the proposed Global Negotiations.

- Other meetings: Some other significant international meetings which bear on North/South issues have been held in 1981.

In May, developing countries met for the first time at Ministerial level to consider how to promote "Economic Co-operation Among Developing Countries" (ECDC). The series of exploratory steps which they will take as a result reflects a determination by developing countries to see what benefit South/South co-operation might produce.

The UN Conference on New and Renewable Sources of Energy was held in Nairobi in August. While it did not focus on questions of oil price and supply, it was the first international conference held under UN auspices to consider aspects of global energy problems. Agreement was reached on a program of measures to help developing countries, and the co-operative spirit in which the meeting was held was regarded as an augury for efforts to revitalise North/South discussions later in the year.

In September, a UN Conference was held in Paris to consider the problems of Least Developed Countries. It proposed a series of measures to assist countries in this category.

GLOBAL NEGOTIATIONS

The question of Global Negotiations has become the principal point of reference of the current international debate on North/South issues.

As envisaged in a resolution of the 1979 session of the UN General Assembly, at which they were proposed, the Global Negotiations are intended to be a Global Round of negotiations on international economic development issues. Five major agenda items were determined - food, energy, trade, raw materials, and money and finance.

After twelve months of negotiation and discussion in New York, a general concept emerged as to how the Global Negotiations might be organised. Initially, all the basic agenda items would be discussed in a universal forum at UN Headquarters, organised like a plenary or a committee-of-the-whole of the General Assembly. They would then be referred to various specialised bodies of the UN, such as the Conference on Trade and Development (UNCTAD), the Food and Agriculture Organisation (FAO) and the International Monetary Fund (IMF). After considering issues (at least for several months) the specialised bodies would convey the results of their discussions back to the central forum in New York. It would then bring them together into a common package.

The concept provides for the boldest attempt yet to address - at the same time and in a related manner - all the various elements of international economic development questions. The only previous similar attempt, which was less ambitious, was the Conference on International Economic Co-operation which met between 1975 and 1977. It petered out without agreement.

Discussion in New York in 1980 focussed on the agenda and the fine detail of procedural arrangements. Agreement at the end of 1980 was close, but not realised. Discussions went into limbo with the election of the Reagan Administration. It decided that it would not settle its attitude to Global Negotiations until after the Cancun Summit (22 and 23 October 1981).

BACKGROUND

The impetus to the proposal for a round of Global Negotiations was given at UNCTAD V in Manila in 1979, where Costa Rica led a call for international consideration of the questions of energy price and supply. There was concern in the Non-Aligned Movement (NAM) that the proposal might cause a division between OPEC and non-oil developing countries over the impact of rapid rises in oil prices on international economic problems, including those of developing countries. The position of OPEC states was that the impact of oil supply and price should not be considered apart from other North/South issues. Developing countries met in Georgetown, Guyana, in August 1979, prior to the Havana (Non-Aligned) Summit, to formulate a common approach.

Their deliberations led to a call at the Havana Summit for a round of Global Negotiations on North/South issues. The range of topics to be included covered the traditional, wide North/South agenda, and made energy only one of a number of key problem areas.

Following the Non-Aligned Summit, developing countries raised the proposal at the 1979 session of the UN General Assembly. A resolution was passed - by consensus - which provided for preparations to culminate in a report to a special session of the UN General Assembly on international development issues which was to be held in August 1980. The report was to set out the agenda, procedures and time-frame for the Global Negotiations. At the special session, basic agreement was achieved on its first major task - finalisation of an "International Development Strategy" for the next decade*. But agreement was not possible on its second objective - how Global Negotiations should be organised in 1981.

The issue of Global Negotiations was carried over into the 35th regular session of the UN General Assembly. But despite intensive efforts by UNGA President Baron van Wechmar, final agreement on arrangements for a Global Round of Negotiations was not possible.

ISSUES

The negotiations in 1980 over preparations for Global Negotiations came close to agreement on the agenda and procedures. Although differences over the procedures for Global Negotiations were narrowed to a few words, substantial concerns still needed to be satisfied. Agreement was still to be reached over two basic, but related issues:

- organisation of the structure of Global Negotiations. Among developed countries, there was concern that the central negotiating forum should not be able to derogate from the authority of specialised bodies, especially the IMF. The developing countries, while recognising a principal role in negotiations for the specialised bodies, could not agree that the authority of the central forum to address all issues should be circumscribed
- composition of the agenda items on energy and money and finance. The developing countries proposed that the agenda should provide for review of the structure of the international financial institutions (IFIs) as well as other subjects which were generally contentious to developed states, such as preservation of the value of assets derived from

*Footnote: The International Development Strategy for the Third UN Development Decade was subsequently adopted at the regular session of the UN General Assembly at the end of 1980. Included in the Strategy are policy measures in fields such as energy, trade, industrialisation, development co-operation, money and finance, social development, and food and agriculture.

oil sales. The developed countries sought to include reference to oil supply and prices.

There are complex links between attitudes on energy and money and finance issues, and attitudes to procedures and agenda. Arab oil states do not consider that issues of oil supply and price should be separated from certain international financial questions. They are concerned in particular about preservation of the value (especially against inflation) of assets derived from oil sales. They are also concerned about how energy issues might be discussed in the Global Negotiations. Unlike all the other major agenda items for the Global Negotiations, no specialised international agency or body exists to consider energy questions. There was concern that this issue might be left as the sole subject for the central negotiating forum to deliberate over, after all other issues had been referred to specialised bodies.

CANCUN SUMMIT

Independently of efforts to reach agreement over Global Negotiations, the Brandt Commission, an independent group of distinguished public figures from developed and developing countries, had published its Report. The Report was intended to give greater impetus to the North/South dialogue. It proposed a range of measures. One of the main recommendations of the Brandt Commission was that a meeting of a group of heads of government from developing and developed states should be held in order to advance the North/South dialogue. The Cancun Summit is the result. Participants have agreed that the Summit would not be a negotiating forum, but would be oriented towards an exchange of views leading to a deeper appreciation of interdependence among nations. Since discussions over Global Negotiations had become stalled in the meantime, the participants decided - at a preparatory meeting at foreign minister level in August - that a main objective would be to consider the question of the proposed Global Negotiations, although the summit meeting would have no formal link with them.

The United States is currently reviewing its relations with Less Developed Countries, and has stated that it is not prepared to commit itself to Global Negotiations before the review is completed, and before Cancun. The US has been particularly concerned about separating the operation of International Financial Institutions from the central negotiating forum. The Administration also seems to have had a fundamental philosophical problem with the concept of Global Negotiations. Nevertheless, there are signs that the US may adopt a more flexible position on Global Negotiations, and the current international perception is that the basic measure of success at Cancun will be whether or not agreement is achieved, at it, to resume preparations for Global Negotiations.

Consistent with its general approach to North/South questions, the USSR has generally avoided substantial

involvement in discussions over Global Negotiations

AUSTRALIA'S ATTITUDE

Australia attaches importance to early resumption of preparations for Global Negotiations. They would be the principal forum through which problems between developed and developing countries would be considered. The forum would also provide an opportunity for all concerned states to participate in the process.

Australia nevertheless recognises the importance of arriving at arrangements for Global Negotiations which would encourage and enable the participation of all major economic powers and groups of states.

At various meetings throughout 1981, including meetings of like-minded developed states (Canada, the Nordic states, the Netherlands and others), Australia suggested possibilities to overcome the stalemate over the procedures and agenda for Global Negotiations. These included some guarantee which could satisfy the United States that the integrity and role of the IMF would not be impaired in any arrangements for Global Negotiations. A second was a suggestion that, since it would not be realistic to expect resolution of the thorny issues of oil supply and price, and the related international financial issues, in a forum as large as the proposed Global Negotiations, no substantial effort should be made to do so. The issues would be discussed: but if it were understood by all states that efforts would focus initially on other pressing areas - food and trade, for example - then a basis might be found to agree to launch the Global Negotiations.

Australia will be looking - at CHOGM - for states to commit themselves to resume the Global Negotiations process. Seven major CHOGM leaders will go to the Cancun Summit.

If there is general support at Cancun for Global Negotiations, then Australia considers that work could begin immediately afterwards in New York, where the UN General Assembly will be in progress, on the questions of the agenda and the procedures for them.

NORTH/SOUTH ISSUES AT CHOGM : AN AUSTRALIAN VIEW

Almost all Commonwealth countries have identified North/South issues as one of the most important areas for discussion at this year's Commonwealth Heads of Government Meeting in Melbourne. The Australian Government believes that CHOGM can make a valuable and positive contribution to the North/South dialogue, bringing together as it does significant members of both the North and the South groupings of countries. As host of this meeting, Australia hopes that its result will represent a significant advance towards reinvigoration of North/South discussions - in particular the proposed Global Negotiations and provide a positive stimulus for consideration of North/South matters at the North/South Summit meeting in Cancun the following month.

In his statement to Parliament on 20 August the Minister for Foreign Affairs, Mr Street, pointed out that the Commonwealth Heads of Government Meeting will be attended by some 40 Heads of Government of a range of countries at all stages of development. It will be the most important meeting yet held in Australia, and one which has wider international importance extending beyond the Commonwealth itself. This is because of the timing of the meeting, its agenda, and the atmosphere in which it will be conducted. At Melbourne, developed and developing nations can consider the issues without being bound by the institutional groupings which so often characterise and impede progress in other forums.

Mr Street pointed to the timing of the meeting as being of particular significance. It follows the Ottawa Summit of industrialised countries, and the recent meeting of Foreign Ministers in Cancun to prepare for the Summit to be held there on 22-23 October. These meetings have established important common ground between developed and developing countries, and each has represented a step forward towards revival of the North/South dialogue. Mr Street said that the Government believed that there was an opportunity at CHOGM to take another significant step forward, not least by means of giving a positive signal to the Cancun Summit. The Government hopes that the seven Commonwealth Heads of Government who will be participating at Cancun, will take with them from CHOGM a clear message and perception of how progress can be made.

Mr Street went on to say that although there were doubts about how to proceed with the North/South dialogue, it was apparent that there was a need for a new process of global discussions between developed and developing countries. A foundation for these discussions, the so-called Global Negotiations, had been laid in the United Nations. A further effort to create a favourable climate would be made at CHOGM. Mr Street identified four headings under which North/South issues could be grouped: food and agriculture, trade flows, energy, and international financial questions. Mr Street said that Australia expected

CHOGM to focus attention on these issues, and to identify practical measures and arrangements to improve the situation in each area.

FOOD AND AGRICULTURE

The problems of world food security are immense and complex. Too often these problems are seen only in terms of famines and crises. The harsh reality, however, is the need to deal with the permanent problem through creating adequate global food security arrangements and eliminating persistent food shortages. The increasing gap between food demand and supply in many developing countries, especially in Africa, has been aggravated by population pressure and the progressive destruction of agricultural land by deforestation, over-cropping and over-grazing, in the search for food and firewood.

Despite encouraging harvest predictions for the next 12 months, the overall global situation gives no cause for optimism. World food production declined on a per capita basis over the two previous years, and world carry-over stocks of cereals are at their lowest level since 1975/76, although there is some prospect of improvement this year; and food aid is still running well behind targets set by FAO. Australia believes that CHOGM should emphasise improvements in world food security as a high priority area in the North/South dialogue, and that it should endorse an approach based on - first - increasing agricultural productivity in developing countries through the adoption of appropriate national food strategies, and - second - substantially increasing external assistance for programs to improve food security. Agreement on an international grains agreement with economic provisions which would safeguard the commercial interests of both exporting and importing countries, while recognising the special positions of developing countries, is needed; as are reductions in barriers to trade in agricultural products.

A range of measures needs to be adopted to improve world food security in the short term. These should include increased food aid commitments - by all potential donors - to meet the World Food Conference pledging target of 10 million tonnes per year; and efforts to achieve the agreed 1981/82 pledging target of \$US1 billion for the World Food Program, and the target of 500,000 tonnes for the International Emergency Food Reserve. New donors are required if these targets are to be achieved.

Establishment by the IMF of a food financing facility was a significant step. Progress is needed in negotiations for timely and adequate replenishment of the International Fund for Agricultural Development (IFAD).

There is considerable scope for sharing agricultural knowledge and experience among Commonwealth countries. Australia supports a greater Commonwealth role in this area, and complementary efforts by individual

countries. For its part, Australia has decided to establish an Australian Centre for International Agricultural Research to undertake - in co-operation with developing countries - expanded programs of research into the agricultural problems of developing countries.

TRADE FLOWS

In the area of trade and commodities, the environment for world trade is deteriorating. Developed countries continue to face high levels of inflation and unemployment; protectionist pressures have been mounting in major trading countries, and protectionist measures are now applied to sectors which account for nearly thirty per cent of world trade. In addition, prior to the Multilateral Trade Negotiations (MTN), exports from developing countries generally faced higher tariffs than exports from developed countries. The MTN yielded only limited benefits to developing countries and agricultural exporters.

Increased opportunities for trade, however, offer the most promising avenues - for many developing countries - for greater prosperity. The greatest degree of economic growth among developing countries has been achieved by those which have focussed on export strategies.

A number of steps could be taken by the Commonwealth to improve global conditions, and to assist developing countries with their particular problems. It could call on the meeting of GATT Trade Ministers in 1982 to consider issues which have an impact on the trade of developing countries particularly, both tariff and non-tariff barriers, as well as the GATT dispute settlement procedures. A particular problem area is that of agricultural protection, where barriers to trade are having a very substantial impact on a number of agricultural exporting countries.

Australia would see value in full examination being undertaken of the global impact of protection on developing countries. For its part, Australia has taken substantial steps to improve access for an increasing range of imports from developing countries. On a per capita basis, Australia is a major importer of manufactured goods from developing countries. The concessional arrangements which Australia offers developing countries through such arrangements as PATCRA and SPARTECA are helpful and highly valued. These agreements are complemented by actively promoting the products of developing countries in the Australian market.

The Government's recent call for a report within six months from the IAC on the general question of tariff protection, is a practical demonstration of willingness to have Australia's own protection arrangements carefully examined. It should be noted that this timetable is well ahead of the original schedule for the enquiry.

The Government's objectives are to pursue policies that will encourage the development of competitive Australian industries relying less on government assistance, and to achieve a less complicated, lower and stable structure of protection. We want to ensure that any changes along these lines take

place at a pace that is capable of being absorbed by the community, although it must be accepted that change cannot always be free of difficulty.

In the area of commodities, study of the possibility of increased commodity processing in Commonwealth exporting countries would be of particular value.

Australia hopes that the Melbourne meeting will also urge wider signature and ratification of the Common Fund, and call for more pledges to its Second Account.

ENERGY

The world economy generally, and non-oil developing countries in particular, have experienced considerable difficulty in adjusting to the second oil price shock of 1979/80. Overall, the oil bill as a proportion of GNP for non-oil developing countries nearly doubled. For some individual countries in this group, a substantial portion of export earnings is needed simply to meet the cost of imported oil. This obviously restricts the economic development of these countries and, in turn, their opportunity to expand economic relations with developed countries.

The debt burden has created a critical situation for most oil importing developing countries. Even those which can borrow money in commercial markets face serious uncertainties in planning their futures.

The primary responsibility for developing energy sources must always rest with national governments. However, Australia recognises that international efforts are needed to tackle global energy problems and the particular problems of non-oil producing developing countries.

Urgent measures are required to assist developing countries to reduce dependence on imported oil through increased oil exploration, conservation, substitution, and development of alternative energy sources.

Australia supports establishment of the proposed World Bank Energy Affiliate as a fund to develop new sources of oil, and to promote the use of alternative energy sources, and welcomes the intention of the World Bank to increase and diversify its energy lending.

The Commonwealth can take effective steps to assist developing countries in other ways. There is scope for broadening the exchange of energy research and development information among Commonwealth countries, for example, through sharing experience of information systems - such as the Commonwealth Regional Renewable Energy Resources Information System, which collects and disseminates information throughout the Asia/Pacific region, and which will also provide an advisory service. Australia would be prepared to make available information on Australian research and development activities in the conventional and alternative energy areas, and to

demonstrate the application of small-scale, proven energy technology and equipment.

Training skilled personnel in developing countries to enable formulation and implementation of national energy strategies, is another area where the Commonwealth might play an expanded role, specifically in training in energy assessment, planning, development and management.

INTERNATIONAL FINANCIAL QUESTIONS

The debt of developing countries has grown considerably during the 1970's, even when allowance is made for inflation. To a significant degree, this increase in indebtedness has been caused by the oil price rises of 1973/74 and 1979/80, and has been added to recently by steep rises in international interest rates.

The trends indicate that developing countries will face more serious debt management problems in the future - particularly those developing economies which are experiencing dynamic growth and therefore need capital, as well as some low income countries having difficulty in paying for the rising costs of imports, especially oil.

There is an urgent need for many of those countries themselves to adjust their national policies so as to improve their economic performance and their balance of payments situations.

The International Financial Institutions have expanded and adapted to changed economic circumstances, and have responded to some of the needs of developing countries. The International Monetary Fund has played an expanded role in recycling oil surpluses to developing countries, and the IBRD has stepped up its activities in lending to developing countries.

On specific measures, Australia supports an increased IMF capacity to assist in the financing and the adjustment of large external deficits, and urges sympathetic responses to soundly-based proposals of benefit to developing countries, subject to maintaining the Fund's basic role. It is also important that nations should act quickly to provide their contributions to the World Bank's resources.

Australia hopes that progress can be made at CHOGM in each of the four important areas listed above, and it hopes that by doing so CHOGM will demonstrate that willingness exists to make a real advance in the North/South dialogue, to the benefit of both developed and developing countries.

file

cc: FCO

K

21 September 1981

THE BRANDT COMMISSION

Thank you for your letter of
17 September and its enclosure. You
will not be surprised to hear that
Mr. Ramphal beat Mr. Brandt to the
punch!

M. O'D. B. ALEXANDER

A. J. Beamish, Esq.,
British Embassy,
Bonn.



DSJ
Evan Post

ll

10 DOWNING STREET

From the Private Secretary

21 September 1981

MESSAGE FROM SIGNOR SPADOLINI

Further to my letter to you of 16 September about the message to the Prime Minister which we had received that day from Signor Spadolini, I now enclose a translation provided by the Italian Embassy.

I am sending copies of this letter to Kate Timms (Ministry of Agriculture, Fisheries and Food) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

Francis Richards, Esq.,
Foreign and Commonwealth Office.



CC HMT
OUT
MARR
CO

HU

10 DOWNING STREET

From the Private Secretary

18 September 1981

*copies taken
to CHOGM*

*dated + filed
16/9/81*

I enclose, together with its attachment, a copy of a letter which the Prime Minister has received from the Secretary General of the Commonwealth about the forthcoming Summit at Cancun. I should be grateful if you could let me have a draft reply which the Prime Minister could send to Mr. Ramphal. Since by the time we return from the Commonwealth Heads of Government Meeting in Melbourne it will already be rather close to the meeting in Cancun, you may think it would be wise to send your draft to us in Melbourne.

I am sending copies of this letter and its enclosure to John Kerr (H.M. Treasury), John Rhodes (Department of Trade), Kate Timms (Ministry of Agriculture, Fisheries and Food) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

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

JWP

HL

18 September 1981

I am replying on the Prime Minister's behalf to your letter to her of 16 September.

I shall, of course, be drawing your letter to the Prime Minister's attention.

MICHAEL ALEXANDER

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



BRITISH EMBASSY
BONN

17 September 1981

M O'D B Alexander Esq
Private Secretary to the Prime Minister
No. 10 Downing Street
London
SW1

Dear Michael,

THE BRANDT COMMISSION

.....

1. I enclose a letter from Willy Brandt and Shridath Ramphal to the Prime Minister, which Brandt has asked the Ambassador to forward.
2. In his covering letter to the Ambassador, Brandt says that he and Ramphal have, in view of the forthcoming conference at Cancun, written in the same terms to the other participating Heads of State and Heads of Government. The Ambassador has sent a brief acknowledgement to Brandt.
3. I am sending a copy of this letter to Nicholas Bayne in the Foreign Office. It seems to us that Brandt's views about the role of the global negotiations and the institutionalisation of Cancun may be ones we will find difficulty in endorsing.

Yours ever

Adrian

A J Beamish

cc: N P Bayne Esq
ERD/FCO

ICIDI

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

Chairman WILLY BRANDT Président

11 September, 1981

Dear Prime Minister,

We write to you in our individual capacities, but also as persons from the North and South respectively who, through the work of the Independent Commission on International Development Issues, believe profoundly that North-South issues demand from our global society a programme of urgent, concerted and sustained action. That experience convinces us also that the convergence of interests of North and South and their fusion with the mandates of moral purpose are real enough to encourage hope for consensus on such a programme.

We feel, therefore, that while the Cancun summit confronts issues of considerable gravity, it can do so without a sense of hopelessness. The very fact of the meeting encourages hope. It is the first occasion in history when the political leadership of so large a part of human society meets to jointly confront the dangers facing mankind. And these dangers are real. The conjuncture of a major world economic recession with both persistent North-South failures and heightened East-West tensions in these early years of the 80s highlights serious deficiencies in our internationalism; deficiencies in the areas of perception, of ideas, of institutions and, not least, of political will. No one is blameless; but all are endangered. The Cancun summit provides a unique opportunity for precisely the kind of political dialogue by which a new start can be inspired.

In the Report of the Commission we tried to convey the situation of crisis threatening our human society: the desperate plight of hundreds of millions of the world's poorest people, the political instability that deteriorating economic conditions are inducing, the way in which the fate of the developed and developing countries is inextricably

.../2

The Rt. Hon. Margaret Thatcher, MP,
Prime Minister of Great Britain & Northern Ireland,
10 Downing Street,
London, S.W.1.

linked, the degree to which East-West tensions and North-South failures are interacting upon and reinforcing each other, the unravelling process that is at work in many areas of international effort, the threat to even those international institutions on which man's hopes have centred in the post-war era. We do not seek to traverse that ground here. Suffice it to recall that the Commission expressed the view that at the beginning of the 80s the world community faces much greater dangers than at any time since the Second World War.

We completed our Report at the end of 1979. Since then those dangers have grown in their magnitude and in their gravity. They now confront all countries and, therefore, all governments. But they come into sharpest focus in the lives of people the world over: in the continuing prospect of starvation, disease and early death that faces those of the poorest countries: in the jolt to sustained prosperity for many in even the richest countries; and in the impairment for all of faith and hope in the future their children will inherit.

It is in this context that we seek to put before you some suggestions on possible goals for Cancun and on the ways by which, as participants, you might together attain them. If they appear to be modest it is because we repose our greatest faith in commencing a genuine advance to consensus through a mutually reinforcing act of political will on the part of the leadership of both North and South; and because we know that without that nothing is attainable.

Against this background, we believe that the following might be among the specific objectives of the Cancun summit, and we commend them to you:

1. To enable the Global Round of negotiations to commence:

The Special Session of the General Assembly on development issues in August/September 1980 came close to agreement on the framework of the Global Round of negotiations which should have commenced early in 1981. Since then much effort has been devoted to clearing the remaining procedural obstacles. Progress has been made, but agreement remains deferred. The Global Round under the aegis of the United Nations could and should be the process by which North-South issues are negotiated and resolved in terms of the broad objectives already agreed by the international community. If all participants at Cancun were to agree to use their best endeavours to ensure that the Global

Round of negotiations commences early in 1982, a significant step would have been taken towards improving the climate and providing the means for international co-operation for development.

2. To recognise the need for emergency action in critical areas:

The Global Round of negotiations will cover a wide field and could be a protracted process. Meanwhile, the world economy as a whole and many countries - particularly, but not exclusively, in the South - face situations of acute crisis. The resulting emergency requires an immediate and direct response. In the Report of the Commission we outlined an Emergency Programme for the period 1980-85 in certain critical areas, namely:

- (a) a global food programme to stimulate world food production and to begin to abolish world hunger;
- (b) a global energy strategy to accommodate the need for security of both producers and consumers;
- (c) additional financial flows to ensure the stability of national economies strained by persisting balance of payments deficits and mounting debts;
- (d) reforms to achieve broader participation in international financial institutions and more balanced conditions for world trade.

The overall deterioration that has occurred in these areas since our Report appeared confirms the case for prompt and effective action, and the time that has passed underlines the danger of further postponement. We do not imply that ours are the only approaches, but we do urge upon you the need for the international community to come to grips quickly with the grave situation that exists. While the formal negotiations proceed, it would be wholly in keeping with the spirit of the Cancun meeting for the participants to alert the international community to the need for immediate action in these particular areas. We hope, indeed, that you would be ready yourselves to stimulate an examination of the forms that such a response might

take - the identification of a programme of emergency measures needed to rescue the world economy and hundreds of millions of people from the critical dangers now confronting it and them.

3. To enlarge the prospects for consensus on North-South issues:

Clearly, however, after nearly eight years of an intensive North-South dialogue that yielded only marginal consensus, and in the current economic turmoil and accompanying distress, something more is needed than agreement to resume negotiations. The parties to such negotiations must enter them with a will to succeed. We believe that the prospects of success can be significantly enlarged if the participants at Cancun themselves truly agree on the political and economic importance - indeed, essentiality - to all countries of these negotiations being successfully pursued. Such a commitment would represent a major advance, and one that is of critical importance to all future progress.

In this context, we think it important that leaders at Cancun specifically include in their commitment a pledge that their negotiators will work assiduously for agreement on practical and effective measures in the areas under negotiation - eschewing rigid positions on all sides and promoting a new and constructive dialogue. The most promising advances made at Cancun will only be sustained if the political will that makes them possible is carried over into the negotiating process itself.

We urge as well that it would be of practical importance in enlarging success in North-South negotiations if leaders at Cancun were to agree to take all appropriate steps to strengthen public awareness of North-South issues in their respective countries and, more particularly, to develop a consciousness of the importance to all countries, North and South alike, of a successful outcome to the negotiations. North-South consensus will come more easily if encouraged by the people of all societies; indeed, it will not be possible without their support.

4. To preserve the potential of Cancun:

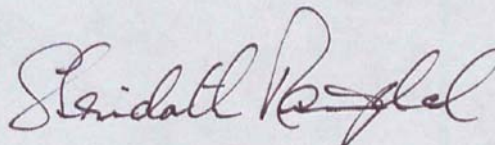
Particularly in the light of a successful beginning at Cancun we urge on you that, at least during the period of great danger through which the world is now passing, the potential of Cancun for contributing to human progress is not lost. We are convinced that you can help the process of North-South negotiations and that it is in the interest of all countries and peoples that you should. To this end, we hope you will keep open the possibility of meeting again - together, and with such others as may be agreed - to take account of North-South relations as they develop in the light of your commitments at Cancun, and to examine the ways in which you might further contribute to their continuing improvement.

Cancun is in one sense an occasion of last resort in the face of serious failures in the development dialogue. However, it arises not merely out of desperation, but also out of an awareness of the degree to which all parts of our human society depend upon each other and, therefore, need to agree with each other on the essential elements of a tolerable existence for all people. Cancun, in this sense, is not an end but a beginning.

With deep respect,



Willy Brandt



Shridath Ramphal

CONFIDENTIAL

PRIME MINISTER

Relations with Developing Countries
(OD(81) 43 and 44)

BACKGROUND

During the summer officials examined the issues likely to come up at Melbourne and Cancun and other international meetings and the problems of presenting our own policies on aid and over relations with developing countries consistently and in the most favourable light. In my minute to you of 14th July (now recirculated, together with the report by officials, under cover of OD(81) 44), I suggested that we had a choice between standing pat on existing policies or modifying them; and I put forward a number of illustrative options which might be considered if you and your colleagues chose the latter course.

Original letter Flay A

2. The Chancellor of the Exchequer (his minute to you of 16 July), supported by the Secretary of State for Trade (his minute of 22nd July) commented that he was strongly in favour of standing firm. He argued that Government should seek to focus its attention on the things that really matter to the developing countries: the maintenance of private financial flows, the confidence and security of the international banking system, the ability of international institutions to raise funds from developed countries and their financial markets, and from OPEC, and the concentration of official aid on the poorest countries. The Foreign and Commonwealth Secretary (his minute of 28th July) thought that it would be necessary to consider, before the Melbourne and Cancun meetings, whether existing policies would prove sufficient, or whether some changes were needed.

3. Lord Carrington's present memorandum (OD(81) 43) provides the basis for such a review, taking account of developments at those meetings which have already been held, notably the Ottawa Summit and the preparatory meeting of Foreign Ministers at Cancun. His general conclusions are that, despite the difficulties he anticipates at Melbourne and Cancun, no increase in the aid programme (such as would be required to implement the options described in my minute) is justified at this stage, but that it may be necessary

CONFIDENTIAL

to return to the problem later. Lord Carrington does however seek the Committee's agreement to support the proposal that there should be an Energy Affiliate for the IBRD.

4. The Chancellor of the Exchequer is likely to oppose this specific suggestion, on the grounds that, so long as the United States and Saudi Arabia will not agree to it, the proposal will not get anywhere, with the result that we should have irritated the Americans and to some extent the Saudis and thus diminished rather than increased the likelihood of new aid flows from either quarter. It is certainly true that at any rate until recently the United States Administration were against the idea, and the Saudis were believed to be cool. But this may be changing: Monsieur Mitterrand's adviser told me last week - having recently had talks in the White House - that the United States Administration were now neutral (he said "passive") on the subject, and the Saudis now in favour. Lord Carrington argues that the United Kingdom should support the proposal on political grounds and because it addresses a vital need of the developing countries. He does not say - and the point will need to be established - whether in the event of his colleagues' agreement, he would expect the British costs involved (which are impossible to quantify at this stage, but might amount to some £3 to £4 million per annum) to be met from within the existing aid programme or whether he is hoping for additional money. As regards the comments of Lord Carrington on the aid programme generally, the Chancellor is likely to want the Committee to endorse the view that no increase in the aid budget is foreseeable.

HANDLING

5. You will wish to invite the Foreign and Commonwealth Secretary to introduce his paper; and the Chancellor of the Exchequer to explain his views on the underlying issues. Others, in particular Mr. Rees (in the absence of the Secretary of State for Trade) and the Lord President may wish to express general views on the defensibility of the Government's policy internationally and domestically. You may also wish to invite Mr. Marten to comment.

CONFIDENTIAL

6. There is no need for the Committee to have a detailed discussion of all four of the specific areas of policy identified in paragraph 7 of Lord Carrington's paper. It will however be necessary to settle the Government's line on the IBRD Energy Affiliate. On this you will wish to hear the views of the Foreign and Commonwealth Secretary and the Chancellor, and invite comments by the Secretary of State for Energy and Mr. Marten. Subject to there being no overall increase in expenditure involved in what Lord Carrington proposes, the question depends fundamentally on whether the positions of the United States and Saudi Arabia have indeed changed, and on the Committee's judgment of the international political effects of the line the Government takes.

CONCLUSION

7. You might guide the Committee to agree that:-

- (i) the Government should stick to its present policies on aid, making the most of their positive aspects on the lines described in Annex D to the official paper;
- (ii) any proposals for increases in the aid budget over and above the level set as a result of the current Public Expenditure Survey should be submitted for decision in the usual way;
- (iii) the Government should support the proposal to create an Energy Affiliate for the IBRD, if it appears, at Cancun or elsewhere, that the United States and Saudi Arabia are now ready to go along with it.



Robert Armstrong

17th September 1981



10 DOWNING STREET

From the Private Secretary

16 September 1981

I enclose a copy of a message which the Prime Minister has received from the Prime Minister of Italy. The message deals with the problems of world starvation.

The Italian Ambassador failed to enclose a translation of Signor Spadolini's message, and I have asked him to forward it.

M. O'D. B. ALEXANDER

Francis Richards, Esq.,
Foreign and Commonwealth Office.

1

OFFICE OF THE COMMONWEALTH SECRETARY-GENERAL
MARLBOROUGH HOUSE · PALL MALL · LONDON SW1Y 5HX

16 September, 1981

W. Brandt P.M.

You will shortly be receiving from Willy Brandt a letter which he and I are addressing to the Presidents and Prime Ministers attending the Cancun Summit. I thought, however, I should send you an advance copy. It is among the shorter messages you will receive on Cancun and almost certainly the least technical. I hope, however, it addresses itself to the central question "What can we do at Cancun?" and answers it in a way that you would find practical and helpful.

I had a very good meeting with Julius Nyerere in Paris on Monday night and was extremely pleased with his wholly constructive and non-confrontationist approach to the Melbourne meeting. I am greatly looking forward to working with you there again in a Commonwealth environment that can, I hope, continue to point the way forward for the wider world community.

With warm personal good wishes,

Shridath S. Ramphal

Shridath S. Ramphal

The Rt. Hon. Margaret Thatcher, MP,
Prime Minister of Great Britain,
10 Downing Street,
LONDON, S.W.1.

enc.

ICIDI

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

Chairman WILLY BRANDT Président

11 September, 1981

We write to you in our individual capacities, but also as persons from the North and South respectively who, through the work of the Independent Commission on International Development Issues, believe profoundly that North-South issues demand from our global society a programme of urgent, concerted and sustained action. That experience convinces us also that the convergence of interests of North and South and their fusion with the mandates of moral purpose are real enough to encourage hope for consensus on such a programme.

We feel, therefore, that while the Cancun summit confronts issues of considerable gravity, it can do so without a sense of hopelessness. The very fact of the meeting encourages hope. It is the first occasion in history when the political leadership of so large a part of human society meets to jointly confront the dangers facing mankind. And these dangers are real. The conjuncture of a major world economic recession with both persistent North-South failures and heightened East-West tensions in these early years of the 80s highlights serious deficiencies in our internationalism; deficiencies in the areas of perception, of ideas, of institutions and, not least, of political will. No one is blameless; but all are endangered. The Cancun summit provides a unique opportunity for precisely the kind of political dialogue by which a new start can be inspired.

In the Report of the Commission we tried to convey the situation of crisis threatening our human society: the desperate plight of hundreds of millions of the world's poorest people, the political instability that deteriorating economic conditions are inducing, the way in which the fate of the developed and developing countries is inextricably

.../2

linked, the degree to which East-West tensions and North-South failures are interacting upon and reinforcing each other, the unravelling process that is at work in many areas of international effort, the threat to even those international institutions on which man's hopes have centred in the post-war era. We do not seek to traverse that ground here. Suffice it to recall that the Commission expressed the view that at the beginning of the 80s the world community faces much greater dangers than at any time since the Second World War.

We completed our Report at the end of 1979. Since then those dangers have grown in their magnitude and in their gravity. They now confront all countries and, therefore, all governments. But they come into sharpest focus in the lives of people the world over: in the continuing prospect of starvation, disease and early death that faces those of the poorest countries: in the jolt to sustained prosperity for many in even the richest countries; and in the impairment for all of faith and hope in the future their children will inherit.

It is in this context that we seek to put before you some suggestions on possible goals for Cancun and on the ways by which, as participants, you might together attain them. If they appear to be modest it is because we repose our greatest faith in commencing a genuine advance to consensus through a mutually reinforcing act of political will on the part of the leadership of both North and South; and because we know that without that nothing is attainable.

Against this background, we believe that the following might be among the specific objectives of the Cancun summit, and we commend them to you:

1. To enable the Global Round of negotiations to commence:

The Special Session of the General Assembly on development issues in August/September 1980 came close to agreement on the framework of the Global Round of negotiations which should have commenced early in 1981. Since then much effort has been devoted to clearing the remaining procedural obstacles. Progress has been made, but agreement remains deferred. The Global Round under the aegis of the United Nations could and should be the process by which North-South issues are negotiated and resolved in terms of the broad objectives already agreed by the international community. If all participants at Cancun were to agree to use their best endeavours to ensure that the Global

Round of negotiations commences early in 1982, a significant step would have been taken towards improving the climate and providing the means for international co-operation for development.

2. To recognise the need for emergency action in critical areas:

The Global Round of negotiations will cover a wide field and could be a protracted process. Meanwhile, the world economy as a whole and many countries - particularly, but not exclusively, in the South - face situations of acute crisis. The resulting emergency requires an immediate and direct response. In the Report of the Commission we outlined an Emergency Programme for the period 1980-85 in certain critical areas, namely:

- (a) a global food programme to stimulate world food production and to begin to abolish world hunger;
- (b) a global energy strategy to accommodate the need for security of both producers and consumers;
- (c) additional financial flows to ensure the stability of national economies strained by persisting balance of payments deficits and mounting debts;
- (d) reforms to achieve broader participation in international financial institutions and more balanced conditions for world trade.

The overall deterioration that has occurred in these areas since our Report appeared confirms the case for prompt and effective action, and the time that has passed underlines the danger of further postponement. We do not imply that ours are the only approaches, but we do urge upon you the need for the international community to come to grips quickly with the grave situation that exists. While the formal negotiations proceed, it would be wholly in keeping with the spirit of the Cancun meeting for the participants to alert the international community to the need for immediate action in these particular areas. We hope, indeed, that you would be ready yourselves to stimulate an examination of the forms that such a response might

take - the identification of a programme of emergency measures needed to rescue the world economy and hundreds of millions of people from the critical dangers now confronting it and them.

3. To enlarge the prospects for consensus on North-South issues:

Clearly, however, after nearly eight years of an intensive North-South dialogue that yielded only marginal consensus, and in the current economic turmoil and accompanying distress, something more is needed than agreement to resume negotiations. The parties to such negotiations must enter them with a will to succeed. We believe that the prospects of success can be significantly enlarged if the participants at Cancun themselves truly agree on the political and economic importance - indeed, essentiality - to all countries of these negotiations being successfully pursued. Such a commitment would represent a major advance, and one that is of critical importance to all future progress.

In this context, we think it important that leaders at Cancun specifically include in their commitment a pledge that their negotiators will work assiduously for agreement on practical and effective measures in the areas under negotiation - eschewing rigid positions on all sides and promoting a new and constructive dialogue. The most promising advances made at Cancun will only be sustained if the political will that makes them possible is carried over into the negotiating process itself.

We urge as well that it would be of practical importance in enlarging success in North-South negotiations if leaders at Cancun were to agree to take all appropriate steps to strengthen public awareness of North-South issues in their respective countries and, more particularly, to develop a consciousness of the importance to all countries, North and South alike, of a successful outcome to the negotiations. North-South consensus will come more easily if encouraged by the people of all societies; indeed, it will not be possible without their support.

4. To preserve the potential of Cancun:

Particularly in the light of a successful beginning at Cancun we urge on you that, at least during the period of great danger through which the world is now passing, the potential of Cancun for contributing to human progress is not lost. We are convinced that you can help the process of North-South negotiations and that it is in the interest of all countries and peoples that you should. To this end, we hope you will keep open the possibility of meeting again - together, and with such others as may be agreed - to take account of North-South relations as they develop in the light of your commitments at Cancun, and to examine the ways in which you might further contribute to their continuing improvement.

Cancun is in one sense an occasion of last resort in the face of serious failures in the development dialogue. However, it arises not merely out of desperation, but also out of an awareness of the degree to which all parts of our human society depend upon each other and, therefore, need to agree with each other on the essential elements of a tolerable existence for all people. Cancun, in this sense, is not an end but a beginning.

With deep respect,

Willy Brandt

Shridath Ramphal



10 DOWNING STREET

From the Private Secretary

16 September 1981

Thank you for forwarding, with your letter of 15 September to Sir Robert Armstrong, the text of a personal message from Signor Spadolini to the Prime Minister. I shall of course draw Signor Spadolini's message to the Prime Minister's immediate attention.

I fear that the translation of Signor Spadolini's message was not enclosed with your letter. I should be most grateful if you could arrange for it to be sent round.

M. O'D. B. ALEXANDER

His Excellency Signor Andrea Cagiati, G.C.V.O.



From the Secretary of the Cabinet

Mr. Alexander

I have not acknowledged this; I expect that you would prefer to do so, as a hint to the Italian Ambassador that he has chosen an unorthodox channel.

Incidentally, you will have to ask him to send an his rough translation. RGA 16. ix



(2)

10 DOWNING STREET

Prime Minister.

The Foreign Secretary asked that your attention should be drawn to this letter. I

must say that I too thank the Treasury's insistence on resisting the 0.15% target has resulted in our slowing a quite unnecessary our goal in the run up to January. It also I think strengthens the case for pulling your position on the record in the Benzie's lecture.

I agreed to 0.15% but
and said so. not - 15/9

THE TIMES
SECOND LEADER

15 SEPTEMBER 1987

ks
Pms

MAKING EVERY PENNY WORK FOR THE POOR

France has emerged from the Paris Conference on aid to the least developed nations as the champion of the Third World, while Britain is seen as selfish and tight-fisted. That is a distortion of the truth, since Britain spends more on aid than France, as President Mitterrand admitted during his London visit last week. There is nothing magic about the figure of 0.15 per cent of GNP as the amount of aid the advanced industrial nations should give to the world's poor: but it is the figure preferred by the "Group of 77"—the Third World countries at the United Nations—and they were delighted by French readiness to meet that target and even exceed it. Yet the fact that Britain already spends nearly 0.15 per cent of its GNP on aid in any case went by the board, and the British delegation perversely gave the impression of digging in its heels over a negligible and niggardly increase. President Mitterrand, by contrast, found new favour in the eyes of the Third World by saying that the wealthy North would "lose its human dignity" if it left the poverty-stricken South to scratch a subsistence living from the earth.

There is a tendency among some proponents of develop-

ment aid to take a sentimental view of Third World peasantry and its problems, and to under-estimate the extent to which well-intentioned aid is misdirected, misconceived or simply sabotaged by corrupt and incompetent regimes, leaving the intended recipients no better off. To this extent, the American delegate in Paris, Mr Peter Macpherson, was right to emphasize the need for "realism" in aid, especially at a time when the Western economies are themselves in recession. At such times the advanced nations tend to place emphasis on those aid programmes likely to be mutually beneficial in the relatively short term. But there is a distinction between the "less developed countries" and the thirty-one "least developed countries". The "least developed" — twenty-one of which are in Africa — are simply not in a position to help themselves. Options such as cutting imports and boosting production are not open to nations — often either landlocked or small islands — which have few natural resources, poor soil, little infrastructure and often only one exportable commodity.

For such countries aid from the industrial North is essen-

tial to bare survival. According to Mr Jan Pronk, the Deputy Secretary General of UNCTAD, the advanced industrialized nations will have to double their aid if the peoples of the least developed countries are to survive, and quadruple it if they are to be able even to begin to build up their own economies. Despite the pledges by France and — with varying degrees of enthusiasm — the other members of the Ten at Paris, there is little or no prospect of that. There was not even any agreement on the date by which the target of 0.15 per cent is to be achieved; the Group of 77 was hoping for 1985, whereas the conference text speaks vaguely of "the coming years". The fact that France and Europe have none the less given a lead has been welcomed by many Third World countries, including African ones. The Europeans must now work to ensure that this momentum is carried forward to the North-South summit meeting at Cancun in Mexico next month. They must also ensure that increases in aid to the poorest of the poor are not achieved at the expense of other aid programmes for those who are merely less, but not least, fortunate.

*The Italian Ambassador
to the United Kingdom*

15th September 1981

7191



Dear Sir Robert,

I take pleasure in enclosing a personal message from Signor Giovanni Spadolini to the Prime Minister, together with a rough translation. The Message is aimed at drawing the attention of the British Prime Minister to the action taken by the Foreign Minister Signor Colombo on the problems of world starvation.

Very sincerely yours

Andrea Cagliati
Andrea Cagliati

Sir Robert Armstrong, KCB, CVO
Cabinet Office
70 Whitehall
London S.W.1A

Extrad NFR PH / Mitterrand 11.9.87
(toto à toto)

Cancun

Subject filed in France, 11-3, Visit of Mitterrand

The Prime Minister said that she thought that it would be helpful if they had a word about the forthcoming meeting at Cancun. She did not want to see the hopes of the LDC's raised too high before the meeting and then disappointed by the outcome. That would mean that the efforts which the West were making would not get the recognition they deserved. That would be a bad result.

President Mitterrand said that he thought that they could deal with the matter by sticking to figures. The French Government at present gave 0.3% of their GNP in bilateral and multilateral aid. The figure of 0.6% of GNP which was sometimes quoted for French aid was misleading because half of it went to France's overseas departments and territories. France had now decided to increase its bilateral and multilateral aid to 0.7% of GNP by 1986/87. The United Nation's Conference on the LDC's which was going on now in Paris had fixed a figure of 0.15% as the amount of aid to be given to the least developed countries. This would double the

/ amount of aid

CONFIDENTIAL

CONFIDENTIAL

- 6 -

amount of aid going to the least developed countries compared with the rest of the Third World. France thought that this was a fair target, though he did not think that the figure should be regarded as a fixed number. Rather it was something to be aimed for - an indicative value but not an obligatory figure. It would be more difficult for France to move in this direction than for the UK. The UK was already meeting this target but France was behind.

The Prime Minister said that the UK and the FRG had initially opposed this proposal because they did not want to set a new target within the overall pattern. But she had no objection to it. She thought it reasonable to give a proportion of overseas aid to the very worst off countries. The UK would now accept the target, and she believed that the FRG would do the same.

President Mitterrand added that it appeared from all the aid figures which he had seen that the UK was the most generous donor by far. Britain was already meeting the target, and so there should be no budgetary problems for her in adopting the figure of 0.15% of GNP. He agreed that the Germans would now allow themselves to be convinced of the desirability of moving towards this objective, provided it was not treated as a rigid target.

The Prime Minister said that she was not sure how Mexico would arrange the agenda for Cancun. One view was that the agenda should be unstructured and that the meeting should proceed by general discussion. The opposite view was that the agenda should be specific and detailed. She did not want the LDC's to make demands on the West which we could not meet and then for us all to turn on the OPEC countries and demand that they produced more aid. She hoped that the meeting would finish on a constructive and understanding note, though this was not an easy objective in view of the excessive hopes which had already been raised.

President Mitterrand said that whatever the agenda, nothing would stop fundamental questions being raised and nothing would prevent

/ the LDC's

CONFIDENTIAL

- 7 -

the LDC's making speeches. There would be a host of demands, and so it would be wise for the West to have two or three arguments ready which would help to reduce the impact of the demands on us. He had certain ideas in this respect.

President Mitterrand continued that a theoretical discussion about the global negotiations had already been started. Much of this discussion turned on language and vocabulary, and these counted for much since they were part of propaganda. The Third World countries would want to discuss global negotiations as a whole. Until recently, however, the United States had been afraid of engaging in a too wide-ranging discussion and were generally opposed to talking about global negotiations. But the industrial countries at Cancun would have to talk about global negotiations. This did not matter, for the meeting lasted only two days, the Third World would talk and there would be no time for replies. It would not be wise to refuse a general discussion or to precipitate a clash at Cancun on this subject. We should avoid making promises, especially promises we could not keep. We should listen to the many Third World countries who would want to express their point of view and by listening to them we would calm them down.

There were one or two areas where we might be able to orientate positively the demands of the Third World. One example was the energy affiliate of the World Bank. This was an important proposal for the Third World, especially for the non oil producers. We must avoid substituting a new organisation for the World Bank or shaking up the World Bank in a way which reduced its effectiveness. But the Third World expected some kind of energy agency to be established in the World Bank. He had discussed this with Mr. Clausen earlier in the week. He was not much in favour of an energy affiliate but preferred to strengthen international arrangements in the field of energy policy by having improved guarantees and loans. If the UK, FRG and France could accept this approach, we should be able to respond positively and not defensively to the demands of the Third World and to avoid a disagreeable clash with them.

/ The Prime Minister

CONFIDENTIAL

CONFIDENTIAL

- 8 -

The Prime Minister said that much depended on the oil-rich countries. Were they prepared to play a bigger part in world institutions in return for making more of their resources available?

President Mitterrand said it would be better if the debate was turned aside and the Third World was led to point the finger at the oil producers rather than at the West. We must try to get the OPEC countries to the front of the stage.

The Prime Minister agreed that OPEC had made the problems of the Third World much worse and that this must be made clear publicly.

President Mitterrand said that when making these remarks, he had forgotten to point out that the UK was an oil producing country. The Prime Minister said that we were not producing as much as we would like. Moreover, it had been one of the conditions of the development of the North Sea, that our oil prices followed world prices. President Mitterrand said that he did not want to pursue this now. He might want to talk about oil policy one day, but it was not an immediate concern.



*19
1 Aug*

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

10 September 1981

The Rt. Hon. The Lord Carrington KCMG MC
Secretary of State for Foreign and
Commonwealth Affairs

Dear Peter

LEAST DEVELOPED COUNTRY CONFERENCE

Thank you for your minute of yesterday about the Community position on the proposed 0.15 per cent target at this Conference.

We spoke about this and I agreed that if we found ourselves isolated in opposing the 0.15 per cent, we should go along with it on the basis described in paragraph 5 of your minute. We would make it clear that we had serious reservations about the utility of aid targets and in particular that we regard as artificial a target for aid to poorer countries which excludes India and Pakistan. It seems essential to make the point about India if acquiescing in the 0.15 per cent target is to do us much good at Melbourne.

I do not think however that we should abandon the Germans if they continue to oppose the 0.15 per cent target, or put ourselves in the position of pushing them into accepting it. Our aim is surely to avoid isolation, not to secure that the Community accepts the target.

As this may be raised with the Prime Minister by President Mitterrand I am copying this to the Prime Minister as well as to the Secretary of State for Trade.

G

GEOFFREY HOWE

John



FCS/81/121

CHANCELLOR OF THE EXCHEQUER

Least Developed Country Conference

1. Thank you for your letter of 8 September. I have also seen John Biffen's letter of 8 September pressing the case for our joining in a Community consensus on a target for aid to the least developed countries.
2. We have just heard from Paris that our delegation require their final instructions on this matter by this evening. The Ten are on the verge of making their last effort to reach a common position. If this does not succeed, we understand that the different national positions will be exposed tomorrow.
3. I agree with you that it would be preferable not to establish yet another target for aid flow. However, though we may be right in arguing in principle against such targets, the fact is that our feelings are not shared by the majority. The proposal to establish a 0.15% target at the Paris conference may well not succeed. But the essential points seem to me to be that we could easily live with a 0.15% of GNP target for aid to least developed countries, with no date specified for its attainment: and it would be a serious political error for us to be seen to be holding out against a consensus within the Ten on this issue. Following the Ottawa Summit and Cancun Preparatory Meeting of Foreign Ministers, criticism of the British Government's policy towards developing countries has been much reduced. There is a growing appreciation that our posture is realistic but not unsympathetic. To be isolated in the Community on the 0.15% target would be a very damaging way to begin the run-up to the Commonwealth Heads of Government Meeting and the Cancun Summit. We can be certain that our position would be widely publicised.

/4. As

h9
Am
Econ. Pol
Dismissed.



4. As you have said, the German position (which I understand you have discussed with the German Finance Minister today) is not yet entirely clear. However, from the latest telegram from our representative at the conference (Paris telegram number MODEV 14 of 7 September) we know that the German delegation already have instructions that will permit them to accept the 0.15% target without time limit: and that they admit that they are likely to stand with the other eight rather than with us.

5. To sum up, therefore, I consider that the only course for us to take is to continue to make it clear that we have serious reservations about the utility of GNP percentage aid targets and, in particular, that we regard a target for aid to a group of poor countries which excludes India and Pakistan as artificial: to do nothing to encourage the Ten or the Conference to establish a further target: but to allow our representative to accept the 0.15% target rather than stand out with the undesirable consequences I have mentioned above. This course will not commit us to any further expenditure. We can point out that we are already close to the target. I really cannot accept the damage to our international position which would ensue from the alternative course of action.

6. I am sending a copy of this minute to the Secretary of State for Trade.

A handwritten signature in dark ink, consisting of a large, stylized 'C' followed by a horizontal line.

(CARRINGTON)

Immediate to Mr Manning APP



PS/Mr Merten

PS/LPS

PS/Mr Hurd

Sir P Preston

Lord Bondie

Mr Ansell

Mr Evans

cc as pr

(S of S has replied)

8 September 1981

CRD

9/9

Puyl

9/ix

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

The Rt. Hon. Lord Carrington, KCMG, MC
Secretary of State for Foreign and
Commonwealth Affairs

De Peter

LEAST DEVELOPED COUNTRY CONFERENCE

Our officials have been in touch concerning your minute to me of 2 September about the proposal for a special "target" for ODA for the LLDCs, amounting to 0.15 per cent of GNP.

I believe it would be a serious error to add yet another target for aid flow. You say that we are virtually isolated in the Community and that all the other members wish to take a more forthcoming line, by which I assume you mean that they are prepared to endorse the 0.15 per cent target for the LLDCs. But Paris telegram No MODEV 10 of 3 September reported that Germany was still unhappy about the 0.15 per cent target. So long as that remains the case, I feel sure we should do nothing to encourage them to change their line. As Nigel Lawson said in his letter to you of 18 August, an official aid target is increasingly irrelevant to the real problem of development. To give such targets renewed importance would be a backward step.

There is a more general point. The Ottawa Conference spoke of devoting the major part of the aid of the countries represented to poorer countries, and the Prime Minister referred publicly to our good record on aid for the poorest. However, as you know, the LLDC category is not the same as "the poorest" and in particular excludes India and Pakistan. Our aid to "the poorest" is already well over 0.15 per cent of GNP. It is not clear why the LLDCs, rather than the poorest, should be the category to enjoy the first new aid target for many years, but the fact that there is a Paris Conference at this moment with these particular terms of reference does not seem an adequate reason.

I am copying this minute to the Secretary of State for Trade.

GEOFFREY HOWE

[Handwritten signature]



From the Secretary of State

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
London, SW1P 3AG

Mr Manning APD, ODA

✓ as per

PS

PS/PS

PS/Mr Hurd

Sir P Preston

Lord Bridges

Mr Amis

Mr Evans

8. September 1981

Ring L

9/11

Dear Geoffrey,

LEAST DEVELOPED COUNTRIES CONFERENCE

I have seen a copy of the Foreign Secretary's minute to you of 2 September.

It is a clear part of our publicly stated policy that a high proportion of aid should go to the least developed countries. It was affirmed in the Ottawa Summit Communique, and in her recent letter to Mr Fraser the Prime Minister said "I think there is a clear need to concentrate aid on the poorest countries, and be ready to say so". It would seem inconsistent with this to hold out, alone in the Community, against the formula now proposed.

Our own record on this point is good. The link with the 0.7% official aid target, which has seldom been reached by donor countries, also carries the implication that a little over one-fifth of aid should go to the least developed countries. We are comfortably in excess of that. Accepting the formula, which is in terms of 'efforts' and 'aims' will not require any change in our policy, but should serve to encourage others to catch up.

We frequently find ourselves in a minority in the Community on North/South issues. If we are to maintain any credibility and



From the Secretary of State

influence, we must choose carefully the points on which to fight. I am sure this is not one of them. We may have many more vital issues to defend.

I am copying this letter to the Foreign and Commonwealth Secretary.

Yours
John Biffen

JOHN BIFFEN

IMPACT
of Harla
0/11

**PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T. 125 AB/87**

Rough translation

7 September 1991.

Dear Prime Minister,

You are certainly aware of the attention and commitment of the Italian Government to the problem of fighting hunger in the world, malnutrition and underdevelopment with the aim of contributing to an harmonious development of the cooperation with the emerging countries.

I know that this aim is fully shared by your Government which is, like mine, prompted not only by humanitarian reasons, but also by specific political and economic considerations.

It is our common belief that an ever greater strengthening, in conditions of equality and reciprocal dignity, of North-South relations, constitutes an important factor for international stability, and for revival of economic growth and world trade.

It was with this understanding that I stated at the Ottawa summit my Government's intention to take initiatives directed to discuss in an international context (in particular within the EEC and in close cooperation with the United Nations' specialized agencies located in Rome) proposals for special action in the food and agricultural field, intended primarily for the countries most in need.

Immediately after Ottawa I gave instructions to reflect upon the problem within my Government and it is my intention to follow personally its progress in the hope that in a short time concrete proposals will be set up by EEC to be later put forward on a wider international framework.

The Italian thoughts will deal with the cooperation given by EEC to the emerging countries in the agricultural field, as well as the participation of the

./.

Community and its member states to agricultural programs approved within the United Nations.

Keeping in mind the need to facilitate a swift implementation of the proposals and a relative immediacy of their effects, both required by the urgency to proceed to opportune interventions in the field, it has been thought preferable to concentrate our attention on programs already under way and on certain initiatives already in consideration which, in order to be approved, need new impulses and a renewed political commitment.

We are comforted in this orientation by the fact that agricultural and food problems have by now been fully analyzed on a world scale and, moreover, the network of institutions already operating has detected with sufficient precision the possible fields of intervention as well as the necessary instruments of action.

The primary objective, therefore, appears to us the need to reduce the delay in the implementation of the international objectives agreed upon within the United Nations and, consequently, to speed up the definition of certain agreements designed to increase food supply to the less advanced countries.

In this perspective we are convinced that a concerted action can make our intervention more effective and more responsive to those which appear to be the primary needs of the less advanced countries.

The study of the possible measures to be adopted must of course take into account the conclusions reached by the conference on the less underdeveloped countries, now being held in Paris.

I wish to inform you that the Minister for Foreign Affairs, Signor Colombo, has sent a letter to the EEC Commissioner, Mr Edgard Pisani, in which he explains

./.

the initiative in its more detailed aspects. The text of the letter will be brought to the knowledge of the Governments of the member states of the Community in the next few days.

I would mostly appreciate if you would lend your high interest to the initiative so that the proposals contained in it can be met with favourable consideration. The Italian Government looks forward with keen anticipation to a constructive outcome of this initiative, ready of course to take on a fair share of its financial costs.

To this regard I would like to inform you that, in spite of the difficult economic situation in which my country finds itself at present, the Italian Government has recently decided to mobilize additional resources, amounting to 3,000 billion lire - over and above the allocation of 4,500 billion lire, to be spread over a period of three years (1981-1983), approved some time ago - to be devoted to overseas aid. It has also confirmed its intention to bring the level of overseas aid up to 0,7% of the GDP within this decade.

Most cordially yours,

Giovanni Spadolini

Rt. Hon. Margaret Thatcher, MP
10, Downing St.,
London



Roma, 7 settembre 1981

Care Primo Ministro,

Le sono certamente noti l'attenzione e l'impegno che il Governo italiano dedica, nel quadro dell'obiettivo di contribuire ad un'armonico sviluppo della collaborazione con i paesi emergenti, al problema della lotta contro la fame nel mondo, la malnutrizione e il sottosviluppo.

So che questi obiettivi sono pienamente condivisi dal Suo Governo, animato come il nostro da ragioni non solo umanitarie, ma da precise considerazioni di ordine politico ed economico.

E' nostra comune convinzione che una sempre maggiore intensificazione, in condizioni di equità e di pari dignità, dei rapporti Nord-Sud costituisca un fattore importante per la stabilità internazionale e la ripresa della crescita economica e degli scambi mondiali.

E' in questo spirito che ho fatto stato al Vertice di Ottawa dell'intendimento del mio Governo di assumere iniziative intese a discutere in campo internazionale e in particolare in ambito CEE, ed in stretta collaborazione con le organizzazioni specializzate dell'ONU con sede a Roma, proposte per un'azione speciale nel settore agro-alimentare, diretta con priorità ai paesi più bisognosi.

./.

S.E.
Margaret Thatcher
Primo Ministro
del Regno Unito

L O N D R A



Ho dato, subito dopo Ottawa, istruzioni perché fosse iniziata all'interno del Governo una riflessione sul problema ed è mia intenzione seguirne personalmente i progressi, nell'auspicio che si possa pervenire entro breve tempo alla formulazione di concrete proposte in ambito comunitario, da avanzare successivamente nel più ampio contesto internazionale.

La riflessione italiana si dirige sia sulla cooperazione agricola fornita dalla CEE ai paesi ACP, sia sulla partecipazione della Comunità e dei suoi paesi membri ai programmi alimentari approvati nel quadro delle Nazioni Unite.

Tenendo a mente l'esigenza di favorire una tempestività di esecuzione delle proposte e una relativa immediatezza dei loro effetti, entrambi richiesti dalla urgenza di procedere ad appropriati interventi nel settore, si è ritenuto preferibile soffermare la nostra attenzione su programmi già avviati e su talune iniziative già all'esame che necessitano, per la loro approvazione, di nuovi impulsi e di un rinnovato impegno politico. Ci conforta, in questo orientamento, la circostanza che i problemi agro-alimentari sono stati ormai analizzati, a livello mondiale, in maniera esauriente, e, inoltre, che la rete di Istituzioni già operanti ha individuato con sufficiente precisione sia i possibili campi di intervento, sia i necessari strumenti di azione.



L'obiettivo prioritario ci è dunque parso essere l'esigenza di ridurre il ritardo nell'attuazione degli obiettivi internazionali concordati nel quadro delle Nazioni Unite e, conseguentemente, di accelerare la definizione di talune intese suscettibili di migliorare la sicurezza alimentare dei paesi meno avanzati.

In questo senso siamo convinti che un'azione concertata possa rendere il nostro intervento più incisivo e meglio rispondente a quelle che appaiono le reali necessità prioritarie dei paesi più bisognosi. Naturalmente, l'esame delle possibili misure da adottare dovrà tener conto anche delle conclusioni cui perverrà la Conferenza sui paesi meno avanzati, in corso di svolgimento a Parigi.

Desidero informarla che il Ministro degli Esteri, Colombo ha inviato una lettera al Commissario della CEE, Sig. Edgar Pisani, per illustrare l'iniziativa nei suoi aspetti più particolari. Il testo della lettera sarà in questi giorni portato a conoscenza del Suo Governo.

Apprezzerei moltissimo se Ella volesse prestare il Suo alto interessamento affinché le proposte in essa contenute ricevano una favorevole considerazione. Il Governo italiano guarda infatti con viva aspettativa ad un costruttivo esito di questa azione, pronto naturalmente ad assumersi la sua giusta quota di oneri finanziari.

Al riguardo vorrei informarla che, nonostante la difficile congiuntura economica che attraversa il mio paese, il Governo italiano, oltre allo stanziamento di 4.500



miliardi di lire da tempo approvato per il triennio 1981-83, ha assunto di recente in Parlamento l'impegno di mobilitare risorse aggiuntive per complessivi 3.000 miliardi, da destinare all'assistenza allo sviluppo internazionale, ed ha altresì ribadito l'intendimento di portare entro questo decennio il livello dell'assistenza allo sviluppo allo 0,7% del prodotto interno lordo.

Mi creda, con viva cordialità,

Luigi
Gianni De Michelis



FCS/81/116

CHANCELLOR OF THE EXCHEQUER

Least Developed Country Conference

1. In his letter to you of 7 August Ian Gilmour explained why we believed we should probably need to go along with a new target for aid to the least developed in order to avoid isolation within the Community. Treasury Ministers declined to agree.

2. Senior officials of member states have now met in Paris prior to the Conference. The situation has developed as we expected. We are virtually isolated in the Community in resisting any new target. All other Community members wished to take a much more forthcoming line: while we might secure agreement to the exclusion of various other targets which had been proposed, it does not appear that there is any possibility of obtaining agreement to a Community position which does not give some measure of support to the 0.15% of GNP target for aid to least developed countries. In our Presidency role, our officials have therefore drafted compromise wording which gives rather more qualified support to such a target than most other Community states would be prepared to give. The text is as follows:

"As agreed in the IDS, serious consideration will be given by developed countries to increasing substantially and in real terms official development assistance for the least developed countries during the decade. To this end and within the context of their individual efforts to reach and where possible surpass the target of 0.7% of GNP, developed countries should aim to allocate 0.15% of their GNP as official development assistance to the least developed countries."

/This

PS / Mr Morlin

PS

PS/LMS

PS/Mr Hurd

Sir P Preston

Lord Bondels

Mr Amiscom

Mr Evans

ERN 2/9

010

Copy to (704)
Mr. Hayward ? in
the Private office

RESTRICTED

GRS 94
RESTRICTED

MA 091/3	
IND. 27	
28 AUG 1981	
DESK OFFICER	RY
INDEX	FA
✓	MF

7
7/9

FM FCO 240940Z AUGUST 81
TO PRIORITY MEXICO CITY
TELEGRAM NUMBER 282 OF 24 AUGUST
YOUR TEL NO 338: MEXICO SUMMIT

1. MEXICAN EMBASSY HANDED OVER A SIMILAR TEXT THIS AFTERNOON. WE TOLD THEM THAT, ALTHOUGH THE PRIME MINISTER HAD NOT YET BEEN CONSULTED, IT SEEMED LIKELY THAT SHE WOULD MAKE A WIDE RANGING INTERVENTION WITHIN THE 'FRAMEWORK FOR DISCUSSIONS' AGREED AT THE PREPARATORY MEETING. IT WAS THEREFORE UNLIKELY THAT WE WOULD WISH TO NOTIFY THE MEXICANS OF ANY PARTICULAR TOPICS. THE EMBASSY CONFIRMED THAT THEY DID NOT NECESSARILY EXPECT A REPLY.

CARRINGTON

Ag
Vand

NORTH/SOUTH STANDARD

- ERD
- ES & SD
- MAED
- TRED
- ECD
- UND
- ESID
- Mand CD

ADDITIONAL DISTRIBUTION

NORTH/SOUTH

RESTRICTED



3. This formulation would not require any change in our aid programme. Our commitment to it would be on the same basis as our commitment to the overall 0.7% target, which we have accepted in principle. In practice we are unlikely to be under pressure to progress towards the 0.15% target; since we are close to reaching it already (0.14% in 1979, which is the last year for which full figures are available). Other major donors, including France, which is making great play with its sympathetic stance at this conference, are much further away.

4. Given what we know of the US attitude towards targets there is unlikely to be unanimous Conference agreement on a new target. However, the key point remains that in the run up to Melbourne and Cancun we should avoid being cast in the role of a major obstacle in the way of a reasonably forthcoming approach by the Community towards the poorest countries, and I therefore propose that our delegation be instructed to accept the proposed compromise text.

5. I am sending a copy of this minute to the Secretary of State for Trade.

(CARRINGTON)

2 September 1981

Foreign and Commonwealth Office

019

Copy 4
Mr Hayward ? in
the Private office

RESTRICTED

MAG 091/3		NO. 27
28 AUG 1981		
DESK OFFICER	RY	
INDEXED	✓	MW

7
7/4

GRS 94
RESTRICTED

FM FCO 240940Z AUGUST 81
TO PRIORITY MEXICO CITY
TELEGRAM NUMBER 282 OF 24 AUGUST
YOUR TEL NO 338: MEXICO SUMMIT

1. MEXICAN EMBASSY HANDED OVER A SIMILAR TEXT THIS AFTERNOON. WE TOLD THEM THAT, ALTHOUGH THE PRIME MINISTER HAD NOT YET BEEN CONSULTED, IT SEEMED LIKELY THAT SHE WOULD MAKE A WIDE RANGING INTERVENTION WITHIN THE 'FRAMEWORK FOR DISCUSSIONS' AGREED AT THE PREPARATORY MEETING. IT WAS THEREFORE UNLIKELY THAT WE WOULD WISH TO NOTIFY THE MEXICANS OF ANY PARTICULAR TOPICS. THE EMBASSY CONFIRMED THAT THEY DID NOT NECESSARILY EXPECT A REPLY.

CARRINGTON

Ag
Vand

NORTH/SOUTH STANDARD
ERD
ES & SD
MAED
TRED

ADDITIONAL DISTRIBUTION
NORTH/SOUTH

ECD
UND
ESID
Mand CD

RESTRICTED

Await Flo advice ✓ *non sub*
2) CF

Gwn PA

RESTRICTED

GRS 300

RESTRICTED
FM MEXICO CITY 210015Z AUG 81
TO PRIORITY FCO
TELEGRAM NUMBER 338 OF 21 AUG 81

NORTH/SOUTH SUMMIT: CUNCUN 22-23 OCTOBER

1. FOLLOWING IS TEXT OF LETTER TO YOU RECEIVED TODAY FROM THE MEXICAN FOREIGN MINISTER, CASTENEDA.

BEGINS:

ON BEHALF OF THE FEDERAL MINISTER OF FOREIGN AFFAIRS OF AUSTRIA, DR. WILLIBALD PAHR, AND ON MY OWN BEHALF, I WOULD LIKE TO RECALL THE UNDERSTANDING REACHED AT THE RECENT PREPARATORY MEETING OF MINISTERS OF FOREIGN AFFAIRS, HELD IN CUNCUN ON AUGUST 1 AND 2 REGARDING THE FRAMEWORK FOR DISCUSSIONS AT THE INTERNATIONAL MEETING ON COOPERATION AND DEVELOPMENT.

IT WAS AGREED THAT THE FRAMEWORK FOR DISCUSSIONS WOULD BE THE FOLLOWING: THE FUTURE OF INTERNATIONAL COOPERATION FOR DEVELOPMENT AND THE REACTIVATION OF THE WORLD ECONOMY, INCLUDING SUCH AREAS AS FOOD SECURITY AND AGRICULTURAL DEVELOPMENT SEMI-COLON ENERGY SEMI-COLON MONETARY AND FINANCIAL ISSUES. IT WAS FURTHER AGREED, INTER ALIA, THAT THIS FRAMEWORK FOR DISCUSSIONS WOULD ALLOW FOR THE POSSIBILITY THAT PARTICIPANTS COULD ADDRESS ADDITIONAL QUESTIONS IF THEY SO DESIRE.

AT THE PREPARATORY MEETING, FOLLOWING A SUGGESTION OF THE FOREIGN MINISTER OF JAPAN, IT WAS CONSIDERED ADVISABLE THAT THE PARTICIPATING HEADS OF STATE OR GOVERNMENT WHO WISH TO DO SO COULD INTIMATE TO THE CO-CHAIRMAN THE SPECIFIC SUBJECTS, WITHIN THE AGREED FRAMEWORK FOR DISCUSSIONS, ON WHICH THEY WOULD LIKE TO CONCENTRATE THEIR CONTRIBUTION AT THE MEETING, IN ORDER TO HELP THE CO-CHAIRMEN TO DIRECT THE DISCUSSION SO AS TO FOCUS ON MAJOR AREAS OF CONCERN.

RESTRICTED

/ IF HER

RESTRICTED

IF HER EXCELLENCY THE PRIME MINISTER OF THE UNITED KINGDOM INTENDS TO CONCENTRATE HER INTERVENTIONS AT THE MEETING ON SUCH SUBSTANTIVE QUESTIONS, IT WOULD BE OF GREAT ADVANTAGE TO HAVE AN EARLY KNOWLEDGE OF THE AREAS WHICH SHE WILL HIGHLIGHT, AS WELL AS AN OUTLINE OF HER APPROACH TO THEM.

WE WOULD VERY MUCH APPRECIATE IF THIS INFORMATION IS CONVEYED TO US AT THE EARLIEST POSSIBLE DATE.

ENDS.

2 ORIGINAL FOLLOWS BY BAG.

MORRIS

[THIS TELEGRAM WAS NOT ADVANCED]

NORTH/SOUTH STANDARD

ERD
ES & SD
MAED
TRED

ECD
UND
ESID
M AND C D

ADDITIONAL DISTRIBUTION

NORTH/SOUTH

- 2 -

RESTRICTED



10 DOWNING STREET

From the Private Secretary

20 August 1981

Thank you for your letter of 18 August, in which you asked if I could clarify the Prime Minister's remarks at Ottawa about a code of practice on the treatment of private capital investment in developing countries.

As you say, the Prime Minister has mentioned the possibility of a code of practice several times. She tells me the idea was first put forward by Mr. Biffen at her lunch with Mr. Trudeau on 26 June, and the record in Michael Alexander's letter to Roderic Lyne of that date sets out the background. As you will see, the Prime Minister has in mind a code of practice that protects private investment in the third world from nationalisation or expropriation, thereby encouraging a greater flow of private capital to developing countries.

I have drawn the Prime Minister's attention to the negotiations in the UN on a non mandatory code of practice on the operations of transnational companies, which we hope will include clauses protecting private investment from expropriation. But she is aware that little progress has been made in these negotiations since they were started in 1977. She has therefore asked for advice on how her suggestion might be followed up if she were to decide to pursue it. Since Mr. Biffen first floated this idea, you may wish to consult John Rhodes on what exactly he had in mind. I believe the Department of Industry will also have to be consulted since they lead on the UN negotiations on transnational companies.

As far as the State Department are concerned, you may wish to tell them that the Prime Minister was not proposing any definite new policy initiatives. You could give our Embassy in Washington discretion to explain the Prime Minister's thinking as outlined above and to explore American reactions, but I leave you to judge whether that would be useful.

I am copying this letter to Ian Ellison (Department of Industry), John Rhodes (Department of Trade) and David Wright (Cabinet Office).

W. F. S. RICHETT

Francis Richards, Esq.,
Foreign and Commonwealth Office.

Orig filed on Econ 101
R6, Ottawa Summit



10 DOWNING STREET

Prime Minister

You have occasionally mentioned the possibility of an international code of practice on the treatment of private capital investment in developing countries.

The FEO are wondering whether you have a new initiative in mind, or whether you were simply expressing support for the current UN negotiations on a non-mandatory code of practice on the operation of transnational companies. Since negotiations started in 1977, the UK has consistently supported such a code of practice, which would include clauses protecting private investment from nationalisation or expropriation in developing countries.

Do you have in mind a new initiative? or were you expressing support for our efforts in the UN?

WAGN 19/8

I mentioned it to
I made sure before Ottawa and
which reference was made

to sidejacks for investment
as a result.

We could follow with
suggestion
ms

الاجتماع الدولي للتعاون والتنمية

国际合作和发展会议

REUNION INTERNACIONAL SOBRE COOPERACION Y DESARROLLO
REUNION INTERNATIONALE SUR LA COOPERATION ET LE DEVELOPPEMENT
INTERNATIONAL MEETING ON COOPERATION AND DEVELOPMENT

August 18, 1981.

Dear Mr. Minister,

On behalf of the Federal Minister of Foreign Affairs of Austria, Dr. Willibald Pahr, and on my own behalf, I would like to recall the understanding reached at the recent preparatory meeting of Ministers of Foreign Affairs, held in Cancun on August 1st and 2nd, regarding the framework for discussions at the International Meeting on Cooperation and Development.

It was agreed that the framework for discussions would be the following: The future of international cooperation for development and the reactivation of the world economy, including areas such as food security and agricultural development; commodities, trade and industrialization; energy; monetary and financial issues. It was further agreed, inter alia, that this framework for discussions would allow for the possibility that participants could address additional questions if they so desire.

At the preparatory meeting, following a suggestion of the Foreign Minister of Japan, it was considered advisable that the participating Heads of State or Government who wish to do so could intimate to the Co-chairmen the specific subjects, within the agreed framework for discussions, on which they would like to concentrate their contribution at the Meeting, in order to help the Co-chairmen to direct the discussion so as to focus on major areas of concern.

His Excellency
Lord Carrington,
Minister of Foreign Affairs of the United Kingdom.

الاجتماع الدولي للتعاون والتنمية

国际合作和发展会议

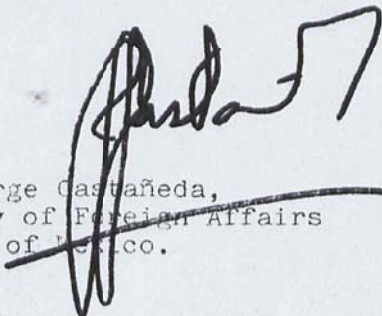
REUNION INTERNACIONAL SOBRE COOPERACION Y DESARROLLO
REUNION INTERNATIONALE SUR LA COOPERATION ET LE DEVELOPPEMENT
INTERNATIONAL MEETING ON COOPERATION AND DEVELOPMENT

* 2 *

If Her Excellency the Prime Minister of the United Kingdom intends to concentrate her interventions at the Meeting on such substantive questions, it would be of great advantage to have an early knowledge of the areas which she will highlight, as well as an outline of her approach to them.

We would very much appreciate if this information is conveyed to us at the earliest possible date.

With best regards,



Jorge Castañeda,
Secretary of Foreign Affairs
of Mexico.

015
Orig filed on Earld
17-6, Ottawa Summit



Foreign and Commonwealth Office

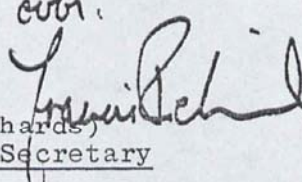
London SW1A 2AH

18 August 1981

Dear Willie,

/ The US State Department have asked our Embassy in
/ Washington for clarification of a remark made by the Prime
Minister at the Ottawa Summit about a code of practice on
the treatment of private capital investment in developing
countries. I enclose, for reference, a copy of the
relevant page of Sir R Armstrong's record of the Summit.
I also enclose extracts from Hansard col 501 of 23 July and
from your record of the Prime Minister's meeting with the
Australian Prime Minister on 30 July, two further occasions
on which she referred to the point.

The Prime Minister's suggestion does not arise from
the Summit briefing, and neither we nor the Departments of
Trade and Industry are sure whether the Prime Minister had
anything specific in mind. Would you, or David Wright, to
whom this letter is copied, be able to shed any further
light on the Prime Minister's thinking? If not, we shall
tell Washington that the Prime Minister was not going beyond
current official policy on investment protection. This is
based on the continuing negotiation of as many bilateral
investment protection agreements as possible, and includes
support for the current negotiations in the UN for a non-
mandatory code of conduct on the operations of transnational
companies.

Your covr.

(F N Richards)
Private Secretary

Willie Rickett Esq
10 Downing Street

CONFIDENTIAL

- 6 -

EXTRACT FROM RECORD OF PRIME MINISTER - RT HON MALCOLM FRASER MEETING
30 JULY 1981

Mr. Fraser agreed, but said that if some measures along those lines could be taken, it would affect the perceptions of many countries.

The Prime Minister said that since so many developing countries were capital-hungry, there might be more advantage in looking for arrangements which would make investment in them easier. An international code of practice might be helpful. But Mr. Fraser said that this could perhaps come out of the global negotiations. The Prime Minister expressed scepticism. The Prime Minister added that she recognised that many countries were not credit-worthy and would not attract capital. They had to be the recipients of aid. That was why the United Kingdom concentrated its official aid on the poorest countries. Mr. Fraser said that he recognised Britain's aid record was a good one. The Prime Minister asked about Australia's position on imports of third world products. The UK's policy was a liberal one. Mr. Fraser said that on a capital basis access to the Australian market for third world countries was very large. Australia was a huge importer of such products as textiles and footwear. There was a developing country preference. ASEAN was increasing its exports to Australia at some 30% a year.

Mr. Fraser said that he discussed the question of how to handle North/South issues at GCMN with Mr. Ramphal. He had shown Mr. Ramphal a draft Declaration of Intent which he hoped could be issued in Melbourne. Mr. Ramphal would like the text to go further. Mr. Fraser said he thought that it was about right. He then handed a copy of the draft (attached) to the Prime Minister. He hoped that it could be appended to the usual communique. It should have some impact since it would come out two weeks before the Summit at Cancun. He hoped that it would not be "chilled by the bureaucracy".

The Prime Minister, who read the text through rapidly in Mr. Fraser's presence, said that she was anxious that nothing should be said at GCMN which would encourage people to think that

EXTRACT FROM RECORD OF 2ND PLENARY SESSION, OTTAWA, 20 JULY '81

differences in the world and strengthen the defence of political freedom. In this context he wished to say that Italy, which housed the specialised UN Agencies in food and agriculture, was ready to undertake, in co-operation with those agencies and after consultation with her partners in the European Community, an ad hoc initiative in the field of food aid for the poorest countries.

Mrs Thatcher (United Kingdom) said that at the Venice Summit Heads of State or Government had discussed relations with developing countries under four heads: bilateral aid, multilateral aid, private sector aid, and trade. Many of those present at Venice had felt that they would like to give more in bilateral aid: this would be in line with historic links, and would give aid to those who would make the best use of it. We should give a higher proportion of our aid to the poorest countries: the United Kingdom had a good record in this direction. The Venice Summit had been insistent that the integrity of the World Bank and the International Monetary Fund must be maintained, and that these institutions must continue to be governed by and to stick to their rules. The Venice Summit had also stressed the importance of private capital: the developing countries had a hungry need for private capital, and the potential was enormous. Private aid would develop better if there were a code of practice on the treatment of private capital, at any rate in the early years of an investment. This was a subject which could perhaps be discussed at the Cancun Summit. On trade, the industrialised countries were in the process of giving the developing countries aid in order to compete with their own industries. The aid given to the development of textile industries was a case in point. The industrialised countries had to agree that they would take a substantial proportion of their consumption of such products from the developing countries, but there had to be very careful negotiations about the volume of trade, in order to avoid trouble with domestic industries.

In general the industrialised countries had a good record in their relations with developing countries, and should not be defensive about it. They should not arouse too great hopes of the Cancun Summit. The trouble about summit conferences was that they tended to arouse expectations of great new programmes. She did not think that any such outcome was to be expected from

all the economic Europe, in that the newly developing countries are now producing efficiently and well many products that we used to regard as our own preserves. They are taking an advanced view with regard to the latest technologies. They are investing a much bigger proportion of their income than we are. For example, I think that in Japan about one-third of the road is—by the way, they are not all taken out in wages—are plugged back into the latest technologies. I agree with my hon. Friend that that means an enormous structural change and that we have been rather slow to adopt it.

There are other financial problems. We have gone on increasing public expenditure, assuming that we should not grow, but that growth has not come about. That, too, has caused many financial problems. Ultimately, unless we eliminate the fiscal conditions in relation to output, there will not be enough money for private industry to invest to become profitable again.

Mr. Kevin McNamara (Kingston upon Hull, Central): The right hon. lady has made a statement of a declaration that said:

"We are committed to maintaining substantial and, in many cases, growing levels of official development assistance". Are we in order to increase our development assistance of 0.7 per cent, if so, by how much? Is the hon. lady's signature not mean anything?

The Prime Minister: For the committee I did not commit us not to increase Government aid. I cannot promise increases Government aid this year. I hope that our excellent flows of private aid will continue and that they will increase from other countries, but that will happen only if the developing countries adopt a code of practice to safeguard those investments.

Mrs. Stanley Newens (Harlow): Does the Prime Minister agree that since interest rates are likely to push the world further into economic depression and that, if the present high levels in the United States continue, other countries will be forced to take their interest rates? In such circumstances, will she make clear what her view on this issue, or does she approve of what can only be described as the monetary policy that has been followed?

The Prime Minister: No, I most certainly do not approve of such a policy. I believe that the high interest rates in the United States can have an impact on the European economy. I would like to see the high interest rates reduced and I would like to see the high interest rates reduced before the present Administration takes office. They are trying to press on the high interest rates, which is a policy which it is hoped will reduce the inflationary pressure. Therefore, it is expected that high interest rates will be reduced before they are before Congress. High interest rates will come down.

Wigant Cranbone (Dorset, South): Did my right hon. friend and her colleagues discuss in any detail the impact of the volatility of exchange rates on the world economy? If not, why not? I am aware that the volatility of exchange rates is a major problem, but I am not sure that it is a problem that will be solved in the near future. I would like to know what the hon. lady's view is on this issue.

The Prime Minister: I do not think that any of us likes the volatility of exchange rates. As a result, we would

recessions caused by sharp oil price increases, the vast sums of money that can now move round the world are far greater than any reserves that we may have to allow us to intervene to hold the exchange rate. If we were to try to intervene with our modest reserves, we should throw them all into the hands of the speculators, and nothing would be done to achieve the stability that we all desire. That is a fact of life that we have to recognise.

Mr. T. W. Urwin (Houghton-le-Spring): During the discussions on the separate and disparate economies of democratic countries, was any reference made to the economy of a former European democracy, Turkey? Did the member States at the summit conference accept a collective responsibility to impress upon the military junta now operating in Turkey the importance of an early return to plural democracy?

The Prime Minister: On this occasion we did not discuss Turkey. On other occasions we have got together to give aid to Turkey.

Mr. Michael Hamilton (Salisbury): Did my right hon. Friend have any opportunity for any discussions with the Canadian Prime Minister, and did three-line Whips figure in those discussions?

The Prime Minister: I did not have a private discussion with the Canadian Prime Minister on the subject that I think my hon. Friend is raising.

Mr. Ernie Ross (Dundee, West): In relation to the political issues discussed by the Heads of Government in Ottawa, how does the Prime Minister see the time to see the statement made by the ex-Prime Minister of Israel, Mr. Begin, in which he makes it clear that only political solutions exist. Will she now be in a position to instruct her right hon. and noble Friend the Foreign Secretary that the only initiative possible is an initiative European initiative free from the Camp David accord?

The Prime Minister: We have always made it clear that the European initiative was complementary to the Camp David accord. Many of us take the view that the Middle East problem cannot be solved without the considerable influence of the United States upon Israel.

Mr. John Burt Foster (Knotford): Did not the success of the summit depend much on the reasonable modesty of the expectations put upon it? Is it not extraordinary in the modern day world that the summit conference that was convened in London, attended by previous participants in such meetings, who seemed to achieve little to date, should appear to the world to have been by taking the summit meeting?

The Prime Minister: These conferences cannot be understood unless we understand the context of the summit meeting together quickly. They are developed and what I would like to see is a summit meeting. Such a summit of journalists follows us in a much greater degree of a problem, because if some news is given on it, it tends to be met by the news. However, I agree with my hon. Friend that it is not a summit meeting that we are talking about. I discuss what world leaders think the summit meeting is. There will be some world leaders who will be at the summit. The problems remain the same and we are not going to solve them.

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

17 August 1981

The Prime Minister has seen a copy of Lord Gowrie's letter to the Chancellor of 12 August, in which he raised the suggestion that the Government might impose a levy on the overseas holdings and outflows of the corporate savings sector.

The Prime Minister sees serious difficulties in such a proposal. She is not attracted by the idea of a levy on savings in any form. In her view, it would be simpler to reduce the tax relief available to pension and insurance funds. If Lord Gowrie's proposal were to be taken any further, she foresees particular difficulties in relation to investment in the developing countries, at a time when the Government is seeking to demonstrate internationally that commercial flows of funds are an important part of our financial relationship with the developing world. Any step which could be interpreted as taxing such flows would not help our case as we go into a series of major international meetings where North-South problems will be discussed.

I am sending a copy of this letter to David Fraser (Lord Gowrie's Office, Department of Employment).

M. A. PATTISON

Peter Jenkins, Esq.,
H.M. Treasury.

CONFIDENTIAL



Minister of State

Department of Employment
Caxton House Tothill Street London SW1H 9NA
Telephone Direct Line 01-213...5949...GTN...213
Switchboard 01-213 3000

2

Mr. [unclear]

Prime Minister

*An interesting idea
for raising revenue from
Loss Savings.*

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
LONDON SW1

12 August 1981

*A levy on Savings!
It would be simple to reduce
the tax relief available to
Personal Investment Funds.
net.*

*Investment in underdeveloped
countries. More - it?
North/South? \rightarrow
challenge will that?!*

Dear Geoffrey,

Following my attendance at NEDC last week, in Jim Prior's absence, I am writing to you with a revenue idea that has come to me after talking to some fund managers in the corporate savings sector.

This is a suggestion for a levy to be raised by the Government on the overseas holdings and outflows of the corporate savings sector. This levy could be seen as a kind of commission or dollar premium for the unprecedented freedoms we have given this sector to invest abroad. These freedoms are entirely right as it makes excellent sense for an offshore island and trading economy to take a stake in other economies - one way or another we have done so for centuries. But corporate fund professionals to whom I have spoken are amazed that there has been so little directed investment in this country and are braced for it sooner or later.

I understand that some 20% of corporate savings sector funds now go to overseas assets and this proportion is rising. This puts the present outflow figure at about £3 billion. A 5% levy on an annual outflow of this size could yield £150 million a year. If we also placed a levy on corporate holdings overseas this would yield something like another £100 million in the first year.

This seems to me an idea for extra revenue well worth considering as we seek to maintain our economic strategy and in particular the position that you are taking on pay and unemployment. The cash limit/tight money squeeze is proving a successful counter inflation policy for wages: halved this pay round and this is the first pay round presided over by the Government uncompromised by Labour's post dated settlements and pre-electoral doubling of PSBR. The mid-1980 RPI was effectively where we started, not the May 1979 figure.

However, for this squeeze to continue and for the counter inflationary pressure to be maintained on those in work, the Government has to be seen to be less politically vulnerable on the school leaver issue (for which I have monitoring responsibility within this Department). In that quest we are going to have to consider again this autumn moving towards a German style scheme for the training of young people and such a levy as I suggest could be seen as a help towards any additional net costs. It would then have the political attraction of retaining the funds' freedom from direction, while acknowledging the connection between building up human as well as financial assets for the future.

I have discussed this idea with Jim Prior, who is on holiday, and he has agreed that I should write to you. I am copying this letter to the Prime Minister, to Keith Joseph and David Howell, whose spokesman I am in the House of Lords, and to Michael Heseltine in view of his discussions with the fund professionals in connection with Merseyside which I attended.

*Yours,
Gwy*

LORD GOWRIE

HOLD FOR RELEASE

World Bank

1818 H Street, N.W., Washington, D.C. 20433, U.S.A. • Telephone: (202) 477-1234



Career Conference

Prime Minister

*You may find this
interesting. I
have the full
report if you wish
to see it.*

2

EMBARGO: FOR RELEASE BY A.M. NEWSPAPERS
MONDAY, AUGUST 10, 1981

WORLD DEVELOPMENT REPORT 1981 EMPHASIZES
NEED FOR GLOBAL AND NATIONAL ECONOMIC ADJUSTMENT

"The external pressures on developing countries have shown little sign of easing over the past 12 months," according to the World Development Report, 1981, published today by the World Bank. The Report, fourth in an annual series, draws particular attention to the "increasingly desperate predicament" of the poorest countries. The low-income oil importers, it says, "face the 1980s, which have started badly for them, with no sign of change in either their trade or their aid prospects."

The Report this year is devoted to global and national adjustment in the world economy. It presents projections for the 1980s, in terms of a Low and a High case. The difference between the two cases depends on such factors as growth in the industrial countries, the extent of trade protectionism, domestic economic efficiency and the amount of external capital the developing countries obtain. The Report discusses in detail the assumptions behind these projections.

There are separate chapters on the three key features of global adjustment -- trade, energy and external finance. The Report devotes a chapter to studying how developing countries adjusted to external pressures in the 1970s, using case studies of individual countries to illustrate general themes.

Projections

While the outlook for oil-exporting developing countries is good, the oil-importers will improve on their performance in the 1970s of a rise of 2.7% a year in GNP per person only if the High case is achieved. Under the Low case, they will manage an increase of 1.8% a year, and only 0.7% a year for the low-income oil importers.

This increase would not be enough to prevent a sharp increase in the number of people living in absolute poverty. From today's estimate of 750 million, the number of the absolute poor could rise to 850 million by the end of the century. Under the High case by contrast, their numbers could fall to 630 million. As the Report says, "the difference between the scenarios is not just one of growth rates, but a fundamental difference of outlook," not just for developing countries but for the whole world.

Trade

Despite a sharp slowdown in world trade during the 1970s, the non-fuel exports of developing countries grew faster -- more than 6% a year in the 1970s, compared with 5% a year in the 1960s. "Trade has provided an avenue for growth and industrialization, and for the oil-importing countries, a source of earnings to meet their increasing fuel costs."

However, the Report points out that only relatively few developing countries boosted their export earnings substantially. "In 1978, only 10 countries, with 45% of the developing world's population, supplied more than 75% of its manufactured exports; and three countries, with less than 3% of the population, supplied more than 40% of the total." The low-income countries remained heavily dependent on raw material exports, which suffered both from deteriorating terms of trade and from sluggish demand.

The Report underlines the benefits that industrial countries gain from their trade with a buoyant developing world. "From 1970 to 1978, developing country exports of manufactured goods to industrialized countries increased by almost \$12 billion (at 1970 prices); but industrialized countries increased their manufactured exports to developing countries by almost three times as much."

Concluding that, on balance, the degree of protectionism has not increased during the past 10 years, the Report states: "As long as the trading system remains open, the now-successful middle-income countries should continue to progress." For the low-income Asian countries, the Report says that "over the longer term, their trade prospects are primarily a question of their own policies" given an expanding trade environment. Should they adopt outward-looking economic policies, they could follow the road of the successful exporters. Low-income African countries, on the other hand, do not have the domestic base to take advantage of an open trading system. Until they have developed the infrastructure and, above all, the human skills, they will not be able to expand their exports significantly.

Energy

"Although some countries can adjust to more expensive energy by boosting their exports and borrowings," the Report says, "for the world as a whole a large part of the adjustment must be made more directly, through changes in the supply and demand for energy itself."

Some progress has already been made on the demand side. Nearly all governments are now conscious of the need to raise final energy prices to encourage conservation despite the political difficulties of doing so. Yet while industrialized countries can adapt their economies to conservation, the pattern of economic growth in developing countries -- industrialization, urbanization -- is increasingly energy-intensive.

On the supply side, progress has been slow. The Report estimates that, for oil-importing developing countries, around \$40 billion a year (in 1980 prices) will be needed for their energy development. Since the energy

market is a global one, there is "a strong incentive for all parties to help boost energy production in developing countries... No investments show a greater coincidence of the economic and strategic interests of the developed and developing countries."

Capital Flows

External borrowing is the bridge that allows oil-importing countries to finance their deficits while making the longer-term adjustments to bring those deficits down. "In the absence of new external shocks, external capital requirements of the oil importers are likely to decline as a ratio to their GNP, from the high level reached in 1980 (4.9%). But the decline will be gradual and current account deficits are likely to remain high compared to historical averages."

The Report says that "the low-income countries can borrow very little commercially. They will continue to depend heavily on official, and mainly concessional, lending for financing their development and structural adjustment." But the Report emphasizes that "the level and outlook for Official Development Assistance is cause for serious concern to the low-income countries." Not only are aid flows unlikely to grow as fast as seemed possible a year or two ago, but they are still biased heavily towards middle-income countries. Some 63% of all bilateral aid from OECD and OPEC countries goes to middle-income countries, much of it concentrated on four countries: Egypt, Israel, Jordan and Syria. "Reallocating concessional aid from middle-income to low-income countries is almost as important as increasing its overall amount."

On commercial lending, the Report concludes that "the concern for the total debt of developing countries that occupied regulators, financial commentators and some banks in the late 1970s is likely to be replaced by a greater emphasis on individual creditworthiness."

Adjustment: Country Studies

The experience of the 1970s provides valuable lessons for the 1980s. The Report notes: "In general terms, industrial countries increased their exports to the capital-surplus countries and slowed down their growth. Middle-income countries borrowed heavily in the capital markets; some also replaced imports and increased their export penetration of industrial country markets. Some low-income countries were helped by good crops, and more aid and workers' remittances. But African countries, especially, were beset by domestic problems and could neither increase their exports nor borrow much; they had to cut imports and suffer stagnation."

The Report highlights the importance of domestic economic policies: some countries possessing similar economic structures and natural resources nevertheless differed widely in the way they coped with difficulties. Certain key policy priorities are highlighted: raising domestic saving and investment, and using those resources efficiently; adopting a neutral approach as between export promotion and import substitution in the choice of exchange rates, taxation and subsidies; and, for primary producers, diversifying the range of commodities and markets.

Human Development

"The urgency of measures to increase the productivity and incomes of the poor directly is in no way diminished by a more adverse external environment," says the World Development Report; "the measures themselves, however, and finance to support them, may be at risk."

Several countries have already cut back human development programs; yet there are various ways of maintaining their efficiency. Better-off people can be charged for public services, costs can be shared with local communities and communications can be improved. Measures like these have been adopted in various countries, often to considerable effect. Human development programs seldom use much energy. Nor do they require much foreign exchange. A large share of the costs are recurrent costs and for this reason they have received very little support from aid agencies. The Report argues that this bias against human development funding has been both illogical and harmful.

The recurring issues of food and population are discussed in the light of adjustment pressures. While there is little cause for alarm about another global food shortage to match the 1973-74 crisis, there are several disturbing features about the position today. World food markets face growing demands from middle-income countries, a process that is bound to continue as incomes rise and more grain is fed to livestock. Internally, many countries' distribution and storage systems need considerable improvements if they are to meet the needs of the growing population.

The Report underlines the links between poverty and rapid population growth. Depending on their success in economic and social development, countries still have a considerable influence over the eventual level of their population. The Report estimates that the population of the developing countries could stabilize at about 7 billion if "replacement fertility" (about two children per couple) is achieved in 25 years' time. But if it is delayed for 45 years, the eventual stationary population would be over 10 billion. What happens now is thus of critical importance: "To future generations who inherit an over-crowded and under-nourished earth, any dereliction on the part of the present generation will appear shortsighted, indeed irresponsible."

This last point is one of many features of interdependence discussed in the Report. The health of the economies of the industrial countries is increasingly tied to that of developing countries, through trade and financial links, and especially in the markets for energy and food. These are immediate issues; and even the longer-term ones such as environment and population depend on action that has to be taken now. It is illusory, the Report says, for industrial countries to believe they can immunize themselves from the problems faced in the developing world.

CONFIDENTIAL



*Copied to United States
Prime Minister 2
Mael 80
South Africa
Global
W
2/8*

Foreign and Commonwealth Office
London SW1

7 August 1981

mb

Mr Geoffrey,

GLOBAL NEGOTIATIONS AND OTHER RELATIONS
WITH DEVELOPING COUNTRIES

Peter Carrington, who is now on holiday, has asked me to reply to your letter of 30 July on the Global Negotiations. In it you referred to the preparatory meeting for the Cancun Summit, the UN Conference on New and Renewable Sources of Energy and the UN Conference on the Least Developed Countries. I have comments on all four.

Peter Carrington took part in the Cancun preparatory meeting. It revealed a general wish that the Summit should give a push to the Global Negotiations, though everyone (except the Algerian) wanted the Summit and the Global Negotiations to be kept clearly distinct. Al Haig did not resist this and agreed that the relationship between the Summit and the Global Negotiations could be reflected in the 'framework for discussion' in the same terms as in the letter of invitation to the Summit. This makes clear that, while there is no formal link between them, the Summit should give a positive impetus to the Global

The Rt Hon Sir Geoffrey Howe QC
Chancellor of the Exchequer

/Negotiations

CONFIDENTIAL

CONFIDENTIAL



Negotiations - and to other international activities - without pre-empting them. I should add that Al Haig took a generally conciliatory line. The Americans are clearly aware of the dangers of isolation.

The outcome of the Cancun meeting is quite compatible with the position agreed between officials and set out in paragraph 29 of DCO(81)32. But I cannot agree that, as regards the Global Negotiations, the Ottawa Declaration should be regarded as superseding the Presidency Statement from the Luxembourg European Council. The European Council statement still stands as the collective position of all Community countries. We must abide by this position and restate it whenever our Community role requires us to do so.

When preparatory discussions for the Global Negotiations resume in New York, we will of course want to ensure that they are launched as a 'mutually acceptable process' and 'in circumstances offering the prospect of meaningful progress' (the language of the Ottawa communiqué). Our concern, as before, will be to protect the integrity - not just the formal competence - of the GATT and the International Financial Institutions in the procedural framework for the Global Negotiations and to achieve a balanced agenda on acceptable terms. I agree that, if and when the Global Negotiations come, they could be difficult. But we must recognise the strength of the political pressure to hold them and not fight vainly against it (you will have seen what the Prime Minister said to Malcolm Fraser on the subject on 30 July).

The UN Conference on New and Renewable Sources of Energy opens next week. There is an agreed Community position which, at present, gives no support for any commitment to increased

/aid funds.

CONFIDENTIAL

CONFIDENTIAL



aid funds. So long as our partners stand firm, we should be able to hold to this. We shall have some modest proposals for bilateral assistance, within the aid programme, from which we hope to gain credit.

The position on the Conference on the Least Developed Countries is rather different. A number of our Community partners will be ready, indeed willing, to accept some or all of the various targets put forward by the Group of 77. In our Presidency statement to ECOSOC on 2 July we made clear that the Community would adopt a reasonably positive stance at the Conference and agreed that 'the quality and volume of ODA is clearly of great importance.'

I therefore think it will be difficult for the UK to refuse any wording relating to an increase in aid to the Least Developed Countries. Although we should probably have the Americans alongside, we should, with the possible exception of Germany, be isolated within the Community and might find ourselves preventing a Community position being achieved on this issue.

I do not suggest that we should accept obligations with 'significant public expenditure implications'. But, in order to avoid isolation within the Community, I believe we should if necessary be prepared to go along with the target likely to arouse the most interest and support, namely that developed countries should devote aid amounting to 0.15% of their GNP to the Least Developed Countries. We should accept this only on the same basis as we have accepted the 0.7% target for official aid: as an aim without a target date for its achievement. We should, in the process, stress the high priority

/given to

CONFIDENTIAL

CONFIDENTIAL



given to the poorest countries in the UK aid programme, with 62% of our bilateral aid going to them in 1980 - a much larger share than most other donors give them. The narrower group of Least Developed Countries received 0.14% of our GNP in 1979, taking bilateral and imputed multilateral aid together ie only just short of the target, though we were probably further away from it in 1980. Such an approach would probably enable us to put together a Community position, though we might wish to make a reservation of some kind. This is a strong part of our own position, and we should make the most of it and not throw it away.

The outcome of this Conference will have an impact on the atmosphere of the more important meetings which will follow it. What we do at Paris will affect our standing at Melbourne and Cancun. A formula such as I have suggested could help us and others to call the Conference a success. It could also enable us to avoid other difficult commitments, such as the extension of the STABEX scheme to Least Developed Countries outside the Lomé Convention. On this basis, I am sure that it will be worthwhile to accept it. The Americans have never accepted the 0.7% target and it is therefore easier for them to take the same attitude towards a target for the least developed; I am suggesting that we also adopt the same attitude in relation to both targets.

As for the meetings later in the year - the Commonwealth Heads of Government meeting and the International Meeting for Cooperation and Development (as the Cancun Summit is now called) - Peter Carrington, in his minute of 28 July, promised to return to the question of whether the policies set out in DCO(81)32 will suffice very early after the Summer holidays. This remains our aim.

/I am copying

CONFIDENTIAL

CONFIDENTIAL



I am copying this letter to the Prime Minister and other members of OD, and to Sir Robert Armstrong.

*Yours
Lan*

CONFIDENTIAL

GR 375

CONFIDENTIAL

CONFIDENTIAL

FM HAVANA 061600Z AUG 81

TO ROUTINE FCO
TELNO 183 OF 6 AUGUST,
AND INFO TO UKMIS NEW YORK, UKMIS GENEVA, WASHINGTON AND MEXICO
CITY,
AND INFO SAVING TO VIENNA.

NORTH-SOUTH SUMMIT

- 1.. THE CUBANS ARE STILL AGITATING FOR AN INVITATION TO THE
CANCUN SUMMIT FOR CASTRO, ALTHOUGH IT IS HARD TO BELIEVE
THAT HE CAN REALLY STILL HOPE TO GET ONE.
- 2.. FOREIGN MINISTER MALMIERCA PAID A FLYING VISIT TO NEW YORK
ON 29 JULY TO LOBBY THE PREPARATORY MINISTERIAL MEETING OF
G77 CANCUN PARTICIPANTS. THIS PLOY APPEARS TO HAVE BEEN COOKED
UP WITH THE MEXICANS, THE INDIANS AND PERHAPS THE ALGERIANS.
CASTANEDA PAID AN UNPUBLICISED VISIT TO HAVANA ON 25 JULY: AND
MY INDIAN COLLEAGUE'S PLANNED DEPARTURE FROM CUBA TWO WEEKS AGO
WAS POSTPONED UNTIL AFTER THE CANCUN MINISTERIAL MEETING BECAUSE
OF "URGENT BILATERAL BUSINESS".
- 3.. ACCORDING TO A DETAILED REPORT GIVEN ME BY MY MEXICAN
COLLEAGUE, MALMIERCA'S REQUEST TO ADDRESS THE NEW YORK
MEETING ON 29 JULY GOT A MIXED RECEPTION. IT WAS SUPPORTED BY
MEXICO, INDIA, ALGERIA AND GUYANA AND OPPOSED BY NIGERIA,
PHILIPPINES AND SAUDI ARABIA, WITH THE REST SILENT OR FENCE-
SITTING. AFTER A DEBATE LASTING ALL MORNING AND OVER LUNCH IT
WAS FINALLY AGREED THAT MALMIERCA COULD ADDRESS ONE MEETING ON
THE UNDERSTANDING THAT G77 REPRESENTATIVES COULD NOT CHANGE THE
DECISIONS PREVIOUSLY TAKEN IN VIENNA ON PARTICIPATION AT THE
SUMMIT.
- 4.. WHEN I ASKED MALMIERCA ON 31 JULY HOW HIS TRIP TO NEW YORK
HAD GONE, HE REPLIED THAT HE HONESTLY COULDN'T SAY: THE
MEETING HAD BROKEN UP SHORTLY AFTER HIS SPEECH AND HE HAD NOT
HAD A CHANCE TO EVALUATE THE PARTICIPANTS' REACTIONS BEFORE THEY
HAD SET OFF FOR CANCUN.
- 5.. THE CUBAN MEDIA HAVE PREDICTABLY DOWNPLAYED THE CANCUN
MINISTERIAL MEETING, PRESENTING THE AGENDA AND OBJECTIVES
AGREED FOR THE SUMMIT AS LIMITED AND NEGATIVE. THE US IS SAID

CONFIDENTIAL

/ TO BE

CONFIDENTIAL

TO BE PLANNING TO USE THE SUMMIT AS A MEANS OF EXTENDING ITS ECONOMIC EXPLOITATION OF THE THIRD WORLD; AND THE UK IS ALLEGED TO HAVE JOINED THE US IN OPPOSING GLOBAL NEGOTIATIONS, IN CONTRAST WITH THE MORE CONSTRUCTIVE ATTITUDES ADOPTED BY OTHER EUROPEAN NATIONS ESPECIALLY FRANCE.

6.. IT WOULD BE HELPFUL TO HAVE AN ACCOUNT OF ANY DISCUSSION AT CANCUN OF THE QUESTION OF CUBAN PARTICIPATION AT THE SUMMIT AND, INDEED, A GENERAL ACCOUNT OF THE MINISTERIAL MEETING.

FCO PASS SAVING TO VIENNA.

THOMAS

[REPEATED AS REQUESTED]

THIS TELEGRAM
WAS NOT
ADVANCED

NORTH/SOUTH 1

ERD
ES & SD
MAED
YRED
ECD
LOND
ESID

ADDITIONAL DISTRIBUTION
NORTH/SOUTH

2

CONFIDENTIAL

RESTRICTED

Econ PM



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

mt

6 August 1981

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

Prime Minister 2

This is overtaken by the Preparatory Meeting's decision to drop the idea of two participants' introducing the four themes at Cancun. But you may wish to be aware of the Chancellor's views.

Dear Mr. Alexander,

PREPARATION FOR CANCUN SUMMIT

I refer to Roderic Lyne's letter to you of 28 July, your reply of 31 July, and David Lumley's letter to you of the same date.

*WR
L/S*

The Chancellor shares Mr Howell's distaste for the idea of two participants introducing each of the four major themes. He was glad to see from Mexico City telegram No 314 that the preparatory meeting decided not to pursue the idea.

The Chancellor would be particularly concerned at the difficulties which the Prime Minister might encounter if she were to introduce the subject of finance. Inevitably she would be placed in the role of the developed countries' spokesman, whatever the formal status of the intervention, and she would be expected by the other developed country participants and also by our other Community partners to reflect their views in her intervention. This would constrain her ability to express UK views on financial matters affecting developing countries.

More generally, whoever introduced the theme of finance on behalf of the developed countries would be bound, in present economic circumstances, to put forward arguments which would be at odds with the collective posture of developing country leaders. There is thus a risk that whoever fulfilled the role of developed country spokesmen would be publicly denounced as the leading hard liner. In the Chancellor's view, a very much better way of getting our views across would be by means of semi-formal exchanges between the Prime Minister and individual leaders.

/The decision

RESTRICTED



The decision by the Preparatory Meeting to drop the idea of chosen countries to introduce particular themes has apparently removed the above risks. But, just in case that proposal is revived, the Chancellor has asked me to register the above points.

I am copying this letter to Roderic Lyne (FCO), John Rhodes (DoT), David Lumley (Department of Energy) and Kate Timms (MAFF).

Yours sincerely,

Jill Rutter

JILL RUTTER
Private Secretary

PS TO PM 10 DOWNING ST

RESTRICTED

FM MEXICO CITY 030030Z AUG 81
TO IMMEDIATE FCO
TELEGRAM NUMBER 314 OF 3 AUGUST

INFO WASHINGTON, PARIS, BONN, OTTAWA, TOKYO, VIENNA, UKMIS GENEVA,
UKMIS NEW YORK, UKREP BRUSSELS

INFO SAVING UKDEL OECD, OTHER EC POSTS, NEW DELHI, BRAZALIA, CARACAS,
GEORGETOWN, PEKING, JEDDA, DACCA, MANILA, ALGIERS, LAGOS, DAR-ES-
SALAM, ABIDJAN, BELGRADE, STOCKHOLM

PREPARATORY MEETING FOR CANCUN SUMMIT

1. THE FOREIGN MINISTERS' MEETING TO PREPARE FOR THE CANCUN SUMMIT FINISHED BY NOON ON 2 AUGUST WITH THE ISSUE OF AN AGREED PRESS STATEMENT (COPIES BY HAND OF BAYNE). THE MEETING WAS UNEVENTFUL AND DEALT ENTIRELY WITH PROCEDURAL QUESTIONS. THE ATMOSPHERE WAS FRIENDLY, WITH ONLY ALGERIA STRIKING ANY DISCORDANT NOTES.
2. CANADA GAVE AN ACCOUNT OF THE RELEVANT RESULTS OF THE OTTAWA SUMMIT. THESE WERE WELCOMED BY THE LDC PARTICIPANTS AS BEING HELPFUL AND CONSTRUCTIVE.
3. IT WAS GENERALLY CONSIDERED THAT THE OTTAWA DECLARATION MARKED A MOVE FORWARD ON GLOBAL NEGOTIATIONS. HOWEVER SOME CONDITIONS WERE STILL ATTACHED TO GLOBAL NEGOTIATIONS, AND INDIA AND OTHERS URGED THAT THESE BE SORTED OUT BEFORE THE SUMMIT ITSELF. MOST PARTICIPANTS STRESSED THE IMPORTANCE OF THE SUMMIT GIVING AN IMPETUS TO LAUNCHING THE GLOBAL NEGOTIATIONS IN THE UN - SOME ARGUED THAT THE SUMMIT COULD NOT BE A SUCCESS UNLESS IT ACHIEVED THIS. THE AMERICANS DID NOT RESPOND DIRECTLY TO THESE POINTS, THOUGH THEY PLEDGED GENERAL COOPERATION WITH DEVELOPING COUNTRIES (AND CLAIMED A 16 PER CENT INCREASE IN THEIR AID OVER LAST YEAR).
4. AGREEMENT WAS RAPIDLY REACHED ON THE FOLLOWING:-
 - (A) THE SUMMIT WOULD CONSIST OF AN EXCHANGE OF VIEWS TO PROMOTE A MEETING OF MINDS. IT WOULD NOT NEGOTIATE OR TAKE FORMAL DECISIONS.
 - (B) THERE WOULD BE NO AGREED BASIC DOCUMENTS, THOUGH COUNTRIES COULD CIRCULATE NATIONAL DOCUMENTS IF THEY WISHED.
 - (C) THE OUTCOME WOULD BE EXPRESSED IN A SUMMING-UP BY THE MEXICAN AND AUSTRIAN CO-CHAIRMEN.
5. THERE WAS NO PRESSURE FOR A DETAILED FRAMEWORK FOR DISCUSSION: THE MEXICAN PAPER WAS NOT MENTIONED. BUT ALGERIA ARGUED FOR AN EXPLICIT LINK WITH THE GLOBAL NEGOTIATIONS AND FOR NO SPECIFIC

RESTRICTED

IN ORIGINAL OF NO. OF 34

TOPICS. THEY WERE SUPPORTED BY SAUDI ARABIA (ON THE SECOND POINT ONLY), BUT OPPOSED NOT ONLY BY DEVELOPED COUNTRIES BUT ALSO BY NIGERIA, WHO STRESSED THE SUMMIT SHOULD BE KEPT SEPARATE FROM THE UN. IT WAS FINALLY AGREED TO REPEAT THE WORDING FROM THE INVITATION WHICH MENTIONS THE GLOBAL NEGOTIATIONS.

6. THE RELEVANT PASSAGE FROM THE PRESS STATEMENT READS:-
QUOTE THE MINISTERS AGREED, AFTER EXTENSIVE DISCUSSIONS, THAT THE MEETING WILL NOT WORK ON THE BASIS OF A FORMAL AGENDA, BUT RATHER WITHIN A DISCUSSION FRAMEWORK WHICH WOULD:

- REFLECT THE COMPLEXITY OF THE CURRENT PROBLEMS OF THE WORLD ECONOMY AS WELL AS THE INTERRELATIONSHIP AMONG THEM;
- OFFER THE OPPORTUNITY FOR AN EXCHANGE OF VIEWS OF A GENERAL NATURE ON THE FUTURE OF NORTH-SOUTH RELATIONS, IN PARTICULAR ON INTERDEPENDENCE AND MUTUALITY OF INTEREST AMONG DEVELOPING AND DEVELOPED COUNTRIES;
- ENCOMPASS MAJOR AREAS OF CONCERN ON WHICH TO FOCUS DISCUSSIONS;
AND
- ALLOW FOR THE POSSIBILITY THAT PARTICIPANTS COULD ADDRESS ADDITIONAL QUESTIONS IF THEY SO DESIRE.

THE MINISTERS FURTHER AGREED THAT, IN CONFORMITY WITH THE LETTER OF INVITATION, WHILE HAVING NO FORMAL LINK WITH THE GLOBAL ROUND OF NEGOTIATIONS A MAIN OBJECTIVE OF THE MEETING SHOULD BE TO FACILITATE AGREEMENT WITH REGARD TO THE SAID GLOBAL ROUND OF NEGOTIATIONS BY MEANS OF ACHIEVING A REAL MEETING OF MINDS AND POSITIVE POLITICAL IMPETUS BY HEADS OF STATE OR GOVERNMENT FOR THESE AND OTHER EFFORTS OF INTERNATIONAL ECONOMIC COOPERATION IN OTHER FORA, WITHOUT IN ANY WAY PREEMPTING OR SUBSTITUTING FOR THEM.

ACCORDINGLY, THEY AGREED ON THE FOLLOWING ITEM AS THE FRAMEWORK FOR DISCUSSIONS AT THE MEETING: THE FUTURE OF INTERNATIONAL COOPERATION FOR DEVELOPMENT AND THE REACTIVATION OF THE WORLD ECONOMY, INCLUDING AREAS SUCH AS FOOD SECURITY AND AGRICULTURAL DEVELOPMENT; COMMODITIES, TRADE AND INDUSTRIALIZATION; ENERGY; MONETARY AND FINANCIAL ISSUES. UNQUOTE.

7. THE ORGANISATION OF DISCUSSION AT THE SUMMIT WILL BE IN THE HANDS OF THE MEXICAN AND AUSTRIAN CO-CHAIRMEN, THOUGH ALL AGREED ON AVOIDING SET SPEECHES AND PROMOTING INFORMAL EXCHANGES. THERE WILL BE NO GENERAL DEBATE, BUT PARTICIPANTS WILL BE FREE, IF THEY WISH, TO MAKE GENERAL OPENING STATEMENTS, PREFERABLY LESS THAN TEN MINUTES. THE IDEA OF INTRODUCTORY SPEAKERS CHOSEN IN ADVANCE DID NOT GAIN SUFFICIENT SUPPORT. EACH COUNTRY WILL HAVE TWO SEATS AT THE TABLE AND TWO BEHIND.

RESTRICTED

8. THE QUESTION OF SOVIET OR CUBAN PARTICIPATION WAS NOT RAISED. THE UN SECRETARY-GENERAL WILL BE INVITED AS A SPECIAL GUEST (NOT AN OBSERVER) WITH THE RIGHT TO SPEAK.

9. AT THE FINAL PRESS CONFERENCE THE MEXICAN FOREIGN MINISTER STRESSED THE EXCELLENT ATMOSPHERE AT THE MEETING, WHICH HE REGARDED AS A GOOD AAUGURY FOR THE SUMMIT ITSELF.
FCO PASS SAVING ALL.

COX

(REPEATED AS REQUESTED)

NORTH/SOUTH STANDARD

ERD
ES & SD
MAED
TRED

ECD
UND
ESID
APD

ADDITIONAL DISTRIBUTION

NORTH/SOUTH

RESTRICTED

CONFIDENTIAL

File

Econ

Pol

3 August 1981

RELATIONS WITH DEVELOPING COUNTRIES

The Prime Minister has seen and noted
your Secretary of State's minute of 28 July.

W. F. S. RICKETT

Roderic Lyne, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

SW

Eron 151



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01-211-6402

*Wh
3/8*

M O'D B Alexander Esq
10 Downing Street
London

31 July 1981

Dear Michael

PREPARATIONS FOR THE CANCUN SUMMIT

My Secretary of State has seen Roderic Lyne's letter to you of 28th July.

He does not like the idea of two participants speaking on each theme as apparently suggested by the Mexicans. If this is really unavoidable, he agrees with the Foreign Secretary that we should not put ourselves forward. If however, we do become one of the speakers, he is prepared for energy to be our first preference of subject.

I am copying this letter to the Private Secretaries to the Secretary of State for Foreign and Commonwealth Affairs, the Chancellor of the Exchequer, the Secretary of State for Trade, and the Secretary of State for Agriculture, Fisheries and Foods.

Yours ever

David Lumley

DAVID LUMLEY
Private Secretary

RESTRICTED



10 DOWNING STREET

From the Private Secretary

31 July 1981

PREPARATIONS FOR THE CANCUN SUMMIT

As I have told you on the telephone, the Prime Minister has seen your letter to me of 28 July about the arrangements for the Summit at Cancun. The Prime Minister would be prepared to introduce one of the major themes set out in your letter. However, her order of priorities would be slightly different from that of the Foreign and Commonwealth Secretary. Her first preference would be finance, followed by energy and trade and food, in that order. The Prime Minister recognises that the Americans may opt for finance and would, in those circumstances, be content to speak on energy. She also recognises that there may be resistance to the idea that we and the Americans should each introduce a topic.

I am sending copies of this letter to John Wiggins (HM Treasury), John Rhodes (Department of Trade), Julian West (Department of Energy) and Kate Timms (MAFF).

M. O'D. B. ALEXANDER

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

CONFIDENTIAL



(2)

Prime Minister

To note

Handwritten initials and date: 29/7

PM/81/38

PRIME MINISTER

Handwritten initials: MB

Relations with Developing Countries

1. I have read with interest Sir Robert Armstrong's minute to you of 14 July, which refers to certain policy options we may want to consider regarding our relations with developing countries. I have noted, from their minutes of 16 and 22 July, that Geoffrey Howe and John Biffen are reluctant to see any change in our present policies.

2. I think it is useful that Sir Robert Armstrong has set out these options for us at this stage, in addition to circulating the report from DCO. As he says, discussions are not required immediately. But we shall need to consider, very soon after the Summer holidays, whether existing policies will prove sufficient for you when you go to the Melbourne and Cancun meetings in late September and October, or whether some changes are needed. I shall be able to judge the approach of the other Cancun participants at the preparatory meeting at the end of this week. Meanwhile, the Ottawa Summit provided useful clues on the attitude of our closest partners; and last week's Commons debate showed that the Government's position is still under some criticism here at home. After my return from the Cancun meeting, I may therefore wish to return to this subject.

/3.

CONFIDENTIAL

CONFIDENTIAL



3. I am copying this minute to Geoffrey Howe, Keith Joseph, John Biffen, David Howell, Peter Walker and to Sir Robert Armstrong.

A handwritten signature in blue ink, consisting of a stylized 'C' with a horizontal line underneath.

(CARRINGTON)

Foreign and Commonwealth Office
28 July 1981

CONFIDENTIAL



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

I would have thought that
 Lord Carrington's ~~own~~ order of priority
 is about right - assuming that you
 would be willing to introduce one topic. Apex?

28 July 1981

Dear Michael,

RMJ - 28/7

Preparations for the Cancun Summit

Lord Carrington will be going to the Preparatory Meeting for the Cancun Summit this weekend. We shall be working for agreement on procedures for the Summit itself which will allow for open and informal discussion there.

There is one point on which Lord Carrington would be glad of the views of the Prime Minister and other Ministers concerned. We have learnt that the Mexicans may suggest that each of the four major themes (trade, food, energy and finance) should be introduced at the Summit by two participants - one developed and one developing country.

Lord Carrington thinks that we should not push ourselves forward, but that if there is a general wish that we should introduce one of the themes, we should be ready to take this on. Our preference should be for energy, finance, trade and food, in that order. Food could be an awkward subject, as we are food importers; and with both trade and food, the extent of Community competence might inhibit us. But since it would fall to the Prime Minister to give any such introduction at the Summit, Lord Carrington would be glad of her views before he agrees to anything.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Trade, the Secretary of State for Energy and the Secretary of State for Agriculture, Fisheries and Food.

Yours own
Roderic Lyne
 (R M J Lyne)
 Private Secretary

M O'D B Alexander Esq
 10 Downing Street

*pa. 2/11
3/11*

CONFIDENTIAL

GRS 820
CONFIDENTIAL
FM PARIS 241506Z JUL 81
TO IMMEDIATE FCO
TELEGRAM NUMBER 642 OF 24 JULY 1981
INFO PRIORITY BONN
INFO ROUTINE WASHINGTON, UKREP BRUSSELS, UKMIS NEW YORK,
UKMIS GENEVA, MEXICO CITY, VIENNA.
INFO SAVING TO BRUSSELS, COPENHAGEN, DUBLIN, THE HAGUE, LUXEMBOURG,
ROME, ATHENS, MOSCOW.

*See para 4 overleaf for touch
ideas on Cancun.*

Ans

CANCUN SUMMIT

1. EVANS (AUSS, FCO) CALLED ON WARIN IN THE QUAI TODAY TO DISCUSS PREPARATIONS FOR THE FOREIGN MINISTERS' MEETING ON 1 - 2 AUGUST AND THE SUMMIT IN OCTOBER. FOLLOWING ARE THE MAIN POINTS.

ms

ARRANGEMENTS FOR FOREIGN MINISTERS MEETING

2. EVANS BEGAN BY EXPLAINING THAT HE WAS HOLDING PRELIMINARY DISCUSSIONS WITH FRENCH AND GERMAN OFFICIALS. HE TOLD WARIN THAT HERR GENSCHER HAD SUGGESTED AN ANGLO/GERMAN BILATERAL MEETING WITH YOU BEFORE THE FOREIGN MINISTERS' MEETING AND THAT YOU WERE FAVOURABLY DISPOSED TO THE IDEA. NEVERTHELESS IT COULD BE DIFFICULT TO ARRANGE A TIME SINCE YOU WOULD NOT ARRIVE UNTIL LATE ON FRIDAY EVENING. WARIN SAID THAT THE FRENCH GOVERNMENT FAVOURED THE CLOSEST POSSIBLE COORDINATION BETWEEN THE THREE EC COUNTRIES REPRESENTED, WITHOUT GIVING THE IMPRESSION OF FORMING A BLOC OF INDUSTRIALISED COUNTRIES. HE CONSIDERED THAT A TRILATERAL MEETING TO INCLUDE M CHEYSSON WOULD BE A USEFUL IDEA AND WOULD SO RECOMMEND TO HIS MINISTERS. HE UNDERTOOK TO LET THE EMBASSY KNOW M CHEYSSON'S REACTION. M CHEYSSON WOULD ARRIVE ON THURSDAY FOR DISCUSSIONS ON BILATERAL QUESTIONS WITH THE MEXICAN GOVERNMENT BEFOREHAND AND WOULD LEAVE ON A TOUR OF THREE LATIN AMERICAN COUNTRIES AFTER THE SUMMIT.

OTTAWA SUMMIT

3. EVANS SAID THAT THE OUTCOME OF THE OTTAWA SUMMIT WAS SATISFACTORY FROM THE STANDPOINT OF CANCUN. THERE WAS NOTHING IN THE COMMUNIQUE TO WHICH LDCS COULD OBJECT AND THE PROCEEDINGS HAD NEITHER PARTICULARLY HELPED NOR HINDERED THE PREPARATIONS. WARIN AGREED BUT EXPRESSED DISAPPOINTMENT OVER WHAT HE DESCRIBED AS FEEBLE PHRASING OVER THE PROPOSAL FOR AN IBRD ENERGY AFFILIATE. THE FRENCH STILL DID NOT UNDERSTAND THE REFERENCE TO ITALIAN PROPOSALS ON FOOD PRODUCTION (OTTAWA TEL NO 392, PARAGRAPH 19).

CONFIDENTIAL

/PREPARATIONS

CONFIDENTIAL

PREPARATIONS FOR CANCUN SUMMIT

4. ASKED FOR HMG'S PRELIMINARY VIEWS EVANS WENT OVER THE FIVE POINTS IN PARAGRAPH 3 OF FCO TEL NO 224 TO MEXICO CITY. WARIN HAD THE FOLLOWING COMMENTS:

(A) ON THE AGENDA, M CHEYSSON HAD EXPRESSED THE VIEW THAT THE FOUR THEMES SUGGESTED BY THE MEXICANS (TRADE, FOOD, ENERGY AND FINANCE) WERE TOO CLOSE TO THE GLOBAL NEGOTIATIONS AGENDA. INSTEAD HE WANTED DISCUSSION AT THE SUMMIT TO FOCUS ON ENTIRELY DIFFERENT "BURNING ISSUES". HE QUOTED THE COST OF ENERGY AND THE INTERNATIONAL MONETARY SYSTEM AS EXAMPLES. HE WAS TOTALLY OPPOSED TO THE DETAILED AGENDA PROPOSED BY SOME LDCS AND MEMBERS OF THE BRANDT COMMISSION.

(B) ON THE FORM OF THE DISCUSSION, M CHEYSSON THOUGHT THERE SHOULD BE A DEBATE ON EACH "BURNING ISSUE" WITH ONE OR TWO PRINCIPAL SPEAKERS FROM EACH SIDE (LDCS AND INDUSTRIALISED COUNTRIES) MAKING REPRESENTATIVE STATEMENTS, BY DEFINITION OF AN ADVERSARIAL NATURE, TO BE FOLLOWED BY GENERAL DISCUSSION. WRITTEN TEXTS SHOULD BE PROVIDED BEFOREHAND TO REDUCE THE LENGTH OF SPEECHES.

(C) M CHEYSSON'S VIEWS ON PREPARATIONS FLOWED FROM HIS IDEAS ON AGENDA AND FORM. HE WAS OPPOSED TO FORMAL MACHINERY ON THE LINES OF THE SHERPAS, BUT SOME COORDINATION WOULD BE NEEDED TO DESIGNATE WHICH COUNTRIES WOULD SPEAK ON WHICH SUBJECTS. IF HIS IDEAS WERE ACCEPTED, THIS WOULD BE ONE OF THE TASKS OF THE FOREIGN MINISTERS MEETING.

(D) ON SUMMIT ARRANGEMENTS, M CHEYSSON WAS STRONGLY IN FAVOUR OF ISOLATING HEADS OF GOVERNMENTS WITH ONLY TWO MINISTERIAL ADVISERS. IN FRANCE'S CASE THIS WOULD BE THE MINISTERS OF FOREIGN AFFAIRS AND THE ECONOMY. OFFICIALS SHOULD BE HOUSED SEPARATELY AND KEPT AWAY.

(E) ON THE COMMUNIQUE, M CHEYSSON AGREED THAT THERE SHOULD BE A SET OF CHAIRMAN'S CONCLUSIONS ON EUROPEAN COUNCIL LINES. HE WAS AGAINST ANY WRITTEN COMMUNIQUE OR SET OF OPTIONS, AS PROPOSED BY THE MEXICANS.

CONFIDENTIAL

5. IN DISCUSSION WARIN SAID THAT M CHEYSSON HAD SEEN THE MEXICAN FOREIGN MINISTER ON 17 JULY AND HAD CANVASSED THE IDEAS IN PARAGRAPH 4 ABOVE. SNR CASTENADA HAD APPEARED TO ACCEPT THE IDEA OF ONE OR TWO PRINCIPAL SPEAKERS MAKING REPRESENTATIVE STATEMENTS FROM EACH SIDE BUT HAD STUCK TO THE FOUR THEMES PROPOSED EARLIER. SNR CASTENADA SEEMED TO MOVE TOWARDS THE POSSIBILITY OF COMBINING THESE SUGGESTIONS BY HAVING THE FOUR THEMES WITH ONE SPEAKER FROM EACH SIDE. VARIOUS NAMES HAD BEEN MENTIONED FOR THE SUBJECTS, AND THE MEXICANS HAD SPECIFICALLY STATED THAT THE AMERICAN GOVERNMENT WOULD NOT BE ACCEPTABLE TO THEM AS A PRINCIPAL SPEAKER ON ANY OF THE SUBJECTS IN VIEW OF ITS ALLEGEDLY EXTREME POSITION.

6. EVANS UNDERTOOK TO REPORT THE IDEAS IN PARAGRAPH 4 ABOVE AND NOTED THAT BRITISH OFFICIALS FAVOURED THE IDEA OF FOUR THEMES RATHER THAN "BURNING ISSUES". HE GAVE WARIN A COPY OF THE REVISED AGENDA PREPARED BY BRITISH OFFICIALS AS A POSSIBLE ALTERNATIVE TO THE MEXICAN PROPOSALS. WARIN SAID THT HE WOULD LET THE EMBASSY HAVE COMMENTS AS SOON AS POSSIBLE.

SOVIET ATTENDANCE

7. SNR CASTENADA HAD TOLD M CHEYSSON ON 17 JULY THAT HE SAW LITTLE CHANCE THAT THE RUSSIANS WOULD ATTEND. SUBSEQUENTLY THE MEXICAN AMBASSADOR HAD TOLD WARIN THAT HE THOUGHT THE RUSSIANS MIGHT COME, AND THE FRENCH AMBASSADOR IN MOSCOW HAD REPORTED THAT THE RUSSIANS MIGHT NOW SEND OBSERVERS.

FCO PLEASE PASS SAVING TO BRUSSELS, COPENHAGEN, DUBLIN, THE HAGUE, LUXEMBOURG, ROME, ATHENS, MOSCOW.

HIBBERT.

[REPEATED AS REQUESTED]

STANDARD
ERD
ES & SD
MAED
TRED
ECD
UND
ESID
NAD
M & C D

ADDITIONAL DISTRIBUTION
NORTH/SOUTH

CONFIDENTIAL

Erin P. H.



(2)

Prime Minister

WJ

PH

LA

PRIME MINISTER

RELATIONS WITH DEVELOPING COUNTRIES

in Prime Minister's Office

Sir Robert Armstrong sent me a copy of the minute to you of 14 July. I have since seen the comments of the Chancellor in his minute of 16 July.

I recognise that the Cancun meeting which the Foreign Secretary is attending in August may raise issues which will need to be considered further by colleagues. But I would like to join the Chancellor in sounding a note of caution.

In some respects, Cancun may be the first meeting of its sort. But, in terms of the pressure we are under to soften our North/South line, it is only one of a series. We have had such meetings before - for example UNCTAD V, the Commonwealth Heads of Government; we have others this year, and we shall have more next (including possibly the biggest of all, the United Nations Global Negotiations). I do not see anything particularly different or compelling about the series of meetings this autumn. Our record overall is not that bad, as the defence of our position in Annex D to the report attached to Sir Robert Armstrong's minute shows. In our present straightened circumstances I do not believe we have anything to be ashamed of. We must not allow ourselves to waiver when we come under pressure at such occasions from the development lobby.

I am copying this minute to the Foreign Secretary, the Chancellor, the Secretaries of State for Industry and Energy, the Minister of Agriculture and Sir Robert Armstrong.

WJB

Department of Trade
1 Victoria Street
London, SW1H 0ET

JB

22 July 1981

CONFIDENTIAL



OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SW1E 5DH

Telephone 01-213 4819

*Esq. Mr.
Top Copy
on
Ottawa
Policy
Pt 6*

17 July 1981

Sir Peter Preston KCB
Permanent Secretary

Michael Alexander Esq
Private Secretary
No. 10 Downing Street

Dear Michael,

OTTAWA SUMMIT: DEFENSIVE MATERIAL ON AID

...
...
As agreed at the Prime Minister's meeting yesterday, I submit a table giving factual material on our comparative performance which can be drawn on at Ottawa. I also attach a table prepared for the OECD Development Assistance Committee last November which provides a league table both of aid performance and economic indicators. This needs handling with some care as the figure for ODA as a percentage of GNP for the UK is at the artificially high level of 0.52. This placed us seventh in OECD. Our 1980 figure (artificially low) would take us down several places. But it does illustrate that our aid is high in proportion to our economic strength.

I am sending copies of this letter and enclosures to Michael Palliser, Ken Couzens, Robert Armstrong and Nicholas Bayne.

*Yours ever
Peter*

Peter Preston

OTTAWA SUMMIT: ANNEX TO BRIEF FOR ITEM 3(a)
DEFENSIVE NOTE ON UK COMPARATIVE AID/ECONOMIC PERFORMANCE

	1980 Total Aid £m	1980 Bilateral Share %	1980 Aid GNP %	1979 Aid to low income countries (1) %	1979 Aid to least developed countries (2) %	Share in IDA VI Replenish- ment	1979 Private flow GNP %	1980 Share of "Summit" GNP %	1980 Imports from non- oil ldc's £ m	1980 Imports from non- oil ldc's %
UK	1,781	70(3)	0.34(4)	77	25	10.10	2.30(5)	8.3	17.6	10.0
USA	7,091	62	0.27	44	11	27.00	0.51	41.7	64.8	36.7
Germany	3,518	65	0.43	50	24	12.50	0.45	13.0	25.0	14.1
France	4,041	82	0.62	24	10	5.38	0.88	10.3	17.4	9.8
Japan	3,304	59	0.32	67	18	14.65	0.46	16.4	33.2	18.8
Canada	1,036	62	0.42	76	38	4.30	0.50	3.9	3.6	2.0
Italy	678	11	0.17	n.a	n.a	3.85	1.02	6.3	15.1	8.5
Summit Total	21,449	65	0.34	49	17	77.78	0.69	100.0	176.7	100.0
All OECD Develop- ment Assistance Committee members	26,719	66	0.37	53	19	91.13	0.73	-	214.8(6)	-

(1) Low-income countries are those with a GNP per capita less than \$450 in 1978 (slightly broader than the definition of the "poorest" used by UK)

(2) As defined by the UN

(3) Figure atypically high because no promissory note issued to IDA; 1979 figure of 55% more representative

(4) This, the lowest percentage yet recorded by the UK, compares with the unusually high figure of 0.52 in 1979. Two exceptional factors account for a large part of the fall - the delay in coming into effect of the IDA replenishment as a result of US Congressional difficulties, and slow drawings of aid by some major bilateral recipients. Net aid in 1980/81 was £948m as against £898m in 1979/80.

(5) 1980 figure, still provisional, likely to be about 1.8% (not 1% as earlier quoted in the brief for item 3(a))

(6) All OECD.

Table 1
Aid performance and selected economic indicators for DAC countries

	ODA as % of GNP		National rankings of economic indicators ^{a)}	Average growth of GDP 1975-80	Unemployment rate 1980	Inflation rate ^{b)} 12 months to August	Budget deficit ^{c)} as % of GDP 1980	Current account balance as % of GNP, 1980								
	1985 Secretariat Projections															
	%	rank														
Sweden	0.94	1	0.35	3	12,240	3	2.8	8	2.3	5	12.3	12	-3.8	13	-4.3	13
Norway	0.93	2	1.00	1	11,300	6	3.7	4	1.6	2	11.4	10	+4.2	1	+1.2	1
Netherlands	0.93	3	1.00	1	10,740	8	1.7	13	6.3	10	7.0	4	-4.6	15	-1.2	6
Denmark	0.75	4	0.73	4	11,700	4	1.5	14	6.3	11	11.2	9	-1.5	7	-5.2	15
France	0.59	5	0.70	5	10,700	9	2.7	9	6.6	12	13.6	11	-0.7	4	-1.4	9
Belgium	0.56	6	0.60	6	11,430	5	2.3	10	7.6	15	6.3	3	-6.9	16	-4.3	14
United Kingdom	0.52	7	0.42	10	7,080	15	0.7	16	7.0	13	16.3	15	-3.0	9	+0.7	2
Australia	0.52	8	0.53	7	8,320	14	2.9	7	5.9	9	10.7 ^{d)}	7	-3.0 ^{d)}	10	-1.3	7
Canada	0.46	9	0.50	8	9,390	10	1.9	12	7.8	16	10.7	8	-2.8	8	-1.6	10
Germany	0.44	10	0.48	9	12,410	2	3.3	5	3.3	6	5.5	2	-3.3	12	-2.0	11
New Zealand	0.30	11	0.27	16	6,397	16	-0.6	17	4.5	7	17.9	16	-0.5	3	-5.4	16
Japan	0.26	12	0.33	15	8,730	12	5.7	1	1.9	3	8.7	6	-4.5	14	-1.3	8
Finland	0.21	13	0.40	11	8,510	13	4.8	2	4.6	8	12.3	13	+1.0	2	-3.9	12
Switzerland	0.21	14	0.35	12	15,320	1	1.5	15	0.3	1	4.2	1	-1.3	6	-0.2	4
United States	0.20	15	0.20	17	10,740	7	2.0	11	7.2	14	12.8	14	-1.1	5	+*	3
Austria	0.19	16	0.35	12	9,110	11	3.1	6	1.9	4	7.3	5	-3.0	11	-5.9	17
Italy	0.08	17	0.35	12	5,700	17	3.8	3	7.8	17	22.0	17	-8.3	17	-1.1	5
Total DAC	0.35	-	0.39	-	9,730	-	2.9	-	(6.0)	-	12.7	-	-2.8	-	-0.9	-

a/ Unweighted average of ranking performance of the five indicators selected.

b/ Consumer prices.

c/ General government net lending.

d/ 1979 data.

e/ 12 months to June.

Note: In addition to GNP per capita which remains the best single indicator for comparing basic economic aid giving capacity, the Secretariat has assembled information on a number of indicators of current economic conditions. Delegations generally found this presentation interesting but a number of them stressed the problematic character of the "National ranking of economic indicators."

Source: Recent OECD Secretariat sources.



Foreign and Commonwealth Office

London SW1A 2AH

16 July 1981

*p/w my briefs
cc. Mr Whitmore*

And

Dear Michael,

NORTH/SOUTH SUMMIT

In your letter of 1 June, you enclosed a memorandum which the Prime Minister had received from Mr Heath about the North/South Summit in Mexico. You also enclosed a copy of the Prime Minister's acknowledgement.

We have now studied Mr Heath's memorandum in some detail and we have set out our views in the enclosed commentary which has been cleared in Whitehall.

As you will see, we do not share Mr Heath's view that the international banking system is in serious difficulty, and believe that he himself would now be less alarmist on this point. Nor do we share his enthusiasm for a deal with the OPEC countries, although we recognise the value of a general discussion with them. The High Level Monitoring Group which reports to the Economic Summit has considered these issues and shares our view.

We see little purpose in a substantive reply seeking to refute the arguments in Mr Heath's memorandum, and the Prime Minister has not undertaken to do so. Our preference would be to draw on the enclosed commentary as and when Mr Heath's memorandum becomes public or the arguments in it are deployed by our critics. We know that Mr Heath sent copies of his paper to other Heads of Government attending the

/Cancún

M O D'B Alexander Esq
10 Downing Street



Cancún meeting, and the arguments deployed may come up at the Ottawa meeting and in other conversations with the Prime Minister's in question. I am sorry that the commentary has taken so long to prepare.

I am sending copies of this letter and its enclosures to John Wiggin (Treasury), Julian West (Energy), Kate Timms (MAFF), John Rhodes (Trade) and David Wright (Cabinet Office).

*Yours,
Akc*

A K C Wood
Assistant Private Secretary
to the Lord Privy Seal

CONFIDENTIAL

COMMENTARY ON MR HEATH'S MEMORANDUM TO THE MEXICO SUMMIT

1. Mr Heath invites the Summit to seek a common assessment of the problems, a sense of priorities and greater precision and direction of policy. In essence, he advocates an oil and financial deal with OPEC for which Cancun would provide the impetus.
2. His Memorandum starts from a doomsday view of the implications for the international banking system of developing country current account deficits. He argues that greater official action is required because the private sector will be unable to cope. Since OPEC hold the surpluses, they must be encouraged to help (by the offer of more votes in the IMF/IBRD and indexed assets). These financial aspects are linked to a deal with OPEC on oil prices. His proposals on food and trade are, by comparison, extremely limited.
3. Section I of Mr Heath's summary outlines the problems in a dramatic tone. We would question his stress on the debt problem and on the likelihood of a major default. We note that the draft World Development Report of the World Bank concludes that, while developing countries will face more serious debt management problems in the future, these difficulties do not point to a generalised debt problem. In the report's view, the outcome is more likely to be a greater emphasis on the creditworthiness of individual countries and the viability of particular economic projects.
4. As regards the measures he proposes on debt (Section II(a)), we question his emphasis on the need for greater official action. The financial markets have taken the main burden of recycling and, so far, have done so satisfactorily. There is no firm evidence that they will experience real difficulties. The IMF can play a complementary role, particularly for countries with limited access to commercial markets. More generally, we believe that there should be more stress on the need for adjustment by both developed and developing countries.
5. The argument that more OPEC surpluses should be attracted to the IMF also requires examination. The Fund's borrowed

CONFIDENTIAL

resources are small compared to quota subscriptions of over \$60 billion. There is broad agreement that any sustained increase in resources should be achieved by a general increase in quotas; borrowing is regarded as temporary. This implies less need to offer OPEC a greater share in decision-making in exchange for lending their funds. Nevertheless, the Saudi quota has recently been doubled to reflect their greater share in the world economy. (Developing countries now hold 41% of the votes in the IMF.)

6. The other suggested incentive, indexed assets, would be a major innovation and is unacceptable to the main industrialised countries. First the indexation of assets would remove a major constraint on the oil producers to price their oil responsibly. At present the value of their assets depends on the health of the industrialised economies, which in turn is affected by oil prices. If this link were removed oil producers would be insulated from the harmful effects of rapid oil price increases. Secondly, those who issued indexed assets would be required to accept contingent liabilities of an unknown and possibly enormous size. Alternatively the indexing of assets could be accompanied by a similar indexing of liabilities. In this case, the eventual borrowers, mainly the non-oil developing countries, would bear the potential cost. Finally, the indexation of assets might encourage the spread of indexation into other areas such as commodity prices and wages. Wider indexation would add very greatly to inflationary pressures by creating a direct link between cost and price increases.

7. The position on the other financial points contained in the summary is, briefly, as follows:-

(a) More resources for subsidising IMF/IBRD interest rates.

The rate of interest on most of the IMF's resources is already well below market rates. Further subsidisation would be costly; there is little enthusiasm for it. It has not been established that a reduction in the Fund's rate of interest would help the developing countries to any significant extent.

(b) Reform of IMF lending practices.

These have recently been reviewed and, some believe, have gone far enough. In any case, more experience of the policy of larger scale lending will be required before further reforms could be usefully considered.

(c) Improved marrying of OPEC surpluses with Third World projects.

Already takes place to some extent; could be examined further.

(d) Increased co-financing between IMF/IBRD and OPEC official holders.

Sixty per cent of co-financing funds made available between 1973 and '79 came from official sources, including OPEC.

(e) Cancel debts of poorest countries.

We have already cancelled the debts of 17 of the poorest countries through Retrospective Terms Adjustment. Little scope for further action by the UK.

8. The second major element in the Memorandum is a suggested deal with OPEC on oil prices, possibly involving some form of price indexation. This has been fully considered by the High-Level Energy Monitoring Group (who report to the Economic Summits). They have advised against pursuing it at present. Such a scheme would tend to favour producers without protecting consumers. Without a commitment by OPEC to maintain supplies during shortages, which it is unwilling and probably unable to make, a price scheme would operate simply to avoid the real price of oil falling; it would not prevent sharp price increases. Furthermore, it could not cope with political disruption which is the main risk of oil shortages. Moreover, the lack of cohesion within OPEC, and the widely differing political and economic interests of its members, would leave the agreement open to serious risk of abrogation, either collectively or by individual producers, on those occasions when supply was tight and the scheme worked against immediate producer interests. Our view therefore is that bilateral and informal discussions are the best way of maintaining a good working relationship, although we would not exclude a broader dialogue on general energy issues.

9. The Memorandum makes four suggestions on food:-

(a) Increased assistance to R&D for basic agriculture.

Could be considered, but main need is often proper application of research.

(b) A joint OECD/OPEC effort to increase fertiliser aid.

Fertiliser aid is already given in substantial quantities, both bilaterally and multilaterally. We do not accept the need for substantial increases.

(c) More food aid.

We doubt the value of this except for crises (which currently take up only 10-20% of total food aid). Other types of aid are more effective in fostering production. Food aid can even impede efforts to improve local production.

(d) Conclusion of a Wheat Trade Convention.

We favour this and are committed to negotiations on it!

10. On trade, the Memorandum makes two suggestions:-

(a) A standstill on protectionism, especially in the next MFA.

We could not agree to a standstill on the MFA. We believe that the new MFA will have to reflect today's less favourable economic circumstances.

(b) An indication of our determination to remove trade barriers against LDCs.

In current circumstances, there seems little scope for action in this field. In general, access to industrialised markets is already very liberal.

Economic Relations Department
8 July 1981



Foreign and Commonwealth Office

London SW1A 2AH

16 July 1981

Dear Michael,

p/w my briefs
C. A. Whitmore

Paul

NORTH/SOUTH SUMMIT

In your letter of 1 June, you enclosed a memorandum which the Prime Minister had received from Mr Heath about the North/South Summit in Mexico. You also enclosed a copy of the Prime Minister's acknowledgement.

We have now studied Mr Heath's memorandum in some detail and we have set out our views in the enclosed commentary which has been cleared in Whitehall.

As you will see, we do not share Mr Heath's view that the international banking system is in serious difficulty, and believe that he himself would now be less alarmist on this point. Nor do we share his enthusiasm for a deal with the OPEC countries, although we recognise the value of a general discussion with them. The High Level Monitoring Group which reports to the Economic Summit has considered these issues and shares our view.

We see little purpose in a substantive reply seeking to refute the arguments in Mr Heath's memorandum, and the Prime Minister has not undertaken to do so. Our preference would be to draw on the enclosed commentary as and when Mr Heath's memorandum becomes public or the arguments in it are deployed by our critics. We know that Mr Heath sent copies of his paper to other Heads of Government attending the
/Cancún

M O D'B Alexander Esq
10 Downing Street



Cancún meeting, and the arguments deployed may come up at the Ottawa meeting and in other conversations with the Prime Minister's in this question. I am sorry that the commentary has taken so long to prepare.

I am sending copies of this letter and its enclosures to John Wiggin (Treasury), Julian West (Energy), Kate Timms (MAFF), John Rhodes (Trade) and David Wright (Cabinet Office).

*Yours,
Alan*

A K C Wood
Assistant Private Secretary
to the Lord Privy Seal

CONFIDENTIAL

COMMENTARY ON MR HEATH'S MEMORANDUM TO THE MEXICO SUMMIT

1. Mr Heath invites the Summit to seek a common assessment of the problems, a sense of priorities and greater precision and direction of policy. In essence, he advocates an oil and financial deal with OPEC for which Cancun would provide the impetus.
2. His Memorandum starts from a doomsday view of the implications for the international banking system of developing country current account deficits. He argues that greater official action is required because the private sector will be unable to cope. Since OPEC hold the surpluses, they must be encouraged to help (by the offer of more votes in the IMF/IBRD and indexed assets). These financial aspects are linked to a deal with OPEC on oil prices. His proposals on food and trade are, by comparison, extremely limited.
3. Section I of Mr Heath's summary outlines the problems in a dramatic tone. We would question his stress on the debt problem and on the likelihood of a major default. We note that the draft World Development Report of the World Bank concludes that, while developing countries will face more serious debt management problems in the future, these difficulties do not point to a generalised debt problem. In the report's view, the outcome is more likely to be a greater emphasis on the creditworthiness of individual countries and the viability of particular economic projects.
4. As regards the measures he proposes on debt (Section II(a)), we question his emphasis on the need for greater official action. The financial markets have taken the main burden of recycling and, so far, have done so satisfactorily. There is no firm evidence that they will experience real difficulties. The IMF can play a complementary role, particularly for countries with limited access to commercial markets. More generally, we believe that there should be more stress on the need for adjustment by both developed and developing countries.
5. The argument that more OPEC surpluses should be attracted to the IMF also requires examination. The Fund's borrowed

CONFIDENTIAL

CONFIDENTIAL

resources are small compared to quota subscriptions of over \$60 billion. There is broad agreement that any sustained increase in resources should be achieved by a general increase in quotas; borrowing is regarded as temporary. This implies less need to offer OPEC a greater share in decision-making in exchange for lending their funds. Nevertheless, the Saudi quota has recently been doubled to reflect their greater share in the world economy. (Developing countries now hold 41% of the votes in the IMF.)

6. The other suggested incentive, indexed assets, would be a major innovation and is unacceptable to the main industrialised countries. First the indexation of assets would remove a major constraint on the oil producers to price their oil responsibly. At present the value of their assets depends on the health of the industrialised economies, which in turn is affected by oil prices. If this link were removed oil producers would be insulated from the harmful effects of rapid oil price increases. Secondly, those who issued indexed assets would be required to accept contingent liabilities of an unknown and possibly enormous size. Alternatively the indexing of assets could be accompanied by a similar indexing of liabilities. In this case, the eventual borrowers, mainly the non-oil developing countries, would bear the potential cost. Finally, the indexation of assets might encourage the spread of indexation into other areas such as commodity prices and wages. Wider indexation would add very greatly to inflationary pressures by creating a direct link between cost and price increases.

7. The position on the other financial points contained in the summary is, briefly, as follows:-

(a) More resources for subsidising IMF/IBRD interest rates.

The rate of interest on most of the IMF's resources is already well below market rates. Further subsidisation would be costly; there is little enthusiasm for it. It has not been established that a reduction in the Fund's rate of interest would help the developing countries to any significant extent.

CONFIDENTIAL

CONFIDENTIAL

(b) Reform of IMF lending practices.

These have recently been reviewed and, some believe, have gone far enough. In any case, more experience of the policy of larger scale lending will be required before further reforms could be usefully considered.

(c) Improved marrying of OPEC surpluses with Third World projects.

Already takes place to some extent; could be examined further.

(d) Increased co-financing between IMF/IBRD and OPEC official holders.

Sixty per cent of co-financing funds made available between 1973 and '79 came from official sources, including OPEC.

(e) Cancel debts of poorest countries.

We have already cancelled the debts of 17 of the poorest countries through Retrospective Terms Adjustment. Little scope for further action by the UK.

8. The second major element in the Memorandum is a suggested deal with OPEC on oil prices, possibly involving some form of price indexation. This has been fully considered by the High-Level Energy Monitoring Group (who report to the Economic Summits). They have advised against pursuing it at present. Such a scheme would tend to favour producers without protecting consumers. Without a commitment by OPEC to maintain supplies during shortages, which it is unwilling and probably unable to make, a price scheme would operate simply to avoid the real price of oil falling; it would not prevent sharp price increases. Furthermore, it could not cope with political disruption which is the main risk of oil shortages. Moreover, the lack of cohesion within OPEC, and the widely differing political and economic interests of its members, would leave the agreement open to serious risk of abrogation, either collectively or by individual producers, on those occasions when supply was tight and the scheme worked against immediate producer interests. Our view therefore is that bilateral and informal discussions are the best way of maintaining a good working relationship, although we would not exclude a broader dialogue on general energy issues.

CONFIDENTIAL

CONFIDENTIAL

9. The Memorandum makes four suggestions on food:-

(a) Increased assistance to R&D for basic agriculture.

Could be considered, but main need is often proper application of research.

(b) A joint OECD/OPEC effort to increase fertiliser aid.

Fertiliser aid is already given in substantial quantities, both bilaterally and multilaterally. We do not accept the need for substantial increases.

(c) More food aid.

We doubt the value of this except for crises (which currently take up only 10-20% of total food aid). Other types of aid are more effective in fostering production. Food aid can even impede efforts to improve local production.

(d) Conclusion of a Wheat Trade Convention.

We favour this and are committed to negotiations on it.

10. On trade, the Memorandum makes two suggestions:-

(a) A standstill on protectionism, especially in the next MFA.

We could not agree to a standstill on the MFA. We believe that the new MFA will have to reflect today's less favourable economic circumstances.

(b) An indication of our determination to remove trade barriers against LDCs.

In current circumstances, there seems little scope for action in this field. In general, access to industrialised markets is already very liberal.

Economic Relations Department
8 July 1981

CONFIDENTIAL

1. In the evaluation of the international situation our talks revealed full agreement on the key issues which face our countries and on its implications. We are firmly decided to face the challenges which confront us in a spirit of solidarity, cooperation and responsibility.

2. We all view with concern the continuing threats to world peace. Lasting peace can only be built on respect for freedom and dignity of nations and individuals. We appeal to all governments to exercise restraint and responsibility in international affairs and to refrain from exploiting crises and tensions.

3. In East-West relations, we are seriously concerned with the continuing build up of Soviet armaments. We are concerned as well by Soviet actions that are incompatible with the exercise of restraint and responsibility in international affairs. We will be firm in insisting on military balance and political restraint. Equally, we will be prepared for dialogue and cooperation if Soviet actions make these possible.

4. We agree that meaningful and verifiable arms control agreements are an important element of security policy.

5. We recognise that economic stability and social justice are a precondition for maintaining our defence capabilities.

6. On the question of Afghanistan, in spite of the fact that we publicly stated our firm and unanimous position at last year's Venice Summit, the situation remains unchanged. Therefore, with the overwhelming majority of nations, we continue to condemn the Soviet military occupation of Afghanistan. We support international efforts to achieve the complete withdrawal of Soviet troops and to restore to the Afghan people their right to determine their own future.

We note with approval the constructive proposal of the European Council for an international conference to bring about this result.

7. Together with regional organisations or States, we are resolved to do what is necessary to ensure a peace built on the independence and dignity of sovereign nations. All peoples should be free to chart their own course without fear of outside intervention. To that end, we are determined to promote peaceful resolution of disputes and to address underlying social and economic problems.

We are firmly resolved to continue our policy of finding political solution to crisis and conflict situations.

8. We reaffirm our conviction that respect for independence and genuine non-alignment are important elements of international peace and security.

We reconfirm our commitment to help the developing countries promote their economies and social evolution. All nations irrespective of their political systems are called upon to make their appropriate contributions. We reaffirm our willingness to continue our

/ cooperation

cooperation with developing countries on the basis of equal partnership.

9. Recalling the statement on refugees adopted at the Venice Summit, we are seriously concerned over the growing plight of refugees throughout the world. We reaffirm our support for international relief efforts and our appeal to all governments to refrain from actions which can lead to massive flows of refugees.

CONFIDENTIAL



*cc Ottawa
file*

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

PRIME MINISTER

RELATIONS WITH DEVELOPING COUNTRIES

Sir Robert Armstrong sent me a copy of his minute to you of 14 July. As he says, decisions are not needed at this stage on any of the possibilities he lists (paragraph 8); he correctly describes them as "hypothetical and illustrative options". I can understand why they have been assembled. But since he has circulated them now, and they will be in our minds at Ottawa, I should sound a note of caution at this stage.

2. We may not find ourselves in as comfortable a position on this subject as some of our partners at Ottawa and Cancun. But we shall not be isolated. In addition to President Reagan, Chancellor Schmidt will, as Sir Robert Armstrong says, be worried about the budgetary implications of more aid. In any case the Mexico Summit meeting is likely to be too big, too short and too diffuse to cause us serious concern. We can afford to adopt a low profile. Our record on aid is a good one; so is our record in the international financial institutions. Our general economic policy is also in line with that of most partners. And there does not seem to me any need for a major shift in our policy merely because we risk some rather unfocussed criticism from the LDCs.

3. For my part I believe we should adhere to the "stand firm" option in paragraph 7 of Sir Robert's note which, as he says, is not at all a negative position. I believe we can present positively and sympathetically our concern for the things which really matter to LDC development: the maintenance of private flows; the confidence and security of the international banking system; the ability of the international institutions to raise funds from both the developed countries and their financial

CONFIDENTIAL



markets, and from OPEC; the concentration of official aid on the poorest. Compared with this, the possibilities for expenditure or change of emphasis listed in paragraph 8 seem unlikely to make much impact at Mexico or elsewhere. Many of them do however raise quite serious policy issues for us.

4. I need not go into detail now, but:-

Energy

We support whatever arrangement will attract substantial OPEC funds and enable the World Bank Group to borrow satisfactorily in the markets. Without US backing an Affiliate will not achieve this.

Finance

(a) We cannot unilaterally propose an increase in the IBRD gearing ratio until Clausen himself proposes it (though if he does we can probably back him).

(b) The "partial guarantees" proposal is still under study; we are not sure that it will attract any additional investment, and some versions may well involve a high and unnecessary risk.

(c) We should not advocate a further allocation of SDRs, particularly if "skewed" in favour of LDCs. IMF resources should be used for balance of payments support during adjustment, not as semi-permanent sources of aid.

Global Negotiations

You know my views about these. I fear that they would institutionalise the unreal division between North and South, and add to recrimination. If we express enthusiasm for them, we make it more difficult to obtain the necessary safeguards for the IMF and World Bank.

CONFIDENTIAL



Aid

We cannot possibly contemplate adding £83 million and £88 million to Public Expenditure in the next 2 years (option 6). Our need is to reduce planned levels of expenditure still further, and we are already faced, as you know, with additional bids of around £6 billion.

Overseas Students' Fees

It seems perverse to reverse our policy on overseas student fees at a time when we are having to cut back expenditure on our own students in our own universities.


5. Given this, I am sure that our existing policies should stand until we make a decision together to change them. We should make our plans for the series of international meetings on this basis. If the Foreign Secretary wishes to pursue any of the possibilities in the paper, I hope he will circulate firm proposals to OD for early discussion.

6. I am copying this to the Foreign and Commonwealth Secretary, the Secretaries of State for Industry, Trade and Energy, the Minister of Agriculture and Sir Robert Armstrong.

(G.H.)
16 July 1981

CONFIDENTIAL

010
Ref: A05252


CONFIDENTIAL

PRIME MINISTER

Relations with developing countries

cc Ottawa
P. Amint
J. A.
You may like to keep this along with the Ottawa papers
Amint

Over the next three months we face a series of eleven international meetings at which the problems of the developing countries will be on the agenda, beginning with the Ottawa Summit next week, culminating in the Cancun Summit at the end of October, and including by the way (amongst others) the preparatory meeting of Foreign Ministers at Cancun at the beginning of August; the United Nations General Assembly beginning in mid-September, the Commonwealth Finance Ministers' meeting, followed by the Annual Meetings of the International Monetary Fund and the World Bank at the end of September, and the Commonwealth Heads of Government meeting early in October.

Flag
A

2. I thought that it would be useful if, by way of preparation for this series of meetings, Ministers could be furnished with a general background brief, which would indicate what our objectives should be and how we could make the best of our position. The resulting paper - attached to this note - is related specifically to the Cancun Summit, as the last meeting and culmination of the series, but provides a point of reference for the whole series.

3. I have reviewed the paper with Permanent Secretaries of the Departments most closely concerned. We think that it presents a good account of the objectives we should pursue and the stance we should adopt on present policies. The central question for your judgment and that of your colleagues is whether the position outlined in the paper - presented in the best possible way - will carry us through this series of international conferences.

4. The paper assumes that the aid programmes for 1982-83 and subsequent years already approved are confirmed. It is thus relevant to the review of public expenditure which begins next week and which will come to a head after the recess. In this review the Chancellor of the Exchequer is likely to be seeking further economies from the aid programme; other home economic Departments will be worried about the link between aid and export opportunities; and the Foreign and Commonwealth Secretary is likely to be pressing at least to preserve the present programme and may argue for some increase.

CONFIDENTIAL

5. In this series of international meetings we are likely to find ourselves in a rather exposed position. Apart from the pressures from the developing countries themselves, we are likely to find Canada (in the chair at Ottawa), Australia (in the chair at Melbourne) and the Japanese wanting to increase levels of aid and move quickly into the global negotiations. The position of the Italians will be similar. The Federal Chancellor will be worried about the consequences of more aid for his budgetary and balance of payments deficits, but will be constrained by the views of Herr Genscher and his other coalition partners. President Mitterrand is likely to commit France to increasing aid. Even the United States Government is taking credit for asking Congress to approve an increase in its aid provision in real terms for the financial year 1982. It is against this background that Ministers will have to consider, as both a political and an economic issue, whether the present programme and the stance suggested in this paper are sustainable and in the best interests of the United Kingdom.

6. It will not be possible to take a fully informed decision on these matters until after Ottawa and after the Foreign and Commonwealth Secretary returns from his Cancun preparatory meeting in early August. Thereafter the sooner we can come to a considered view the better - no doubt on the basis of specific proposals by the Foreign and Commonwealth Secretary. Even at this stage, however, Ministers may like to have in their minds the range of options within which the choices will have to be made.

7. The first broad option is to stand firm on our present policies (with or without a reduction in the aid programme), and to concentrate on presenting ourselves and our policies in the best possible light. This is not as negative as it sounds, as paragraph 30 of the attached paper shows.

8. The second broad option is to make some more or less marginal modification in our policies, so as to improve our image and reduce the risk of being isolated in the international discussion. Possibilities include:

(i) Energy

We could join other Community countries in favour of setting up an energy affiliate of the IBRD, as a means of securing substantial additional funds, particularly from the OPEC countries, for energy development in the developing countries.

CONFIDENTIAL

(ii) Finance

- (a) We could commit ourselves more strongly to the idea of raising the gearing ratio of the World Bank.
- (b) We could give stronger support for practical guarantees of commercial bank loans to developing countries (but *No* this might mean a contingent claim on the aid budget).
- (c) We could support the idea of new allocations of SDRs by the International Monetary Fund, organised so as to benefit low-income countries: this would help developing countries short of reserves, at no cost to OECD aid budgets.

(iii) Global Negotiations

As the Presidency, we are obliged to support the Community position agreed at the last European Council (calling for preparations to be completed as soon as possible); we could make a virtue of this by sounding more enthusiastic ourselves about the Global Negotiations.

(iv) Aid

If Ministers were prepared to contemplate an increase in the aid programme, various possibilities would be open:-

- (a) An addition of, say, £25 million a year to the aid programme.
- (b) A decision to hold the aid programme in real terms steady at this year's level (cost about £83 million in 1982-83 and £88 million in 1983-84).
- (c) A decision to hold the programme level in real terms next year and set it on a rising trend thereafter (a 1 per cent increase in 1983-84 would cost about £100 million).

(v) Overseas Students Fees

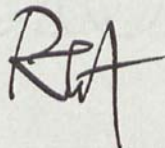
The decision to increase overseas students fees is saving £100 million a year on the Education vote, but has attracted strong criticism in the Commonwealth and in Britain, and

CONFIDENTIAL

will no doubt be attacked at the Commonwealth Heads of Government meeting. It might be possible to mute some of the criticism by introducing an expanded scholarship programme for students from developing countries. The cost would depend on the number of scholarships: about ^{100,000} £1 million for every 20 scholarships.

9. These are not decisions nor even recommendations; they are hypothetical and illustrative options, to show what might be available if Ministers wanted to consider the possibilities for some improvement in the United Kingdom's posture in international discussions over the coming months. Decisions do not need to be taken until after Ottawa and after the Foreign and Commonwealth Secretary's visit to Cancun; but it seemed sensible to provide this background briefing before the series of meetings began.

10. I am sending copies of this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretaries of State for Industry, Trade and Energy, and the Minister of Agriculture, Fisheries and Food.



Robert Armstrong

14th July, 1981

CONFIDENTIAL

THE MEXICO SUMMIT

Report by the Official Committee
on Relations with the Developing Countries

INTRODUCTION

1. The leaders of 22 nations are to meet at Cancun in Mexico on 22 and 23 October for an International Meeting. The purpose of the meeting is "to provide the participating leaders with an opportunity to have an exchange of views on major issues of international co-operation for development in an open and informal manner". The intention is that the meeting should be the occasion for a frank and informal exchange of views on all aspects of the North/South dialogue. It is not the intention that the Summit should have a formal place in that dialogue though many of the participants will see it as a means of breathing new life into the North/South processes which have largely atrophied - and in particular as providing a means of re-launching the Global Negotiations. A note listing the participating countries, and their likely representatives at Cancun is at Annex A, a note on the origins of the Cancun Summit, the nature of the discussion and the likely attitudes of other participants on co-operation and development is at Annex B, and a note on the sequence of relevant international meetings in the period from now to Cancun is at Annex C.

2. This report has been prepared by the Official Committee on Relations with the Developing Countries (DCO) in order to provide Ministers with a convenient background brief; with suggestions for the objectives to be pursued at the Summit and in the run-up to it; and to indicate the kind of stance we will need to adopt in the discussions. The report is explicitly based on the continuance of present policies although the authors are fully aware that the financial framework of those policies is subject to revision in the review of public expenditure on which Cabinet is to embark on 23 July; and in the light of the pressures, both internal and external, which will develop as the present sequence of major international conference unfolds. In short the report shows how the United Kingdom might best approach the Mexico Summit, and defend its interests there, on the twin assumptions that our overseas aid expenditure programme emerges unchanged (in either

CONFIDENTIAL

CONFIDENTIAL

direction) from the public expenditure review and that we do not decide to shift the present balance and priorities of our foreign policies in this area as the pressures unfold.

THE ECONOMIC BACKGROUND

3. Though many developing countries were in poor shape for other reasons, the latest oil price increases have made the economic prospects much worse for all developing countries, except those with their own oil. Between January 1979 and the present, average oil prices have risen by 160 per cent. Prices have now levelled off in a slack market and are falling in real terms, as they did in 1977-78. But the damage has already been done, and the future course of oil prices is difficult to predict.

4. The resulting shifts in external balances can be set out as follows -

	<u>Current Account Surpluses and Deficits - \$bn</u>				
	1978	1979	1980	1981	1982
OPEC	+3	+69	+112	+100	+90
Industrialised Countries	+30	-11	-47	-22	-16
Non-oil developing countries	-30	-58	-80	-97	-100

These figures and forecasts, taken from the IMF World Economic Outlook (ID/81/1, table 6) assume no further real increase in oil prices. They exclude official transfers: in this calculation aid finance is regarded as part of the capital account.

5. The oil price increases have reduced the ability of OECD countries to help developing countries in difficulty. Inflation must first be brought under control. Growth, when it resumes, is likely to be at a low rate. Budgetary constraints will affect the growth of official aid by OECD donors. United Kingdom and United States aid has fallen in real terms. (United States spokesmen may however emphasise rather that the aid programme for which the administration has sought Congressional approval for the financial year 1982 is about 16 per cent higher in cash terms, and slightly more in real terms, than the level made available for financial year 1981. It is not yet clear how Congress will respond.) Most other donors have promised to increase their aid in real terms over a number of years. The latest Lome Convention and revised Community GSP have only produced some changes of emphasis within the status quo.

CONFIDENTIAL

Oil Cost
Trade

6. The developed Communist countries provide negligible amounts of aid except for their client states and provide a very limited market for the exports of developing countries. Their own problems are now intruding on the world scene - food shortages, the Polish debt and slackening energy production.

7. By contrast some OPEC countries have an important influence over oil prices by their ability to vary supply. They have the power to help to relieve the problems to which they have largely contributed. But OPEC has been loath to admit responsibility and is unlikely to do so. Direct aid from OPEC countries, though large when measured against conventional targets, is still small in relation to their total surpluses and is heavily concentrated on other Muslim countries. Only Saudi Arabia has consistently tried to restrain oil prices and keep up supplies. OPEC members still invest the bulk of their surpluses in the Western banking system, which bears the risk of on-lending and provides an increasingly important source of external finance to LDCs.

THE OUTLOOK FOR DEVELOPING COUNTRIES

8. Developing countries, like developed countries, will have to adjust over the 1980s to higher energy costs and deteriorating terms of trade. Only by improving their economic performance can they keep up the momentum of development and remain creditworthy. This adjustment will be harder for most of them than for OECD countries, even with external financial support. In general their economies are operating from a lower base with less ability to diversify: in particular, they are bound to use more oil and oil products per head as they develop their agriculture, industry and transport. This underlines the need for developing countries to build up their own energy resources where possible.

9. The condition of developing countries varies widely. It is necessary to look separately at low-income countries; middle-income countries; and exporters of manufactures and energy producers (although this division is crude and there are great differences within the groups, eg between the large mixed economies of India and Pakistan and the primitive agrarian countries of the Sahel belt, in the low-income group).

CONFIDENTIAL

CONFIDENTIAL

10. The economic performance of many of the low-income countries (mainly the populous countries of South Asia, numerous small countries of Africa and some in South-East Asia) was poor even before the oil crisis and their economic management is erratic. All of them face bleak prospects in the 1980s. Neither domestic investment nor export earnings (which declined for the group in real terms in the 1970s) are enough to keep development ahead of population growth. Few can attract large private flows and some of them are anyway unwilling to work with transnational corporations. Their ability to sustain debt on commercial terms is low. They will therefore rely heavily on extra official aid. Adjustment for a number of low-income countries, especially in Africa, will therefore be achieved by lower growth and incomes per head, in these countries, will decline in the 1980s.

11. The middle-income countries (chiefly Latin American and Caribbean countries, non-OPEC Arabs and some Africans and South-East Asians - largely commodity exporters) have potentially substantial export earnings and some access to private finance to supplement domestic savings. With sensible policies, which maintain the confidence of creditors and investors, and with help from the IMF and the Development Banks, many should adjust without undue loss of momentum. But some will be hard hit by falling commodity prices in the recession. Some will have great problems in servicing their mounting debt at present interest rates. Some will aggravate their difficulties by over-ambitious or ill-chosen policies (it is largely for political reasons, for example, that new mining investment in these countries is particularly low). In consequence, several countries are already being rescued from bankruptcy (eg Turkey, Jamaica) and others will need similar operations.

12. A fairly small group of newly-industrialising countries and non-OPEC oil producers exists mainly in Latin America and the Far East. Several members of this group have had spectacular growth rates and have been by far the largest borrowers on capital markets. Their exports to OECD markets have grown strongly, though their own markets are often protected. Their position is not unpromising and adjustment should be feasible. But they will be constrained by limits on manufactured imports, especially textiles, maintained by OECD countries; and some have to manage very large volumes of debt. Moreover, some have been deliberately pursuing high risk policies in the effort to maintain growth.

CONFIDENTIAL

13. Britain and other OECD countries are politically and economically involved with the fortunes of developing countries in all these groups. What happens to them can affect British exports raw material supplies or the banking system.

THE POLITICAL BACKGROUND

14. The economic problems described so far will surface at the Cancun Summit. But their treatment will be complicated if, as is likely, most participants regard the Cancun Summit as geared to the North/South Dialogue.

15. In the North/South Dialogue the developing countries, including OPEC, organised as the Group of 77 (G77), try to mobilise their weight in numbers. They use this to put pressure on the OECD countries to do more to help them with their economic problems. The collective demands of the G77 are for more aid; for special trade advantages; for changes in the world economic system in their favour; and for a greater say in running the system. Many OPEC members are active in the G77 in promoting these demands, as it takes the pressure off them to do more for oil importing developing countries.

16. Developments in the Dialogue may not greatly influence our bilateral dealing with developing countries. But the Dialogue has become the pattern for collective discussion, especially in the United Nations. This pattern can have a certain value as a process of mutual education and as a safety valve for the frustrations of the 'South'. But it seldom produces solid results. It obscures the essential differences among developing countries and often impedes serious treatment of the issues. However, it has acquired a political reality which cannot be ignored. The G77 has become the grouping which matches the concept of the 'Third World'. Despite poor results and internal grumbling, the members of the G77 have maintained their solidarity. Many of them are not convinced that different tactics would produce a better outcome. In addition, that section of public opinion in OECD countries which is concerned with world poverty has tended to discuss these issues in terms of a simple concept of 'North/South'.

17. The United Kingdom belongs to four groupings which will be concerned with the Cancun Summit: the Commonwealth; the OECD; the Economic Summit countries; and the European Community. The latter two are more important than the others, but all are relevant and have issued or will issue documents with a bearing on the Summit.

CONFIDENTIAL

CONFIDENTIAL

18. A Declaration or Communique will certainly be issued after the Commonwealth Heads of Government Meeting in Melbourne (30 September to 7 October). The Australian Prime Minister wants to make 'North/South' issues the centrepiece of the Melbourne Meeting and may seek to identify specific Commonwealth initiatives for Cancun, eg on food.

19. The Communique issued by the OECD Ministerial Meeting on 16/17 June has a passage on promoting international consultations with developing countries across a wide range, but does not refer directly to the Cancun Summit. As the Summit approaches, OECD non-participants will take an interest in the line we intend to follow.

20. The Ottawa Summit on 21/22 July will consider the Personal Representatives' "aid study", and its communique will include a reference to relations with developing countries. The communique will need to be drafted in such a way as to avoid giving the impression that the major Western countries are ganging up on the developing world. At the Summit discussions themselves it will be in our interest to aim for a meeting of minds so far as possible in preparation for Cancun. We may be able to help to reconcile the positions of the United States and those of the other participants.

21. The European Council on 29/30 June had before it a report on "North/South relations"; and the Presidency's summary of conclusions recorded that -

"The European Council was of the opinion that the preparations for the new round of global negotiations should be completed as soon as possible. It emphasised the crucial importance of a positive impetus to be given to this effect by the Summit conferences in Ottawa and Cancun".

Nearer the time of the Summit, we shall have to reassure other Community members that, since we hold the Presidency, we will take into account their views, even though they may take a more "progressive" line than we do.

22. At the Mexico Summit itself, the developing countries present will be looking to improve their economic condition by any means available and to exert maximum pressure on OECD participants. We must expect demands for

CONFIDENTIAL

increased aid, especially through multilateral channels; for trade advantages for developing countries, both in manufactures and commodities; for the creation of new institutions and changes in the structure and practices of existing ones, especially the IMF and IBRD; and for endorsement of the Global Negotiations in the terms favoured by the Group of 77. Some developing countries may press for undertakings in this sense to be embodied in a formal declaration or communique. Five of the developing countries present will be Commonwealth countries - India, Bangladesh, Tanzania, Nigeria and Guyana. Of the four OPEC countries taking part, Algeria and Venezuela are adept at making common cause with non-oil developing countries. Saudi Arabia is likely to be very cautious.

23. Apart from the United Kingdom, seven other OECD countries will be there. At least five - Austria, Canada, France, Japan and Sweden - will be mainly motivated by the wish to show sympathy for the developing countries. The United States and Germany may follow a more rigorous approach. But this is not certain because President Reagan wants good relations with Mexico; and Herr Genscher, who favours a 'soft' line, may have some influence over Herr Schmidt.

THE UNITED KINGDOM'S OBJECTIVES AT CANCUN

24. Although its terms of reference seemed to envisage an informal, low-key meeting, the Cancun Summit will have very high visibility, if only because of its novelty. Though we can try to keep down expectations, it will attract strong press interest - preliminary estimates suggest some 700 journalists will be there. The line we take will therefore become known publicly.

25. The United Kingdom might pursue the following objectives.

26. Stressing the importance of the private sector for development, trade and finance. We could emphasise -

- a. The contribution of private flows to the developing countries (65 per cent of total flows in 1979) and the benefit, notably in technology and managerial skills, that these flows can bring.
- b. The role of trade in promoting growth.

CONFIDENTIAL

c. The scope for developing countries to assist one another; for example by opening up their markets to each other in a nondiscriminatory way.

d. The insignificance of Soviet bloc assistance to developing countries, for example the paltry level of their help for development and the small market that they offer to developing country exports.

27. Encouraging OPEC to bear greater responsibility. We could stress our common interests with OPEC countries; look for responsible attitudes by OPEC countries to energy pricing and supply policies; and for larger and better distributed OPEC aid flows. But we should not criticise OPEC aid performance publicly and would be ready to co-operate more fully with OPEC members prepared to accept wider responsibilities, eg in financial institutions.

28. Concentrating discussion of aid on its proper use and distribution, not on volume. This will be hard to achieve, especially since we shall be obliged to resist new commitments on aid volume, in the light of the reductions in the United Kingdom aid programme. Other developed countries (though not the USA) may be in a position to accept commitments which we cannot and, if so, they will wish to take credit for this.

29. Maintaining international trade and financial institutions. We shall want to defend the integrity of the GATT, the IMF and the multilateral development banks and their ability to deal with the issues within their competence without external direction, eg by the United Nations General Assembly. We would prefer as loose as possible a link between the Summit itself and the Global Negotiations in the United Nations. We have subscribed to the position taken by the European Council in favour of a 'positive impetus' at Cancun to the early resumption of preparations for the Global Negotiations. We shall have to abide by this; but we can still urge at Cancun general restraint in the proliferation of international organisations and meetings. We do not believe that the Americans will maintain indefinitely their reservations about the Global Negotiations if they are alone in doing so, though they may negotiate toughly on outstanding points of procedures and agenda. It is therefore probable that we shall have to resign ourselves to the Global Negotiations taking place, while ensuring that we are satisfied with the agenda and procedures and that they do not call in question the integrity of the GATT, the IMF and other specialist international agencies.

CONFIDENTIAL

CONFIDENTIAL

30. Putting across a positive image of British policies and attitudes. We shall need to make a major effort to present our policies favourably. The United Kingdom is already seen as one of the most 'hard faced' of the OECD countries on development questions. We shall need to defend our present attitude and record on North/South issues; Annex D gives an outline of the case that might be made. We should also emphasise any proposals which the United Kingdom is in a position to make of a kind which may benefit developing countries and express our support for developments already in progress or prospect. We could -

a. support a meeting of GATT at Ministerial level in 1982 to establish a programme of work to meet the concerns of both developing and developed countries;

b. welcome in principle the developing countries' decision to negotiate reductions in barriers to each others' trade under the Economic Co-operation among Developing Countries programme;

c. announce, as part of our aid programme, new initiatives in some sectors of particular concern to the poorer countries (water supply and sanitation, transfer of technology, agricultural research and perhaps population and energy). (Financial constraints would mean that the new initiatives could be only modest and at the expense of other claims in aid funds);

d. say that we are ready to explore further proposals for increased World Bank lending for energy development, including the idea of an energy affiliate; and stress the full part we have already played in discussions about the latter idea;

e. undertake to continue to urge the World Bank and the regional development banks to finance more projects jointly with the private sector or other development agencies;

f. say that we support further study on the suggestion that the IBRD's gearing ratio should be increased;

CONFIDENTIAL

CONFIDENTIAL

g. express our support for a large quota increase in the next IMF review, and if necessary market borrowing by the Fund in the interim;

h. reiterate our support for the negotiation by the International Wheat Council of a mechanism for stabilising wheat prices and supplies;

i. take credit for the fact that the European Community is negotiating for membership of the International Sugar Agreement (on the assumption that the Council of Ministers adopts a mandate for this purpose before Cancun).

CONCLUSION

31. Cancun is likely to be a difficult meeting for the United Kingdom. Our general line is tougher than that of any other participant except the United States and perhaps Germany. The cuts in our Aid Programme have received wide publicity. The proposals listed in paragraph 30 for action that we can support which may benefit developing countries are of a modest character. We shall therefore have to work very hard to present our policies - as enumerated in Annex D - in the most persuasive way possible.

Cabinet Office

9 July 1981

CONFIDENTIAL

CONFIDENTIAL

ANNEX A

MEXICO SUMMIT: PARTICIPANTS

Developed Countries

United States - President Reagan

Japan - Mr Suzuki, Prime Minister

West Germany - Chancellor Schmidt

France - President Mitterrand

United Kingdom - Mrs Thatcher

Canada - Mr Trudeau, Prime Minister

Sweden - Mr Falldin, Prime Minister

Austria - Chancellor Kreisky

Latin
America:

Africa:

Asia:

Europe:

Developing Countries

Mexico - President Lopez Portillo

Brazil - President Guerreiro

Venezuela - President Herrera Campins

Guyana - Mr Forbes Burnham, Prime
Minister

Algeria - President Bendjedi Chadli

Nigeria - President Shagari

Ivory Coast - President
Houphouet Boigny

Tanzania - President Nyerere

China - Mr Zhao Ziyang, Prime Minister

Saudi Arabia - Prince Fahd,
Prime Minister

India - Mrs Gandhi, Prime Minister

Bangladesh - not yet known

Philippines - President Marcos

Yugoslavia - Mr Djuranovic,
President of the Federal
Executive Council

CONFIDENTIAL

ANNEX B

ORIGINS, NATURE OF DISCUSSIONS AND
ATTITUDES OF OTHER PARTICIPANTS

Origins

1. The proposal for a limited Summit of developed and developing countries was first put forward in the Brandt Commission Report. It was taken up by President Lopez Portillo of Mexico and Chancellor Kreisky of Austria, who invited a number of other countries to join them as co-sponsors. The sponsors met in Vienna in November 1980 and March 1981 to work out the timing, participation and format for the Summit. The Foreign Secretary made clear Britain's interest in participating in the Summit during his visit to Mexico in August 1980. But we were not invited to be a co-sponsor and decided not to seek inclusion.
2. The date for the Summit, originally proposed for June 1981, was fixed for 22-23 October, to ensure United States participation.

Nature of Discussions

3. The sponsors agreed in March on an informal Summit, providing for an open and spontaneous exchange of views. It would conclude with the Chairman summing up, rather than a Communiqué or Declaration. There will be no formal Agenda but a framework for discussion based on four themes - trade, food, energy and finance. There would be no precise link with the Global Negotiations.
4. Germany, France and the United Kingdom strongly favour this informal approach. Some others, especially Algeria, argued for a more formal structure - and the Mexicans are now moving in this direction, having prepared a thirty page "framework paper". At the Preparatory Meeting on 1-2 August, we will seek to preserve the informal nature of the Summit itself.

Attitudes of Other Participants

5. The Developing Countries at Cancun will seek to improve their economic situation, pressing for practical commitments from Organisation for Economic Co-operation and Development (OECD) countries. Some at least (Algeria, Tanzania, Yugoslavia) will urge structural change on the lines of the

CONFIDENTIAL

CONFIDENTIAL

New International Economic Order, in the interests of the Group of 77. Some, like Tanzania and Guyana, are highly critical of the International Monetary Fund or, like the Ivory Coast, have radical demands in Committee matters.

6. Of the Organisation of Petroleum Exporting Countries present, Algeria and Venezuela are adept at making common cause with the non-oil developed countries, within the solidarity of the Group of 77. Saudi Arabia is aware of its many common interests with OECD countries, but is likely to be very cautious.

7. Among OECD countries there, Canada, Sweden and Austria will want to respond as sympathetically as they can to the developing countries and Japan will be inclined to follow. France, under its new Government, will take the same approach. (The other Community members, not present at Cancun, will advocate a similar line, and the United Kingdom, as European Community (EC) President, will be expected to take account of this.) German views coincide with ours on many points but their performance in aid and maintaining an open market is better than ours. The United States has been very reserved so far on North/South issues, but President Reagan wants to improve bilateral relations with Mexico.

8. Six Commonwealth countries, in addition to the United Kingdom, will be at Cancun. They will all be pressing for substantial progress from the Summit, some being among the most radical. The other Commonwealth developing countries, plus Australia, New Zealand and the Commonwealth Secretariat under Ramphal, can all be expected to support such an approach at the Melbourne Meeting.

CONFIDENTIAL

ANNEX C

FORTHCOMING INTERNATIONAL MEETINGS

19-21 July	Economic Summit, Montebello, near Ottawa
late July-early August	International Cocoa Council, London
1-2 August	Foreign Ministers' Preparatory Meeting for North/South Summit, Cancun
10-21 August	United Nations Conference on New and Renewable Sources of Energy, Nairobi
1-14 September	United Nations Conference on Least Developed Countries, Paris
4-18 September	International Coffee Council, London
15 September-mid-December	United Nations General Assembly
23-24 September	Commonwealth Finance Ministers Meeting, Auckland
26 September-2 October	IMF Interim Committee, IMF/IBRD Development Committee and Annual Meeting, Washington
30 September-7 October	Commonwealth Heads of Government Meeting, Melbourne
22-23 October	North/South Summit, Cancun

CONFIDENTIAL

CONFIDENTIAL

ANNEX D

DEFENCE OF THE UNITED KINGDOM RECORD ON NORTH/SOUTH ISSUES

The defence of our present attitude and record in North/South issues could include the following points -

- a. The United Kingdom, like other countries, must adjust to higher energy costs. Our policies achieved savings in oil consumption of 14.5 per cent in 1980 and we expect further savings in 1981. This, together with savings by other OECD countries, has led to over-supply of oil, which has contributed to the recent fall in oil prices. We have not sought artificially to bolster the price of our crude oil.
- b. The priority we give to fighting inflation is not inward-looking. It is a pre-condition of restoring economic growth, an expanding market and increased aid. It is endorsed internationally, eg by the IMF.
- c. Private flows now provide two-thirds of the external finance of developing countries. In 1979 the flow of private capital, including recycled funds, from the United Kingdom was second out of all OECD countries, both in absolute terms (about £4.3 billion) and as a percentage of GNP (2.3 per cent). We have removed all outward exchange controls, and access to our capital markets is free.
- d. Aid is needed especially by the poorer countries. The United Kingdom programme is the fifth largest in the OECD, over £1,000 million this year. 62 per cent of our bilateral aid went to low-income countries in 1980. All those countries which give more aid than the United Kingdom are substantially wealthier than we are.
- e. We give full support to the International Financial Institutions. We have backed larger drawings from the IMF, the capital increase of the IBRD and the 6th Replenishment of IDA (to which we provide 10 per cent). It is essential to maintain the structure of these institutions, or confidence in them will be lost, to the detriment of developing countries.

CONFIDENTIAL

CONFIDENTIAL

f. We support the maintenance and expansion of access for the products of developing countries. In 1979 the proportion taken by Britain of developing countries' exports of manufactures was the highest in Europe, after Germany. The Community's GSP, revised this year, offers greater benefits to the poorer countries.

g. There has been considerable structural adjustment in the United Kingdom (eg textiles, consumer electronics, iron and steel). The Government encourages adjustment by research and development programmes and by fostering competition and greater productivity.

h. The United Kingdom participates in the second Lome Convention, which gives free access to the Community market for all industrial products and 90 per cent of agricultural products from over 60 countries. We will contribute about 18 per cent of the £2.6 billion aid element of the Convention.

i. Britain supports commodity agreements where these are soundly based economically and a majority of producer and consumer countries participate. We have signed the agreement for the Common Fund and have promised a voluntary contribution to its Second Account.

j. We support the negotiations to give greater stability to world cereal supplies, through a Wheat Trade Convention. Though a net food importer, the United Kingdom will contribute about £50 million to food aid this year.

CONFIDENTIAL

CONFIDENTIAL

GRS 700
DESKBY 071300Z
CONFIDENTIAL

FM VIENNA 071600Z JUL 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 172 OF 7 JULY

INFO ROUTINE MEXICO CITY, WASHINGTON, PARIS AND BONN

*See particularly final
para overleaf.*

FREE-GORE/GREEN (ERD) TELEPHONE CONVERSATION TODAY

NORTH/SOUTH SUMMIT : CANCUN

1. LENKX (PS/CHANCELLOR KREISKY) TOLD HEAD OF CHANCERY TODAY THAT KREISKY (SUPPORTED BY STATE SECRETARY NUSSBAUMER AND DEPUTY UNDER SECRETARY REISCH, ECONOMIC DIVISION, MFA) WOULD BE MEETING MEXICAN FOREIGN MINISTER CASTANEDA AND DEPUTY MINISTER NAVARRETE IN VIENNA IN TWO WEEKS' TIME TO PREPARE THEIR POSITIONS FOR THE 1/2 AUGUST CANCUN FOREIGN MINISTERS MEETING. HE SAID KREISKY REMAINED FIRMLY OPPOSED TO THE PREPARATION OF FORMAL DOCUMENTS AND THOUGHT THAT EVEN THE MEXICO PAPER (MY TELNO 130) WENT TOO FAR AS A PREPARATORY PAPER FOR THE MEETING.
2. LENKX SAID THAT FOR MOST PARTICIPANTS THE MAIN PROBLEM WAS THEIR UNCERTAINTY AS TO THE US POSITION. THE AMERICANS HAD SAID THEY HAD NOT YET FORMULATED THEIR POLICY, BUT THE SIGNS WERE NOT ENCOURAGING. IN CONTRAST TO PRESIDENT CARTER WHO HAD SAID HE WOULD NOT GO TO A MEXICO SUMMIT UNLESS PRECISE IDEAS WERE PUT FORWARD, REAGAN HAD SAID THAT HE WAS ONLY PREPARED TO GO PROVIDED THAT DISCUSSION WERE CONFINED TO GENERAL ISSUES.
3. LENKX SAID THE AUSTRIANS DID NOT EXPECT ANY SIGNIFICANT INDICATION OF US THINKING TO EMERGE BEFORE THE OCTOBER CONFERENCE. THE US HAD HOWEVER MADE IT CLEAR THAT THEY WERE NOT PREPARED TO CHANGE THEIR ATTITUDE TO THE GLOBAL ROUND. NEITHER THE USA NOR THE UK APPEARED TO EXPECT ANYTHING SUBSTANTIVE TO COME OUT OF THE GLOBAL ROUND. OTHER EUROPEANS SAW THE GLOBAL ROUND MERELY AS A VEHICLE FOR IDENTIFYING PROBLEMS. BUT THE LDCS HOPED THAT SOMETHING MORE TANGIBLE WOULD EMERGE AND THERE WAS GROWING PRESSURE FROM THEM TO LINK THE GLOBAL ROUND WITH THE MEXICO SUMMIT. THE UK HAD MADE IT CLEAR THAT THEY WERE NOT PREPARED TO TRY TO PERSUADE THE US TO BE MORE FORTHCOMING. THE US SEEMED TO BE FAR OUT AT ONE EXTREME IN REGARDING THE MEXICO SUMMIT MERELY AS A DISCUSSION FORUM WITH THE UK NEXT TO THEM AND THEN PERHAPS THE GERMANS. MITTERRAND AND CHEYSSON HAD BEEN MUCH MORE FORTHCOMING. AT THE OTHER EXTREME WERE THE ALGERIANS AND PERHAPS THE YUGOSLAVS, WHO WERE ANXIOUS THAT DISCUSSIONS AT CANCUN SHOULD PRODUCE RECOMMENDATIONS OF SUBSTANCE. KREISKY HOPED THAT THE VARYING ATTITUDES COULD BE RECONCILED. THERE WERE BOUND TO BE DIVERGING

CONFIDENTIAL

/ IDEAS

IDEAS BUT CONFRONTATION MUST BE AVOIDED. NONE OF THIS COULD BE DECIDED IN PLENARY SESSIONS IN AUGUST BUT KREISKY HOPED THAT CONSTRUCTIVE IDEAS WOULD EMERGE IN THE CORRIDORS. LEENKH SAID KREISKY HAD OTHERWISE NO NEW IDEAS. HE DID NOT EXPECT AN AID PROGRAMME TO EMERGE FROM CANCUN BUT HOPED IT WOULD BE POSSIBLE TO REACH A CONSENSUS AND AGREEMENT ON POINTS WHERE INTERESTS WERE COMPLIMENTARY. KREISKY TENDED TO FAVOUR SOME SORT OF EXPANDED BILATERAL AID PROGRAMME BUT THE LDGS OBJECTED IN PRINCIPLE TO BILATERAL AID WHICH THEY BELIEVED THREATENED THEIR SOVEREIGNTY. KREISKY THOUGHT IT SHOULD BE POSSIBLE TO REACH A COMPROMISE AND TO RECONCILE THE LDGS' PREFERENCE FOR MULTILATERAL AID WITH THE PREFERENCE EXPRESSED BY SOME INDUSTRIALISED COUNTRIES FOR BILATERAL AID AND WITH US PREFERENCE FOR PROMOTING INTERNATIONAL ECONOMIC DEVELOPMENT THROUGH COMMERCIAL CHANNELS.

4. IT WAS IMPORTANT THAT AGREEMENT SHOULD BE REACHED ON HOW SURPLUS OPEC FUNDS MIGHT BE CHANNELLED THROUGH THE INDUSTRIALISED COUNTRIES FOR INVESTMENT FIN THE LDGS. TECHNICAL QUESTIONS OF RISK SHARING, INVESTMENT AND DEBT REPAYMENT COULD BE SETTLED LATER. NO ONE WANTED TO CREATE NEW INSTITUTIONS BUT SOME ADAPTATION OF SAY THE WORLD BANK MIGHT BE NECESSARY.

5. LEENKH REFERRED TO A REPORT IN "THE TIMES" OF 4 JULY OF BEN BELLA'S REJECTION OF THE NORTH/SOUTH "MONOLOGUE". LEENKH SAID THIS WAS ALGERIA'S EXTREME THINKING IN THE PUREST FORM. BEN BELLA COULD SPEAK FREELY BUT THE ALGERIAN GOVERNMENT HAD ALSO MADE IT CLEAR IN DISCUSSIONS WITH THE AUSTRIANS THAT IN THEIR VIEW THE NORTH/SOUTH CONCEPT WAS FUNDAMENTALLY WRONG : IT WAS A CONCEPT IMPOSED BY THE NORTH. LEENKH SAID THE ALGERIANS WERE STILL NOT COMMITTED TO THE OCTOBER SUMMIT. IF DISCUSSIONS IN AUGUST WERE NOT PROMISING THE ALGERIANS MIGHT WELL REFUSE TO ATTEND THE SUMMIT. IF THEY STAYED AWAY OTHERS WOULD DO SO INCLUDING PROBABLY INDIA, YUGOSLAVIA AND SAUDI ARABIA. MRS GHANDHI HAD ASKED KREISKY TO MAKE PERSONAL REPRESENTATIONS TO THE US STRESSING THE IMPORTANCE OF APPERAING FORTHCOMING AT THE TALKS. LEENKH SAID HE WOULD BE CARRYING A MESSAGE TO THIS EFFECT WHEN HE AND NAVARRETE VISITED WASHINGTON NEXT WEEK FOR TALKS WITH RASHISH. GORDON

NORTH/SOUTH LIMITED

ERD	PS/LPS
ES & SD	PS/MR HURD
TRED	PS/MR MARTEN
ESID	PS/PUS
ECD	SIR E YOUDE
UND	MR BULLARD
SPD	LORD BRIDGES
LEGAL ADVISERS	MR BRAITHEWAITE
MAED	MR HANNAY
APD	MR EVANS
INFORMATION D	MR HAYES
NEWS D	LORD N-G LENNOX
PS	

ADDITIONAL DISTRIBUTION

NORTH/SOUTH

2

CONFIDENTIAL

1:25 TO PM 10 DOWNING ST

GPS 900

CONFIDENTIAL

CONFIDENTIAL

FM UKMIS GENEVA 021600Z

TO PRIORITY FCO

TELNO 228 OF 2 JULY 1981

INFO ROUTINE UKMIS NEW YORK OTTAWA VIENNA MEXICO CITY

UKREP BRUSSELS WASHINGTON

INFO SAVING OTHER EC POSTS UKDEL OECD HAVANA CARACAS TOKYO

PROSPECTS FOR THE NORTH/SOUTH SUMMIT

1. THE FOLLOWING IS AN ASSESSMENT, ON THE BASIS OF THE OPENING PHASE OF THEE SUMMER SESSION OF ECOSOC, OF THE PROSPETS FOR THE NORTH/SOUTH SUMMIT MEETING AT CANCUN.

2. ALL THE PRESENT SIGNS HERE CONFIRM THAT CANCUN WILL BE ANYTHING BUT A CALM AND RATIONAL DISCUSSION OF ECONOMIC ISSUES AMONG HEADS OF GOVERNMENT. IT WILL BE A HIGHLY POLITICISED EVENT HELD IN THE FULL CLARE OF THE MEDIA AND FACING EXAGGERATED EXPECTATIONS WHICH ARE BOUND TO BE DISAPPOINTED. THE PRESS WILL HIGHLIGHT AND MAGNIFY ANY SHORTCOMINGS. ATMOSPHERICS WILL BE ALL IMPORTANT SO WILL PRESENTATION. THE MEXICANS WILL PRESUMABLY BE AMBITIOUS TO DELIVER A SUCCESS TO THEIR THIRD WORLD FRIENDS AND FOLLOWERS, AND MAY NOT BE SCRUPULOUS ABOUT PUTTING US IN THE WRONG TO ACHIEVE THAT.

3. MUCH OF THE ABOVE WILL APPLY ALSO TO THE MEETING OF FOREIGN MINISTERS IN EARLY AUGUST. THE AIM SHOULD THEN BE TO MAKE A RECONNAISSANCE IN FORCE AND TO FIND OUT WHAT OTHER PARTICIPANTS INTEND WHILE KEEPING OUR OWN POWDER DRY FOR OCTOBER.

4. WE NEED A WELL THOUGHT OUT POSTURE. IT SHOULD COVER FOUR AREAS:

- (1) NORTH/SOUTH ECONOMIC RELATIONS:
- (11) OTHER ASPECTS OF THE NORTH/SOUTH DIALOGUE:
- (111) THE POLITICS OF THE OCCASION:
- (1V) INTERNATIONAL INSTITUTIONAL BACKGROUND.

THE METICULOUS PREPARATIONS IN WHITEHALL SEEM, AS SEEN FROM HERE, TO DEAL MAINLY WITH THE FIRST OF THESE AREAS. THERE IS A RISK THAT THE OTHERS WILL BE INSUFFICIENTLY TAKEN INTO ACCOUNT. THE SAME CONSIDERATIONS APPLY TO PREPARATIONS IN BRUSSELS AND OECD.

CONFIDENTIAL

/5. IN NORTH/SOUTH

CONFIDENTIAL

5. IN NORTH/SOUTH ECONOMIC RELATIONS WE HAVE AN ACUTE PROBLEM OF PRESENTATION. AMONGST OTHERS, THE NEW FRENCH GOVERNMENT MAY WELL HAVE AMBITIONS TO OUT FLANK US. THIS MAKES IT ALL THE MORE IMPORTANT TO KEEP THE INITIATIVE WITHIN THE TEN. YOU MAY FIND USEFUL THE MATERIAL AGREED AFTER A GOOD DEAL OF ARGUMENT, MUCH OF IT WITH THE FRENCH, IN THE PRESIDENCY STATEMENT I MADE ON BEHALF OF THE TEN ON 2 JULY IN THE ECOSOC GENERAL DEBATE (TEXT IN MY TELNO 227). THIS REFLECTS THE RESULTS OF THE EUROPEAN COUNCIL AND IS CAREFUL NOT TO PROMISE THE MOON. IT DOES DRAW ATTENTION TO WHAT IS IN PROGRESS AND WHAT IN PROSPECT E.G. THE POSSIBLE GATT MINISTERIAL MEETING IN 1982. OUR THEME SHOULD BE "MANY A MICKLE MAKES A MUCKLE".

6. AS REGARDS OTHER ASPECTS OF THE DIALOGUE YOU WILL NOTE THE REFERENCES IN MY STATEMENT TO THE INTERNATIONAL DEVELOPMENT STRATEGY (IDS) AGREED IN NEW YORK IN 1980. THE IDS CONCENTRATES ON COOPERATION BETWEEN DEVELOPED AND DEVELOPING COUNTRIES RATHER THAN ON POINTS OF CONFLICT BETWEEN THEM. IT RECALLS THE WIDE RANGE OF USEFUL WORK IN EXISTING BODIES IN THE UN SYSTEM. MUCH OF THIS TENDS TO BE OVERLOOKED. THE JOINT MEETING IN GENEVA FROM 29 JUNE-1 JULY OF THE ADMINISTRATIVE COMMITTEE ON COORDINATION (THE HEADS OF THE UN AGENCIES) AND THE COMMITTEE FOR PROGRAMME AND COORDINATION (THE GOVERNMENT WATCHDOGS) HAS PROVIDED A USEFUL OPPORTUNITY FOR EMPHASISING THE IMPORTANCE OF THE STRATEGY AS A GUIDE TO THE WORK OF THE SYSTEM AS A WHOLE.

7. AS REGARDS THE POLITICS OF THE OCCASION, WALDHEIM SAID AT MY COMMUNITY LUNCH ON 1 JULY THAT THE INTERNATIONAL SITUATION WAS MORE TENSE THAN AT ANY TIME HE HAD KNOWN IT IN THE LAST FIFTEEN YEARS. ONE OF THE MAIN THEMES OF HIS ADDRESS TO ECOSOC ON 1 JULY WAS HOW FAR POLITICAL PREOCCUPATIONS TENDED TO DISTRACT ATTENTION FROM INTERNATIONAL ECONOMIC RELATIONS WHICH THEMSELVES CONSTITUTED A FACTOR IN POLITICAL TENSIONS. HOWEVER THAT MAY BE, CANCUN WILL BE SIGNIFICANTLY AFFECTED BY THE MULTIPLICITY OF POLITICAL CROSS CURRENTS: US RELATIONS WITH MEXICO AND VENEZUELA, AND THE EVOLUTION OF AMERICAN POLICY IN THE CARIBBEAN: THE CUBAN FACTOR, AND THE INFLUENCE OF THE NON ALIGNED MOVEMENT: AFRICAN PROBLEMS ESPECIALLY THE DEVELOPMENTS AT THE RECENT OAU SUMMIT OVER THE SECRETARY GENERALSHIP AFGHANISTAN AND VIETNAM: AND THE EAST/WEST ASPECTS

CONFIDENTIAL

OF RELATIONS WITH DEVELOPING COUNTRIES. ON MOST OF THESE THE RUSSIANS ARE ON THE DEFENSIVE AND WE SHOULD KEEP THEM THERE.

8. AS REGARDS THE INSTITUTIONAL BACKGROUND THERE ARE TWO SEPARATE BUT RELATED POINTS. FIRST THE GLOBAL NEGOTIATIONS AND SECOND THE USE OF THE UN SYSTEM. AS REGARDS THE FIRST WALDHEIM TOLD ME THAT THE ALGERIANS HAD MADE IT CLEAR TO HIM AT NAIROBI THAT THEY WOULD INSIST ON A CLOSE LINK BETWEEN CANCUN AND THE GLOBAL NEGOTIATIONS. THE ALGERIAN ATTITUDE WILL BE THE MORE RELEVANT IF THEY TAKE OVER THE LEADERSHIP OF THE GROUP OF 77 IN NEW YORK DURING THE NEXT SESSION OF THE GENERAL ASSEMBLY. AS REGARDS THE WIDER FIELD, IT IS WORTH RECALLING THE SUCCESS OF THE GENEVA GROUP'S RECENT SYSTEM WIDE DEMARCHE AIMED AT EXERTING GREATER CONTROL OVER THE VERY CONSIDERABLE EXPENDITURES OF INTERNATIONAL ORGANISATIONS (MY TELNOS 163,172). THIS EPISODE SPRANG DIRECTLY FROM A PRIMITIVE AND OVER TOUGH US INTENTION TO CALLA COMPLETE HALT TO THE GROWTH OF SUCH EXPENDITURES. IT EVOLVED AFTER INTENSIVE DISCUSSION INTO A MUCH MORE BALANCED APPROACH, WHICH INCLUDED A FIRM COMMITMENT TO THE USEFUL WORK OF INTERNATIONAL ORGANISATIONS AS WELL AS A NEW EMPHASIS ON THE NEED FOR ECONOMY. I AM TOLD BY MY US OPPOSITE NUMBER THAT THE US GOVERNMENT INTEND TO BUILD ON THEIS SUCCESS BY RAISING THE MATTER AT THE OTTAWA SUMMIT. IN VIEW OF THE LEADING PART WE PLAYED, I HOPE WE CAN BACK THEM UP.

FCO PASS SAVING TO ADDRESSEES

MARSHALL

[REPEATED AS REQUESTED]

NORTH/SOUTH LIMITED

ERD	PS/LPS
ES & SD	PS/MR HURD
TRED	PS/MR MARTEN
ESID	PS/FUS
ECD	SIR E YOUDE
UND	MR BULLARD
SPD	LORD BRIDGES
LEGAL ADVISERS	MR BRAITHEWAITE
MAED	MR HANNAY
APD	MR EVANS
INFORMATION D	MR HAYES
NEWS D	LORD N-G LENNOX
PS	

ADDITIONAL DISTRIBUTION

NORTH/SOUTH

GRS 1200

UNCLASSIFIED

FM UKMIS NEW YORK 172141Z JUNE 81
TO IMMEDIATE FCO
TELEGRAM NUMBER 539 OF 17 JUNE
AND TO UKMIS GENEVA.

PS TO PM 10 DOWNING ST

MIPT: ECOSOC.

1. THE FOLLOWING IS REDRAFT OF PART I AND THE CONCLUDING PARAS REFERRED TO IN MIPT:

2. SECTION I

BEGINS

II KEY RESPONSIBILITIES ETC

2. I WANT TO EXPLAIN THE APPROACH OF THE COMMUNITY AS A MAJOR FACTOR OF THE WORLD ECONOMY AND THE GREATEST INTERNATIONAL TRADING ENTITY WITHIN IT TO ITS RESPONSIBILITIES. WE HAVE SUCH RESPONSIBILITIES. WE ARE AWARE OF THEM. WE WOULD HOPE THAT THE COMMUNITY'S RECORD CONFIRMS THIS. OUR PARTNERS HAVE MATCHING RESPONSIBILITIES.

3. WE KNOW THAT OUR OWN ECONOMIES CANNOT FLOURISH IN ISOLATION. THE CHALLENGES FACING THE WORLD ECONOMY ARE GREAT. THERE IS WIDE-SPREAD CONCERN ABOUT IMMEDIATE PROSPECTS FOR RECOVERY AND THE PERIOD OF ADJUSTMENT WILL BE PAINFUL. WE ARE AFFLICTED BY HIGHER ENERGY PRICES, SLOWER (OR IN SOME CASES NEGATIVE) GROWTH, WEAK INDUSTRIAL DEMAND AND IN CONSEQUENCE A WEAKENED MARKET FOR DEVELOPING COUNTRY EXPORTS. THE COMMUNITY ITSELF DOES NOT EXPECT TO GROW IN 1981. INFLATION, HIGH INTEREST RATES AND THE HIGH COST OF BORROWING SPARE NO MAN.

4. WE ARE KEENLY AWARE OF THE DIFFICULTIES FACING DEVELOPING COUNTRIES. THE PROBLEMS OF ADJUSTMENT AND FINANCING FACING NON-OIL DEVELOPING COUNTRIES IN THE IMMEDIATE FUTURE ARE PARTICULARLY SEVERE. THEIR ACCUMULATED CURRENT ACCOUNT DEFICIT WILL NOT BE FAR SHORT OF DOLLARS 100BN IN 1981. AMONG THESE COUNTRIES, THE POOREST WHO ARE EXPERIENCING THE LOWEST ECONOMIC GROWTH RATE DESERVE OUR SPECIAL ATTENTION.

5. HOW CAN WE BEST EXERCISE OUR RESPONSIBILITIES IN PRESENT CIRCUMSTANCES? IN SEEKING TO RESTORE STABILITY AND GROWTH TO OUR OWN ECONOMIES, OUR CHOICES ARE LIMITED. BUDGETARY STRINGENCY IS THE ORDER OF THE DAY.

- OUR MOST IMMEDIATE TASK MUST BE THE FIGHT AGAINST INFLATION, WHICH WE BELIEVE IS BEGINNING TO BEAR FRUIT IN SOME COUNTRIES. UNLESS WE MAKE A SUCCESS OF THIS, RESTORATION OF WORLD ECONOMIC GROWTH AND THE ACCELERATED DEVELOPMENT OF DEVELOPING COUNTRIES WILL REMAIN ONLY A PIOUS WISH. ONLY BY DEFEATING INFLATION AND PURSUING THE LONG

TERM

TERM TASK OF STRUCTURAL ADJUSTMENT WITH DETERMINATION CAN WE HOPE TO LAY THE BASIS FOR GREATER ECONOMIC ACTIVITY, NEW JOBS AND, AS WE ALL DESIRE, A REDUCTION IN UNEMPLOYMENT. ONLY THUS WILL WE PROVIDE THE PROSPECT OF INCREASED EXPORT EARNINGS FOR THE DEVELOPING COUNTRIES. ONLY THUS ARE WE GOING TO STIMULATE NEW CAPITAL INVESTMENT AND SEE INTEREST RATES FALL.

7. SECOND, THERE IS THE MAINTENANCE OF AN OPEN TRADING SYSTEM AND CONTINUED FIRM RESISTANCE TO PROTECTIONIST PRESSURES. THE COMMUNITY ATTACH GREAT IMPORTANCE TO THE WORK OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE AND TO THE IMPLEMENTATION OF THE TOKYO ROUND.

8. THIRD, WE WISH ACTIVELY TO PROMOTE THE DEVELOPMENT AND DIVERSIFICATION OF ENERGY SOURCES TO MEET THE REQUIREMENT FOR CONTINUED SOCIAL AND ECONOMIC DEVELOPMENT. THE IMPORTANCE OF INCREASED ENERGY SELF SUFFICIENCY IN ALL COUNTRIES IS MANIFEST. IT BEARS PARTICULARLY ON THE FORTUNES OF THE DEVELOPING COUNTRIES. WE IN THE COMMUNITY HAVE MADE STRIKING PROGRESS IN REDUCING CONSUMPTION IN RELATION TO OUTPUT (12% REDUCTION IN CONSUMPTION AS AGAINST 7% FOR THE INDUSTRIALISED COUNTRIES AS A WHOLE IN 1980 VERSUS 1979) BY PAYING PARTICULAR ATTENTION TO CONSERVATION AND SUBSTITUTION FOR OIL. WE MUST CONTINUE TO ADJUST TO SCARCER AND MORE COSTLY ENERGY BY INVESTMENT IN ENERGY PRODUCTION, ECONOMIC PRICING AND YET FURTHER CONSERVATION.

9. FOURTH, WE STAND FOR A SYSTEM WHICH WILL ACTIVELY PROMOTE FINANCIAL FLOWS TO MITIGATE BALANCE OF PAYMENT DIFFICULTIES AND PROMOTE ECONOMIC ACTIVITY. PRIVATE FLOWS (WHICH PROVIDE 2/3 OF ALL FLOWS TO THE DEVELOPING WORLD) HAVE A MAJOR ROLE ALONGSIDE ODA IN MEETING THE FINANCING NEEDS OF DEVELOPING COUNTRIES. THESE PURPOSES ARE BEST SERVED BY THE MAINTENANCE OF AN OPEN PAYMENTS SYSTEM AS WELL AS A STABLE INTERNATIONAL MONETARY ENVIRONMENT. THE COMMUNITY REMAINS COMMITTED TO THE TASK OF DEVELOPMENT. THE CHALLENGE IN THE INTERNATIONAL DEVELOPMENT STRATEGY IS CLEAR. ODA MUST CONTINUE TO FILL A MAJOR FINANCING GAP FOR THE POORER DEVELOPING COUNTRIES. IT MUST BE PUT TO EFFECTIVE USE. THIS HAS HIGH PRIORITY FOR ALL OUR GOVERNMENTS.

10. WE ARE PLAYING OUR ROLE IN SEEKING TO ENSURE THAT THE INTERNATIONAL SYSTEM RECOGNISES REAL NEEDS AND CONTINUES TO EVOLVE TO MEET THEM. THE COMMUNITY WELCOMES THE INTERNATIONAL MONETARY FUND'S INCREASE OF 50% IN QUOTAS IN THE SEVENTH GENERAL REVIEW. WE WISH TO UNDERLINE THE IMPORTANCE WITH WHICH WE VIEW THE SPECIAL INCREASES IN THE QUOTA OF SAUDI ARABIA. WE VERY MUCH WELCOME HER AGREEMENT TO LEND UP TO DOLLARS 12BN OVER THREE YEARS. MEMBER STATES OF THE COMMUNITY PLAYED THEIR PART IN THE INCREASE OF DOLLARS 1BN IN THE RESOURCES AVAILABLE TO THE FUND THROUGH BILATERAL BORROWINGS. THEY EMPHASISE THE IMPORTANCE OF ENLARGING THE FUND'S RESOURCES AND IMPROVING ACCESS BY MEMBER COUNTRIES TO THEM.

11. THE COMMUNITY WARMLY WELCOMES THE AGREEMENT TO DOUBLE TO DOLLARS 80BN THE CAPITAL OF THE WORLD BANK. IN FACE OF THE DETERIORATING PROSPECTS FOR GROWTH IN SUB-SAHARAN AFRICA, THE WORLD BANK HAS FORMULATED AN ACTION PROGRAMME WHICH WILL BE DISCUSSED IN SEPTEMBER. THE ECONOMIC COMMUNITY SUPPORT THE BANK'S INITIATIVE TO EXPAND ITS LEADING OPERATIONS IN THE ENERGY SECTOR. IT IS STUDYING WITH INTEREST THE PROPOSAL OF THE CREATION OF AN ENERGY AFFILIATE.

12. THE REPORT BY THE WORLD BANK TASK FORCE ON NON-CONCESSIONAL FLOWS RECALLS HOW FAR DEVELOPMENT CAN BE ASSISTED BY THE PRIVATE SECTOR AND BY MEASURES TO ENCOURAGE INFLOW OF CAPITAL INVESTMENT INTO DEVELOPING COUNTRIES. THE COMMUNITY BELIEVES THAT MORE ATTENTION NEEDS TO BE PAID TO THIS ASPECT OF THE WORLD ECONOMY. WHILE THERE HAS CLEARLY BEEN SOME DEGREE OF STRAIN, THE INTERNATIONAL BANKING SYSTEM HAS COPEDED BETTER THAN EXPECTED WITH THE PROBLEMS OF RECYCLING THE HUGE SURPLUSES OF THE OIL-EXPORTING COUNTRIES (ESTIMATED AT DOLLARS 112BN IN 1980). WE HAVE SEEN ONLY THREE WEEKS AGO SOME GUARDED OPTIMISM COMING FROM THE CONFERENCE OF INTERNATIONAL BANKERS IN LAUSANNE. BESIDES THE PRIMARY ROLE OF THE PRIVATE MARKETS, CLEARLY THE INTERNATIONAL FINANCIAL INSTITUTIONS MUST CONTINUE TO PLAY THEIR PART. THE SAUDI LOAN OF DOLLARS 12BN TO THE IMF IS AN IMPORTANT STEP. CLEARLY ALSO THE NEEDS OF POORER DEVELOPING COUNTRIES WILL CONTINUE TO BE MET PRIMARILY BY CONCESSIONAL FLOWS. OPEC COUNTRIES HAVE BEEN GENEROUS IN THE PAST IN THEIR CONCESSIONAL AID TO DEVELOPING COUNTRIES. WE HOPE THESE POLICIES WILL CONTINUE TO DEVELOP AS CALLED FOR IN THE INTERNATIONAL DEVELOPMENT STRATEGY.

ENDS

3. FINAL PARAS.

BEGINS

THE UNITED NATIONS SYSTEM.

29. WE BELIEVE IN AND ARE COMMITTED TO STRENGTHENING THE UN SYSTEM. THE PRESENT DIFFICULTY WORLD ECONOMIC CLIMATE ADDS URGENCY TO THE CALLS FOR GREATER COST EFFECTIVENESS AND THE REDUCTION AND ELIMINATION OF LOW PRIORITY OR SUPERFLUOUS ACTIVITY. A VERY WIDE RANGE OF TECHNICAL DISCUSSIONS AND NEGOTIATIONS TAKE PLACE IN GENEVA AND NEW YORK AND OTHER UN HEADQUARTERS. THE RESULTS ARE DEPENDENT TO A LARGE

EXTENT ON THE WAY IN WHICH SECRETARIATS DO THEIR WORK. IF THE SYSTEM IS TO MEET THE TASKS ASSIGNED TO IT, IT MUST BE MADE EFFICIENT AND EFFECTIVE. THE ECONOMIC AND SOCIAL COUNCIL, WHICH IS ASSIGNED MAJOR MANAGERIAL RESPONSIBILITIES UNDER THE CHARTER OF THE UNITED NATIONS CAN BE NO EXCEPTION.

CONCLUSION.

30. THE UNITED NATIONS IS AND WILL REMAIN AN INDISPENSABLE INSTRUMENT FOR ECONOMIC COOPERATION TO MEET THE CHANGING NEEDS OF THE WORLD ECONOMY AND IN PARTICULAR THE NEEDS OF THE DEVELOPING COUNTRIES. WE DO NOT MINIMISE THE DIFFICULTIES OF THE CIRCUMSTANCES IN WHICH WE FIND OURSELVES. WE SHALL NOT ALLOW OURSELVES TO BE DEFEATED. OUR MESSAGE IS ONE OF REALISM BUT ALSO OF HOPE. THE CHALLENGE IS GREAT. OUR RESOLVE MUST BE TO MEET IT IN THE COMMON INTEREST THROUGH SHARED EFFORT AND ON THE BASIS OF MUTUAL CONCERN AND RESPECT.

ENDS

4. SEE MIFT.

PARSONS

STANDARD
UND
NAD
ERD
ECD
ODA
EESD

ADDITIONAL DIST:
NORTH/SOUTH

CONFIDENTIAL

15268 - 1

OO UKREP BRUSSELS (DESKBY 171745Z)

GRS 355

CONFIDENTIAL

FRAME DEVELOPMENT

DESKBY 171745Z

FM FCC 171630Z JUN 81.

IMMEDIATE UKREP BRUSSELS

TELEGRAM NUMBER 538 OF 17 JUNE.

REPEATED FOR INFO SAVING: UKMIS NEW YORK, PARIS, BONN, THE HAGUE

COREPER 18 JUNE: NORTH/SOUTH QUESTIONS

OBJECTIVE

1. TO HAVE DRAFT REPORT FROM NORTH/SOUTH GROUP APPROVED FOR SUBMISSION TO COUNCIL OF MINISTERS AS IT STANDS.

LINE TO TAKE

2. CONTENT THAT REPORT PREPARED BY NORTH/SOUTH GROUP SHOULD GO TO COUNCIL ON 22/23 JUNE, WITH THE INTENTION THAT THEY SHOULD ENDORSE IT AND SENT IT TO THE EUROPEAN COUNCIL.

3. REPORT CAN PROVIDE A USEFUL FOUNDATION FOR THE COMMUNITY'S WORK IN THIS SUBJECT DURING OUR COMING PRESIDENCY.

4. HAPPY TO ACCEPT THE ACCOUNT OF THE NORTH/SOUTH GROUP'S DISCUSSIONS PREPARED SEPARATELY BY THE COUNCIL SECRETARIAT WITHOUT FURTHER DISCUSSION, ON THE UNDERSTANDING THAT NO-ONE IS COMMITTED TO EVERY WORD IN IT.

5. (IF PRESSED) A NUMBER OF POINTS REMAIN OPEN AFTER THE NORTH/SOUTH GROUP'S LENGTHY DISCUSSIONS. THEY HAVE RIGHTLY NOT BEEN INCLUDED IN THE REPORT FOR THE EUROPEAN COUNCIL AS THERE WAS NO CONSENSUS ON THEM. UK PRESIDENCY WOULD BE PREPARED TO RETURN TO SOME OF THESE SUBJECTS LATER, IF NECESSARY. BUT FURTHER WORK ON THEM WILL ONLY BE JUSTIFIED IF THEY ARE RAISED IN FORTHCOMING INTERNATIONAL MEETINGS.

BACKGROUND

6. THE DRAFT REPORT INTENDED FOR THE EUROPEAN COUNCIL IS GENERALLY ACCEPTABLE IN SUBSTANCE, THOUGH WE WOULD HAVE LIKED TO AVOID SOME OF THE JARGON. IT CONTAINS LESS OF A COMMITMENT TO THE GLOBAL NEGOTIATIONS THAN WE HAD FEARED: THIS IS WELCOME. WE

1

CONFIDENTIAL

CONFIDENTIAL

15268 - 1

WOULD HAVE PREFERRED LESS FORTHCOMING REFERENCES TO A NEW INTERNATIONAL ENERGY FORUM, AN IBRD ENERGY AFFILIATE AND TO A LARGER SHARE OF AID FOR AGRICULTURE. BUT WE CAN LIVE WITH THE PASSAGES AS THEY STAND.

7. A NUMBER OF THE PET PROJECTS OF PARTICULAR DELEGATIONS HAD TO BE RESISTED (BY THE UK AND OTHERS) IN THE COURSE OF DISCUSSION. THESE INCLUDE A TIME LIMIT FOR ACHIEVING THE 0.7 PER CENT AID PROJECT, MORE ACTION ON DEBT, SAFEGUARDING OPEC'S FINANCIAL ASSETS, AN AGRICULTURAL EXPORT POLICY FOR THE COMMUNITY ETC. ETC. WE WOULD NOT WANT TO SEE ANY OF THESE RE-INTRODUCED INTO THE REPORT TO THE EUROPEAN COUNCIL.

CARRINGTON

NNNN

X

DIST.

ADDITIONAL DIST.

FRAME DEVELOPMENT

NORTH/SOUTH STANDARD

ECD (E)

ERD

GPS210
UNCLASSIFIED
FROM UKMIS NEW YORK 172142Z JUN 81
TO IMMEDIATE F C O
TELEGRAM NUMBER 540 OF 17 JUNE
AND TO UKMIS GENEVA

MIPT: ECOSOC

1. FOLLOWING IS PASSAGE ON NORTH SOUTH ISSUES:

BEGINS
III INTERNATIONAL NEGOTIATIONS

13. THE COMMUNITY AND ITS MEMBER STATES ARE PROFOUNDLY CONSCIOUS OF THE PART PLAYED IN THE WORLD ECONOMY BY THE DEVELOPING COUNTRIES. PROSPERITY IS INDIVISIBLE, AND RECOVERY IS INDIVISIBLE. JUST AS WE BELIEVE THAT A MAJOR CONTRIBUTION WHICH THE ADVANCE COUNTRIES CAN MAKE TO THE DEVELOPMENT OF THE DEVELOPING COUNTRIES IS THE ESTABLISHMENT OF A SOUND ECONOMY AND SUSTAINABLE GROWTH, SO WE KNOW THAT THE HEALTH OF THE DEVELOPING COUNTRIES IS ITSELF AN ELEMENT OF RECOVERY IN THE ADVANCED COUNTRIES.

14. THE COMMUNITY HAS MADE CLEAR ITS SUPPORT FOR THE GLOBAL NEGOTIATIONS. WE RECOGNISE WITH GRATITUDE THE EFFORTS MADE BY THE PRESIDENT OF THE GENERAL ASSEMBLY TO BRING ALL SIDES CLOSER TOGETHER. FOR OUR PART, WE REMAIN READY TO RESUME DISCUSSION, AS WE MADE CLEAR IN OUR STATEMENT OF 5 MAY. WE WELCOME THE MEETINGS TO BE HELD LATER THIS YEAR FOR A DISCUSSION OF NORTH/SOUTH ISSUES AT THE HIGHEST LEVEL. THE NORTH/SOUTH SUMMIT TO BE HELD AT CANCUN IN MEXICO NEXT OCTOBER CAN REPRESENT A SIGNIFICANT POINT IN THE EVOLUTION OF COOPERATION BETWEEN DEVELOPED AND DEVELOPING COUNTRIES. WE APPLAUD THE INITIATIVE OF THE GOVERNMENTS OF MEXICO AND AUSTRIA. WE PLEDGE OURSELVES TO WORK FOR A CONSTRUCTIVE OUTCOME.

ENDS

PARSONS

STANDARD
UND
NAD
ERD
ECD
ODA
EESD

ADDITIONAL DIST:
NORTH / SOUTH

FILE



10 DOWNING STREET

From the Private Secretary

1 June 1981

CF to Hle

North-South Summit

I enclose, together with its attachment, a copy of a letter which the Prime Minister has received from Mr. Heath about the North-South Summit at Mexico. I also enclose a copy of the Prime Minister's letter of acknowledgement.

No doubt Mr. Heath will be releasing the text of his memorandum at some stage. I assume therefore that you will be preparing a detailed analysis of the proposals in it. I should be grateful if you could let me have a copy of this in due course. You will presumably be considering at the same time whether the Prime Minister should send Mr. Heath a more substantive reply.

I am sending copies of this letter and its enclosures to John Wiggins (HM Treasury), Julian West (Department of Energy), Kate Timms (MAFF), John Rhodes (Department of Trade) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

Roderic Lyne, Esq.,
Foreign and Commonwealth Office.

JFK



10 DOWNING STREET

THE PRIME MINISTER

1 June 1981

Thank you for your letter of 20 May, which has just been received here, and for the enclosed paper on the issues to be discussed at the North-South Summit in Mexico.

I shall of course read your paper with the closest attention and will ensure that it is taken fully into account in the preparation of my briefing for Mexico and for the earlier Summits at Ottawa and at Melbourne.

(Sgd) MARGARET THATCHER

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

Eur Pal

CONFIDENTIAL

GRS 60

mf.

CONFIDENTIAL

FM BMG BERLN 011518Z JUN 81
TO IMMEDIATE FCO
TELEGRAM NUMBER 15 OF 1 JUNE 1981
INFO ROUTINE BONN

MY TWO IPTS: MEETING OF BRANDT COMMISSION

1. MR HEATH TOLD US PRIVATELY ON 30 MAY THAT CHANCELLOR BRANDT HAD SPOKEN TO THE COMMISSION MEMBERS AT A DINNER ON 28 MAY. HE HAD BEEN DESPONDENT ABOUT THE WORLD IN GENERAL, HAD SHARPLY ATTACKED THE ATTITUDE OF OPEC COUNTRIES (WHICH MR HEATH DID NOT REGARD AS HELPFUL IN THIS FORUM) AND SPOKEN CRITICALLY ABOUT THE ATTITUDE OF THE REAGAN ADMINISTRATION TOWARDS THE BRANDT REPORT AND MEXICO SUMMIT.

MOSTYN

NORTH/SOUTH STANDARD

ERD
ES & SD
MAED
TRED
WED

ECD
UND
ESID
M & CD
ECD/ODA

ADDITIONAL DISTRIBUTION

NORTH/SOUTH

CONFIDENTIAL

GRS 250

UNCLASSIFIED

FM BMG BERLIN 011451Z JUN 81
TO IMMEDIATE FCO
TELEGRAM NUMBER 13 OF 1 JUNE 1981
INFO ROUTINE BONN

ms

YOUR TELNO 17: MEETING OF BRANDT COMMISSION

1. THE MEMBERS OF THE BRANDT COMMISSION MET IN WEST BERLIN BEHIND CLOSED DOORS FROM 27-31 MAY AT THE INVITATION OF THE GERMAN FOUNDATION FOR INTERNATIONAL DEVELOPMENT.

2. AFTER THE MEETING, A PRESS STATEMENT WAS ISSUED RECOMMENDING FOUR SPECIAL AREAS FOR DISCUSSION AT THE MEXICO SUMMIT IN OCTOBER (TEXT IN MIFT). AT A PRESS CONFERENCE, IN ADDITION TO EMPHASISING POINTS IN THE PRESS STATEMENT, BRANDT SAID THAT THE COMMISSION HAD DEVOTED SPECIAL ATTENTION TO THE INDEBTEDNESS OF DEVELOPING COUNTRIES. HE CRITICISED THE NIGGARDLY RESPONSE OF THE WEST GERMAN GOVERNMENT, BUT REMARKED THAT DURING HIS MEETING WITH THE COMMISSION CHANCELLOR SCHMIDT HAD SEEMED TO WANT TO WORK IN THE SENSE OF THE COMMISSION'S RECOMMENDATIONS. MR HEATH SAID THAT THE IMMEDIATE AIM OF THE COMMISSION WAS TO EXERT INFLUENCE ON THE INDUSTRIAL NATIONS QUOTE LEADERS UNQUOTE CONFERENCE IN JULY AND AT THE COMMONWEALTH SUMMIT IN SEPTEMBER IN THE RUN-UP TO THE MEXICO MEETING. RAMPHAL EXPRESSED CONCERN AT THE TURNING INWARDS OF THE NEW US ADMINISTRATION, AND ATTACKED THE SOVIET UNION AND ITS ALLIES FOR REFUSING TO ATTEND THE MEXICO MEETING.

3. AT A PUBLIC SEMINAR WITH OTHER MEMBERS OF THE COMMISSION ON 28 MAY, BRANDT CRITICISED ARMS EXPENDITURE IN PARTICULAR. HE ATTACKED WESTERN STATES FOR CUTTING AID BUT INCREASING MILITARY BUDGETS, AND THIRD WORLD COUNTRIES FOR SPENDING BILLIONS ON ARMS. HE COMPLAINED THAT ALTHOUGH THE COMMISSION'S REPORT HAD BEEN WIDELY DISCUSSED, IT HAD HARDLY BEEN LOOKED AT BY GOVERNMENTS. MEANWHILE, THE WORLD'S PROBLEMS HAD GROWN WORSE. MR HEATH ATTACKED THE INDIFFERENT ATTITUDE TOWARDS THIRD WORLD PROBLEMS TAKEN BY MANY WESTERN GOVERNMENTS AND CALLED FOR A PUBLIC CAMPAIGN TO PUT PRESSURE ON THEM. HE SPECIFICALLY CONDEMNED THE BRITISH GOVERNMENT'S APPROACH, MENTIONING CUTS IN FOREIGN AID AND INCREASED FEES FOR FOREIGN STUDENTS.

MOSTYN

NORTH/SOUTH STANDARD

ERD	ECD
ES & SD	UND
MAED	ESID
TRED	M & CD
WED	ECD/ODA

ADDITIONAL DISTRIBUTION

NORTE/SOUTH

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



HOUSE OF COMMONS

20 May 1981

Dear Prime Minister.

The deterioration in the economic prospects of much of the Third World is being fuelled by the growing hostility of the international economic environment. This situation provides significant opportunities in these countries for political extremism, for Soviet interference, and for social instability on a large scale. It is essential to improve the prospects for growth of many developing nations whose stability is politically and strategically essential to the West.

In addition, the West has a strong interest in devising, with the developing countries, a package of measures which would serve both to bring greater order into the chaotic international oil market and to promote a more efficient recycling of the surplus funds of major oil producing nations. Such a package would also help to safeguard the precarious, and politically dangerous, position of over extremism in which the commercial banking system now finds itself.

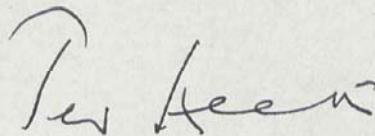
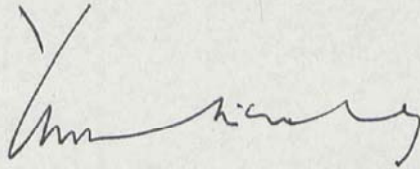
The forthcoming Summit meeting in Mexico on North-South issues provides a momentous opportunity to give impetus to policies such as these, and to the other urgent priorities for action in which both the developed and the developing countries have a strong mutual interest.

May I take the liberty of offering you some personal reflections on the tasks which lie ahead of this Summit.

If the Summit is to achieve its purpose, I suggest it will need to be successful in three fields; first, in developing a common assessment of the problems which mutually concern North and South in the economic sphere; second, in establishing a badly needed sense of priorities in the wide range of policies which could help to improve this situation; and third, in giving greater precision and direction to those priorities which are now urgent.

In the attached paper, I have set out a possible basis for such a common approach. A summary is included for your convenience.

I am writing to ask you to give your strongest personal support to these proposals at the Mexico Summit and at the Summits of the Western Seven at Ottawa and of the Commonwealth at Melbourne which will precede it.



The Rt Hon Margaret Thatcher MP
The Prime Minister

SUMMARY OF A MEMORANDUM TO THE SUMMIT ON NORTH-SOUTH

ISSUES AT CANCUN, MEXICO, BY THE RT HON EDWARD HEATH MBE MP

(full text attached)

- I. There are four aspects of the international economic situation in addition to the recession in the industrialised countries, which should receive the special attention of the Summit because no other scheduled high-level meeting could tackle them as effectively.

a) Problems of payments and debt

The current account deficit of the oil-importing developing countries is expected to reach \$80 billion this year from the already unprecedented level of \$63 billion in 1980. This raises two problems which crucially affect the interests of both North and South:

- (i) The middle-income developing countries, which are largely responsible for this payments deficit, have only been able to finance it by becoming increasingly indebted to the commercial banks of the North. Since 1975 their external debt has more than doubled -- and stood at \$280 billion by the end of 1980. There is now a growing danger of a collapse in confidence by private lenders. This could rapidly precipitate a default by a major borrower. That, in turn, could fatally weaken the commercial banking system of the North and lead to massive instability in the world's monetary arrangements.

If nothing is done to help these countries, they may have to cut back drastically on development. This could seriously unsettle them, politically and socially; and it would further restrict their imports from the North which already account for 24% of US manufactured exports and 14% of EEC manufactured exports. With low growth rates, and unemployment approaching 25 million, the North has every interest in avoiding this situation.

- (ii) The low-income developing countries, to which private banks lend much more modest sums of money, have had no alternative but to cut back substantially on their development plans. In countries like Pakistan and the Sudan, this has increased the potential for instability; and it has further limited Northern exports. In addition, it has seriously exacerbated the problem of absolute poverty. This is a major humanitarian issue; and it poses severe problems for the environment (such as increasing deforestation), for population growth (which is highest at these levels of income), for economic growth (because hungry and sick people are unproductive), and for agricultural productivity (because of all these factors). Neither North nor South can escape the consequences of such developments.

b) International oil situation

The market for oil is likely to remain finely balanced in the long term, despite temporary gluts. This will be an impediment to growth in developed and developing countries alike.

c) Food

Over the last decade, per capita food production has dropped in over 60 developing countries; and the number of malnourished people has reached record levels. This is not only a major humanitarian problem; it also affects the economic interests of the rich countries in two ways. First, it pushes up food prices on the world market, which may add to inflationary pressures; and second, it restricts economic growth in the developing countries (hungry people are unproductive), which further limits their demand for Northern goods.

d) Protectionism

Freer trade would help to increase the purchasing power of the South and reduce inflationary pressures in the North. However, protectionism in the North is increasing. This is despite the fact that the developing countries as a group have a substantial deficit with the North in trade and manufactured goods.

II. Workable initiatives in these four areas must be based on the following considerations:

- (i) The considerable limitations on the availability of finance for Third World development from the public budgets of the North, if it is not possible to change their current priorities.
- (ii) The need to ensure that the financial contributions of the major oil-producing countries to world development are as equitably balanced as possible by the contributions of the industrialised countries.
- (iii) The need to provide adequate opportunities for all to participate in some degree in the management of the world economy if the will and the resources which are required effectively to tackle the urgent problems facing it are to be mobilised.

On this basis, the following priorities for action would seem to be both urgent and practicable:

a) Problems of payments and debt

- (i) These require greater official action, by national and international institutions, to channel funds to the developing countries. To achieve this, adequate quantities of loan capital must be available to these institutions on a sustained basis. The most readily available source of funds is the major surplus countries of OPEC.
- (ii) It is therefore necessary for the industrialised countries to make it more attractive for official holders of OPEC surpluses to place in the IMF and the World Bank the additional funds which they require. Two important ways of achieving this are:
 - To give the donor countries decision-making powers

within these institutions which are more closely related to the size of their contributions. This would in no way diminish the financial responsibility of these institutions.

- To guarantee a constant, real rate of return to governments which contribute substantial quantities of additional funds. This is particularly important in the case of the World Bank. This guarantee would be available to any investor, thus avoiding any explicit favouritism towards OPEC; but, in practice, it would carry conditions which only countries with surpluses of public finance as large as those possessed by OPEC would be likely to satisfy. (See Paragraph 15 ii of full text.)
- (iii) The next task is to channel a greater proportion of the funds thus acquired by the IMF and the World Bank to those developing countries which cannot afford to borrow substantially from the commercial banks, but which are not so poor that they are largely excluded even from concessional borrowing. This requires:
- more resources to be found for subsidising the interest on loans to these countries. This can be done without making large demands on the public budgets of the North;
 - that the lending practices of the IMF should be further reformed in order to take proper account of the effect of deteriorating external economic conditions on the ability of developing countries to undertake economic adjustment programmes.
- (iv) More OPEC capital would be attracted to the non-oil developing countries if additional means of productive investment could be identified within them. Two such means are:
- To find more satisfactory ways of 'marrying' surplus capital from OPEC, technological and managerial expertise from the developed countries, and proponents of industrial projects in the non-oil developing world.
 - To increase co-financing between the IMF and World Bank and official holders of OPEC surpluses.
- (v) Most of the above proposals would not deal with the present financial emergencies of many developing countries. These may require immediate relief on interest payments, or even cancellation of debt in the case of the poorest countries. The latter will, in any case, need to remain an absolute priority for direct grants in national aid policies.

b) International oil situation

Both the major producers and the major consumers have an interest and a responsibility to bring greater order and predictability into the world oil market. Three priorities:

- (i) They must seek to reach an understanding on future trends in the supply and price of oil, which includes a 'ceiling' on prices as well as a 'floor'. But this is unlikely to be achieved unless the major consumers are in a position to offer the producers concessions which are commensurate in importance with an understanding of this sort. Four possible concessions are advocated in Paragraph 21 of the full text.
- (ii) An efficient system of rules to restrain competitive bidding for freely-traded supplies of oil in times of temporary shortage is urgently needed. Otherwise the danger will persist that small interruptions in supply will precipitate massive increases in price.
- (iii) Official finance is urgently needed to prospect for sources of energy in the Third World which are not large enough for private corporations to risk the costs of initial exploration and development. Given the finely balanced nature of the world oil market, even small discoveries of oil could help to stabilise energy prices. Moreover, they could greatly improve the payments positions and growth prospects of countries which require very modest quantities of energy, but are barely able to find the foreign exchange to import them. The proposed energy affiliate of the World Bank would be in an excellent position to undertake this sort of funding.

c) Food

- (i) The overriding priority is for the South to do more to improve its own capacity for food production.
- (ii) International assistance - for example with fertilisers and additional funds for research and development - can greatly assist these indigenous efforts, and must be supported.
- (iii) Emergency food requirements will need to be met by other means. An increase in available food aid is particularly important. And an attempt to stabilise the price and supply of grain on the world market should be made through a new International Grain Agreement.

d) Protectionism

Major progress will be difficult to achieve here. But the Summit should endeavour:

- (i) to agree on the need to achieve a standstill on protectionism, particularly in the next Multi-Fibre Agreement.
- (ii) to indicate its determination to begin, where possible, to remove trade barriers against the developing countries.

III. If the Mexico Summit can be directed to these purposes, it may be able to make a powerful contribution to resolving some of the world's most vital economic problems to the benefit of North and South alike.

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



HOUSE OF COMMONS

M E M O R A N D U M

TO

THE SUMMIT ON NORTH-SOUTH ISSUES

AT

CANCUN, MEXICO

15 May 1981

I. INTRODUCTION

1. The forthcoming North-South Summit in Mexico has been called in response to the deepening recession in the world economy and the special problems which this poses for both developed and developing countries. It should not be aimed at supplanting or dominating the negotiations which proceed within the United Nations and other international institutions. It should rather attempt to produce a set of conclusions which will assist them in their Herculean task of forging a global consensus on the principal problems facing the world economy today and the action which is needed to meet them. A weekend meeting of over twenty Heads of State or Government cannot become embroiled in detailed negotiations on the world economy; nor would it be necessary or even desirable that it should do so. However, if its discussions are to stimulate effective global action to meet the current crisis, they must concentrate on forging clear priorities and thereafter on guidelines for action, particularly on issues such as the indebtedness of many developing countries, where action is needed on an emergency basis. It is the purpose of this Memorandum to suggest what these priorities and guidelines for action might be.

2. The recommendations which follow have been constructed with four main considerations in mind:
 - (i) The deep mutual interest of industrialised countries, oil-producing developing countries and non-oil-producing developing countries in urgent action.
 - (ii) The considerable limitations on the availability of finance for Third World development from the public budgets of the North, if it is not possible to change their current priorities.
 - (iii) The need to ensure that the financial contributions of the major oil-producing countries to world

development are as equitably balanced as possible by the contributions of the industrialised countries.

- (iv) The need to provide adequate opportunities for all to participate in some degree in the management of the world economy if the will and the resources which are required effectively to tackle the urgent problems facing it are to be mobilised.

II. THE PRESENT INTERNATIONAL ECONOMIC SITUATION AND THE INTERDEPENDENCE OF NORTH AND SOUTH.

3. Apart from the deepening recession in the industrialised countries, which is having such damaging consequences for employment and growth in both North and South, and which is already the subject of numerous high-level consultations, there are four aspects of the present international economic situation which should receive the special attention of the Summit, because no other scheduled high-level meeting could tackle them effectively:
- a) The deteriorating balance of payments situation of most of the developing world and the associated problem of mounting indebtedness.
 - b) The international oil situation.
 - c) The worsening food situation in many developing countries.
 - d) Growing protectionism within the industrialised world and between it and the developing countries.

Besides a brief description of the situation in each of these areas, the remainder of this section will outline the mutual interest of both North and South in urgent remedial action.

a) International payments and debt

4. Serious balance of payments problems now afflict most oil-importing developing countries. The current account deficit of this group of countries is expected to reach \$80 billion this year from the already unprecedented level of \$68 billion in 1980. This dramatic increase has resulted largely from a severe deterioration in their terms of trade caused by surging

import prices for energy, manufactured goods and food, and from the sluggish growth of exports caused by the depressed level of world economic activity and by trade barriers. According to the IMF, \$16 billion of the increase in the current account deficit of oil-importing countries of \$22 billion between 1977 and 1979, resulted from a deterioration in their terms of trade.

5. Of these countries, the middle-income group has generally been able to obtain financing for its deficits from the commercial banks. However, given the rising cost of oil and manufactured imports from the industrialised countries, as well as growing protectionism by the latter, the capacity of many of these countries to service their debt obligations has been seriously eroded. By 1980, the external debt of middle-income countries reached \$280 billion, from just \$120 billion in 1975 and \$45 billion in 1970. Unfortunately, much of their borrowing cannot now be used for productive investment, because it is needed to cope with payments for rising interest rates and deteriorating terms of trade. The point has already been reached at which the steep increase in debt is not resulting in an increase in net transfers to these developing countries. Consequently the commercial banks are becoming more restrained in lending to the Third World. This situation cannot fundamentally be sustained; there is therefore a growing danger of a collapse in confidence by private lenders, which could rapidly precipitate a default by a major borrower. That, in turn, could fatally weaken the commercial banking system of the North and lead to massive instability in the world's monetary arrangements. It is surely in the interest of every country involved in international trading that this situation should be prevented from developing.
6. A further consequence of the inability of middle-income developing countries to finance their balance of payments deficit would be greatly to reduce their purchases of Northern

manufactured goods. For example, these countries take almost 24% of United States manufactured exports and 14% of EEC manufactured exports. Their importance to the industrialised countries at a time of large-scale unemployment, massive spare capacity, and persistently low growth is therefore profound.

7. However, only a small number of developing countries are sufficiently creditworthy to borrow large amounts from the commercial banks. Thus, at the end of 1979, ten countries were responsible for about two-thirds of all outstanding loans to the Third World. Many of the remaining developing countries have failed to obtain adequate financing. As a result, they have been forced drastically to cut growth and living standards. This in turn increases the potential for social and political instability, on which the rivalry between East and West feeds and by which their deteriorating relationship is exacerbated. In addition, it further limits the export potential of the sagging economies of the North.

8. The economic situation is particularly serious in the low income developing countries. During the 1970s their purchasing power per unit of non-fuel primary exports fell by over a quarter. The World Bank expects no significant improvement in the per capita income growth rate of these low income countries before 1985. Indeed, the sub-Saharan group of low income countries is expected to suffer a decline in per capita incomes. As a result, the number of people living in absolute poverty - about 780 million now - would at best fall only slightly by the end of the 1980s. The moral case for improving the growth rates of this low-income group is indisputable. And the economic advantages would be considerable. Hungry, uneducated and sick people neither are productive nor possess much purchasing power to galvanise their national economies. In addition, these people tend to make the greatest contribution to the population

explosion of any economic class. Since more people will be born between now and the year 2000 than lived at the beginning of the century, the demands which this population growth will make on the resources of the earth are tremendous. This could do lasting damage to the environment, to agriculture throughout the world, and therefore to the already inadequate ability of many developing countries to feed their own populations. Neither North nor South could escape the consequences of these developments.

b) International oil situation

9. The market for oil is extremely finely balanced. Gluts tend to be temporary phenomena, which disappear or even turn into shortages when economic activity picks up. This, in turn, tends to inhibit governments from adopting expansionary policies. In addition, the unpredictability of energy prices damages business confidence and therefore stymies economic growth in both North and South. A global energy policy which succeeded in making supplies of oil more reliable and its price more predictable would therefore greatly improve the prospect for successful expansionary policies, particularly in the North. This will require commitments not just by the producers of oil but also by its major consumers, whose policies are also important determinants of the price of oil.

c) Food

10. The food situation in many developing countries is steadily worsening. In the 1970s, 61 developing countries had a declining per capita food output, and in 15 of them output dropped in absolute terms as well. In sub-Saharan Africa, food output per capita fell by more than 1% per year, or by over 10% in the decade. Currently, grain prices are once again rising steeply; but many developing countries are in an increasingly difficult position for importing food because of their serious balance of payments position.

11. This situation affects both the industrialised countries and the wealthy oil producers in at least three ways. First, rising food prices on the world market may add to inflationary pressures in their own societies. 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. This, in turn, is an additional restriction on world economic activity. Third, the fact that the 1.4 billion people who live in low-income countries together consume less grain than is fed to animals worldwide for meat production highlights the undeniable moral imperative in joint action to improve agricultural production in the Third World and to provide adequate compensation for shortfalls in production.

d) Protectionism

12. A more efficient international division of labour, which can only be achieved through an expansion of world trade, is an essential factor in the recovery of the world economy. However, protectionist measures, such as quantitative restrictions and 'voluntary' export restraints, against developing countries are multiplying. Although the exports of developing countries tend to be concentrated in sectors which are already in difficulty, in the industrialised countries in general they supply less than 2% of the manufactured goods consumed by them. In the case of Britain, the figure is 1.3%, and for the United States, Japan and the Federal Republic of Germany it is smaller still. Moreover, the industrialised countries now have a surplus of more than \$100 billion in their trade in manufactured goods with the developing countries.

III. PRIORITIES FOR ACTION

13. This situation demands action by North and South on an urgent basis. Multilateral negotiations at official level and in

the institutions of universal membership have so far failed to bring this about. Hence the key importance of the Mexico Summit in identifying clear priorities and guidelines for action. These priorities may be grouped under the four headings enumerated above.

a) International payments and debt

14. There is an urgent need for the international financial institutions to play a greater role in the recycling of financial surpluses to the developing countries (i) for short-term balance of payments support; and (ii) for longer-term investment to improve productivity and increase production. This is necessary because of the increasing reluctance of the commercial banks to lend to developing countries on the necessary scale and because of the greatly increased volume of surpluses which need to be recycled.

15. For the International Monetary Fund and the World Bank to play the larger role which is required of them, adequate resources must be available to them on a sustained basis. Since the major industrialised countries are all in deficit and have substantial constraints on their public spending, these institutions ought to derive the bulk of their additional loan capital from those countries which have both large payments surpluses and more readily available public funds. These are, in general, the major OPEC countries. It is the task of the industrialised countries to make it more attractive for the official holders of OPEC surpluses to place in the IMF and the World Bank the additional funds which they require. There are at least two initiatives which would help to achieve this:

- (1) The donor oil-producing countries should be given decision-making powers within these institutions which are more closely related to the size of their contributions. Modest progress has recently been made in this respect. The latest deal between Saudi

Arabia and the IMF increased Saudi voting rights in the Fund and underlined, once again, the importance of securing greater decision-making powers for the holders of OPEC surpluses if they are to increase their contributions to the IMF and the World Bank. Despite this progress, the amount of power which they possess in these institutions is still far less than their financial contribution to them would justify. There can be no justification for the industrialised countries to oppose a fundamental reform of this situation on the grounds that it would undermine the creditworthiness or financial responsibility of the IMF and the World Bank themselves. Not only have the major oil-producing countries been highly prudent in the use of their own funds for development in the non-oil Third World; they also have a natural interest in ensuring that institutions in which they place such large sums of money pursue financially responsible lending policies.

- (ii) Those governments which contribute substantial additional funds to the IMF and the World Bank ought to be guaranteed a rate of return which is maintained at a constant level in real terms. Again, the recent Saudi-IMF agreement has made progress in this respect, although the World Bank does not yet offer anything comparable to the rate of return provided in this arrangement. A more permanent system of guarantees might best be established within a new facility of the World Bank and/or the IMF. In order to qualify for the guarantee, donor governments would need to satisfy at least two criteria. First, the amount they contribute would have to be above a certain multiple of their normal

quotas. Second, these additional funds would be lent for longer periods than can be obtained from the commercial banks. In theory, any government would be entitled to receive these guarantees; thus there would not be the problem of giving preferential treatment to OPEC while denying guarantees to all other investors. In practice, however, only oil-producing countries with large financial surpluses are likely to be able to satisfy both criteria; the stringent constraints on public spending and borrowing in the North will probably exclude it from contributing to the new facility.

16. The next challenge is to ensure that a greater proportion of the funds thus acquired by the IMF and the World Bank reaches those developing countries which cannot afford to borrow substantially from the commercial banks but which are not so poor that they are largely excluded even from concessional borrowing. This requires action on two fronts:

(i) More resources must be found for subsidising the interest on loans to these developing countries. These resources could be obtained as follows:

- For the IMF, profits from further sales of gold and repayments to the Trust Fund could be used. (Repayments to the Trust Fund have, in fact, already been used to help finance the new account of 1 billion SDRs which is to be used to subsidise loans from the Supplementary Financing Facility to low-income countries.)
- For the World Bank, the resources would need to be obtained directly from member governments. This is an area in which the industrialised countries and the major OPEC

surplus countries could work together to apportion the cost on an equitable basis. Indeed, for the industrialised countries, it may make sense to use more of their limited ODA funds to subsidise loans to developing countries and less as a source of loan capital itself.

- (ii) The lending practices of the IMF should take proper account of the effect of deteriorating external economic conditions on the ability of developing countries to undertake economic adjustment programmes. Short adjustment periods, strict deflationary policies, and currency devaluation were all very well in the days when the economic difficulties of developing countries were of largely indigenous origin. At a time of growing protectionism in the North, continuously rising oil prices, and deteriorating terms of trade, insistence on such policies may prove not only inappropriate but even counter-productive. Over the past year, IMF policy has increasingly recognised the need for loans which are longer-term in duration and mindful of those external causes of balance of payments difficulties. But this welcome change must be only the beginning of a process aimed at better suiting the lending policies of the IMF to the economic realities of the modern world.

17. In order to attract a greater proportion of OPEC surpluses to the non-oil developing countries, it will also be necessary to identify additional means of productive investment in them. Two such means, which would greatly benefit from the backing of the Mexico Summit, are:

- a) To find more satisfactory ways of bringing about the 'marriage' of surplus capital from the OPEC countries, technological and managerial expertise from the developed countries, and proponents of industrial projects in the non-oil developing world. One possibility would be to set up a bureau in a Gulf country whose function would be to bring viable investment opportunities throughout the developing world to the attention of institutional and other investors in the Gulf countries.
- b) The IMF and the World Bank, which are predominantly Western controlled, should increase their co-financing activities with official as well as private holders of OPEC surpluses.

Initiatives such as these might help to channel into productive investment in the Third World large sums of OPEC money which would otherwise remain either uninvested or tied up in unproductive assets.

18. The initiatives proposed so far are unlikely to provide adequate relief for the present financial emergencies of many developing countries. Other ways of dealing with their problems must therefore be considered. One which could provide some immediate help without imposing undue strains on the public budgets of donor countries, is relief in meeting official bilateral obligations for servicing debt. In 1978, agreement was reached under UNCTAD to grant 'retroactive terms adjustment' on the debt of the poorest countries. Unfortunately the total debt so far on which retroactive terms adjustment has been applied is only about \$6 billion, and the relief is estimated to be equivalent to about \$300 million per annum. This is modest in relation to the extent of the official bilateral debt of low-income countries which is estimated at \$50 billion.

19. Some of the low-income developing countries would remain virtually untouched by the schemes mentioned hitherto. They must therefore remain an absolute priority for direct grants in national ODA policies, as they do in multilateral concessional aid policies. This is especially important at present when concessional aid flows from IDA, the soft-loan affiliate of the World Bank, have completely dried up. As I have already indicated, industrialised countries and the major oil producers have a common humanitarian responsibility towards these countries as well as having an interest in their economic progress and their political stability.

b) International oil situation

20. There is an urgent need to increase the finance available for the exploration and development of indigenous energy resources in the non-oil-producing Third World. Given the finely balanced nature of the international oil market, even small discoveries of oil, or substitutes for it, could make a major contribution to the stabilisation of energy prices. Moreover, such discoveries could be of immense value to the growth prospects and payments positions of those developing countries which require very modest quantities of energy, but are barely able to find the foreign exchange to import them. Unfortunately, the private corporations are often unwilling to take the financial risk of prospecting for such limited quantities of energy. This is why public funds may be needed to finance or underwrite at least the initial costs of exploration and development in the less energy-rich developing countries. The proposed energy affiliate of the World Bank would be in an excellent position to undertake this sort of funding and therefore needs to receive the strong support of the Summit. But if it is to be adequately capitalised by the OPEC surplus countries, it will have to be run on the basis of an equitable distribution of voting rights between its developed and developing members.

21. The major producers of oil and the big consumers, in both the North and the non-oil-producing South, must seek to reach an understanding on future trends in the supply and price of oil. Its aim would be to reduce unreliability of supply and irregular, steep increases in price. This would lessen the uncertainties facing investors; and it might make governments in the North less wary of pursuing expansionist economic policies for fear that these would rapidly push up oil prices.

The formula, which OPEC has considered, for linking the price of oil to the rate of world inflation and to growth in the industrialised countries, could form the basis for the negotiation of an understanding on a 'ceiling' for oil prices as well as a 'floor'.

However, such a negotiation is unlikely to succeed unless the major consumers are in a position to offer the producers equally attractive arrangements in areas of interest to them. These would include:

- Additional measures to safeguard the value of a proportion of the surplus income generated by high oil production. One way of achieving this is to provide guarantees for additional funds which official OPEC holders place in the international financial institutions. This would also be logical in view of the direct linkage between high oil production and the problem of recycling the surpluses thus generated into productive investment in the developing countries. Moreover, it would make it politically feasible for guarantees to be provided only for the major oil-producing countries, and not for other investors or for the producers of other commodities. An example of such a guarantee was outlined in Paragraph 15 (ii).

- A more equitable sharing of power in the international financial institutions (referred to in Paragraph 15 (i) above).
- An assurance that OPEC assets held abroad will remain fully accessible to their owners.
- Commitments to more rigorous oil import targets. Apart from the political importance of such commitments in any multilateral producer-consumer negotiation of the sort advocated here, they are also essential to the achievement of more predictable oil prices because the latter are obviously influenced by the behaviour of the major consumers of oil.

22. If oil prices are to be made more predictable and stable, an efficient system of rules to restrain competitive bidding for freely-traded supplies in times of temporary shortage is needed. These rules would have to be backed up by an agreement, supported by the major consumers, on a more effective mechanism for sharing out the remaining supplies of oil. The fact that the Iranian revolution precipitated a price rise of 150%, even though the OECD's imports of oil were at no point reduced by more than 4%, is proof that adequate arrangements of this sort still do not exist. Indeed, the oil sharing mechanism of the International Energy Agency, which is triggered only after a shortfall in the OECD's oil imports of 7%, never took effect during the entire Iranian crisis. If urgent action is not taken in this area, oil supplies will inevitably be distributed during temporary shortfalls at an unnecessarily high cost to developed and developing countries alike.

c) Food

23. Efforts to achieve food security for the developing countries must begin within their boundaries. The overriding priority

is for the South to do more to improve its own capacity for food production.

24. International assistance can greatly enhance the success of indigenous efforts. For example, a commitment by the Mexico Summit to a substantial increase in research and development on basic agricultural problems - such as water management - could benefit food production in a large number of developing countries, including some of the major oil producers. Much of this research is highly cost-effective; generates economic returns which can be both rapid and substantial; and, if jointly financed by the industrialised countries and OPEC, could involve minimal expense to each of them.
25. Food production in developing countries could also be given a major boost by an initiative to increase substantially the amount of (appropriate) fertiliser aid to the Third World. From the standpoint of the West, the prospect of substantial spare capacity in the fertiliser industry makes this a particularly good time for such an initiative. For the OPEC countries, many of which are large net food importers, the long-term security of food supplies remains an objective of paramount importance. There should therefore be a sustainable basis here for apportioning much of the cost between these two groups of countries.
26. Longer-term efforts to improve agricultural production will not, however, deal with the immediate problems of hunger and malnutrition, which are steadily worsening. Until the food situation in the Third World ceases to be precarious - in other words, for the foreseeable future - it will be necessary for the international community to ensure that developing countries suffering from food shortages have more immediate and substantial access to emergency assistance. An increase in available food aid is therefore necessary. This must include larger pledges to the International Emergency Food Reserve, which has not yet been able to achieve its modest annual target of 500,000 tons of grain, and which ought to aim for a rather higher target, perhaps 2 million tons, by 1985 if expected emergency needs are to be covered. In addition, both the short-term problem of food supplies and the longer-term task of agricultural development

would profit from an early conclusion of the negotiations to set up a new International Grain Arrangement to stabilise supplies and prices in the world grain market.

d) Protectionism

27. In the current economic climate, it will be difficult for the industrialised countries dramatically to reverse the protectionist tide. The Summit should, however, endeavour to do two things:

(i) To agree on the need to achieve a standstill on protectionism. This would be lent credibility by a commitment to seek a new Multi-Fibre Agreement that is no more protectionist than the current Agreement which expires at the end of 1981.

(ii) To indicate its determination to begin the process of removing barriers to the exports of developing countries. This ought to be backed up by an agreement in principle to dismantle trade barriers in sectors where this would not significantly disrupt the industries of developed countries (for example, in non-competing tropical products).

IV. CONCLUSION

28. The North and the South have common economic, humanitarian and political interests which have inextricably intertwined their destinies. Yet so far, they have tended to act in an independent or only loosely co-ordinated manner in attempting to uphold these interests. Where they have negotiated together, their agenda has lacked priorities; their objectives have often been very different or even contradictory; and the content of their discussions has generally been vague and insubstantive. The Mexico Summit provides a momentous opportunity to inject a badly needed sense of priorities into the North-South Dialogue; to create a bedrock of common objectives upon which common policies can be constructed;

and to give greater precision and direction to the action which is now so urgently needed.

These tasks cannot be achieved by a mere exchange of views or by general declarations of urgency. Instead, they call for proof of a genuine willingness to confront the new realities facing the world economy today, to define a limited list of the most urgent problems on which progress is needed, and to forge initial guidelines for remedial action. If the Summit can be directed to these purposes, it may prove to be the most powerful method available for galvanizing the North-South Dialogue out of its present stalemate into effective action beneficial to North and South alike.

RESTRICTED

GRS 815

RESTRICTED

FM MEXICO CITY 282330Z APR 81
TO PRIORITY FCO
TELEGRAM NUMBER 126 OF 28 APRIL

cc. Pan Office

rfa.

Am

Leon PA

YOUR TELNOS 90 AND 92: NORTH/SOUTH SUMMIT

1. THE MEETING IN THE MEXICAN FOREIGN MINISTRY ON 28 APRIL WAS CONCERNED ALMOST ENTIRELY WITH ADMINISTRATIVE DETAILS. REPRESENTATIVES OF THE 22 PARTICIPATING COUNTRIES ATTENDED, EXCEPT BANGLADESH, GUYANA, IVORY COAST, SAUDI ARABIA AND TANZANIA.

2. DEPUTY FOREIGN MINISTER NAVARRETE SAID THAT INVITATIONS HAD ALREADY ISSUED TO FOREIGN MINISTERS FOR THE PREPARATORY MEETING ON 1-2 AUGUST. EARLY IN MAY INVITATIONS WOULD BE ISSUED TO HEADS OF STATE AND GOVERNMENT, SIGNED BY THE HEADS OF STATE OF MEXICO AND AUSTRIA BUT ISSUED ON BEHALF OF THE 11 COUNTRIES WHICH ATTENDED THE VIENNA MEETING.

3. AMBASSADOR ROZENTAL DESCRIBED THE GENERAL COORDINATING DEPARTMENT WHICH IS BEING ESTABLISHED IN THE MEXICAN FOREIGN MINISTRY AND OUTLINED THE ADMINISTRATIVE ARRANGEMENTS FOR THE PREPARATORY AND SUMMIT MEETINGS. THE MAIN POINTS ARE SET OUT BELOW:

ACCOMMODATION

4. ALL ACCOMMODATION WILL BE ALLOCATED BY THE GENERAL COORDINATING DEPARTMENT, WHEN RELEVANT DETAILS OF THE VARIOUS DELEGATIONS ARE AVAILABLE TO IT. ALL HOTELS IN THE AREA OF THE CONFERENCE WILL BE BLOCK BOOKED AND NO ROOMS WILL BE OBTAINABLE EXCEPT AS ALLOCATED BY THE GENERAL COORDINATING DEPARTMENT.

5. ACCOMMODATION AND OTHER ARRANGEMENTS FOR THE PREPARATORY MEETING IN AUGUST WILL BE, SO FAR AS POSSIBLE, THE SAME AS FOR THE OCTOBER SUMMIT MEETING, IN ORDER IN EFFECT TO PROVIDE A TRIAL RUN. EACH DELEGATION WILL BE ALLOCATED ONE SUITE AND 10 OTHER ROOMS (TWIN BEDDED) IN THE SHERATON HOTEL. IT IS ENVISAGED THAT THERE WILL BE ONE PERSON PER ROOM BUT IF DELEGATIONS WANT TO PUT TWO PEOPLE INTO THE SAME ROOM THIS IS NOT EXCLUDED. OTHER DELEGATION MEMBERS WILL BE ACCOMMODATED IN NEARBY HOTELS. THERE WILL BE A SEPARATE HOTEL ZONE FOR THE PRESS. IT IS ENVISAGED THAT AIRCREW WILL BE ACCOMMODATED NEAR CANCUN AIRPORT.

6. HOTEL ROOMS WILL BE AVAILABLE FROM TWO DAYS BEFORE TO ONE DAY AFTER THE CONFERENCES.

7. DELEGATIONS

15 JUNE IS THE DEADLINE FOR PROVIDING THE MEXICAN AUTHORITIES WITH DEFINITIVE DETAILS OF DELEGATIONS TO THE AUGUST MEETING, INCLUDING ANY SPECIAL REQUIREMENTS REGARDING ACCOMMODATION, COMMUNICATIONS, FOOD ETC. 31 AUGUST IS THE DEADLINE FOR PROVIDING DETAILS OF DELEGATIONS TO THE OCTOBER MEETING.

RESTRICTED

/ 8. THERE WILL

RESTRICTED

8. THERE WILL BE A LIMIT ON THE TOTAL NUMBER OF MEMBERS OF DELEGATIONS (INCLUDING SECURITY, COMMUNICATIONS AND OTHER SUPPORT STAFF). THE FIGURE HAS NOT YET BEEN DECIDED, SINCE IF IT TURNS OUT THAT SOME DELEGATIONS WILL BE SMALL, THE LIMIT FOR OTHER DELEGATIONS CAN BE MADE CORRESPONDINGLY HIGHER (A MEXICAN OFFICIAL TOLD US PRIVATELY THAT THE LIMIT WAS LIKELY TO BE ABOUT 60). IF IT IS DESIRED THAT AMBASSADORS OR OTHER OFFICIALS FROM MEXICO CITY SHOULD ATTEND EITHER MEETING, THEIR NAMES WILL HAVE TO BE NOTIFIED AS MEMBERS OF THEIR RELEVANT DELEGATIONS.

9. IT IS ENVISAGED THAT REPEAT NO NO SPOUSES WILL COME TO CANCUN. DRESS WILL BE INFORMAL (THE WEATHER WILL BE HOT).

10. EXPENSES

FOR THE AUGUST MEETING EACH DELEGATION WILL BE RESPONSIBLE FOR PAYING THE COST OF ITS OWN ACCOMMODATION ETC. FOR THE OCTOBER MEETING THE MEXICAN GOVERNMENT WILL BE HOST AND PAY THE COSTS OF HEADS OF STATE/GOVERNMENT AND SENIOR DELEGATES AT THE SHERATON.

11. TRANSPORT

CANCUN AIRPORT WILL BE ABLE TO RECEIVE ANY TYPE OF AIRCRAFT. THERE ARE ALSO COMMERCIAL FLIGHTS FROM VARIOUS PLACES IN NORTH AMERICA AND EUROPE, INCLUDING PARIS AND MADRID. TRANSPORT FROM THE AIRPORT TO HOTELS WILL BE PROVIDED BY THE MEXICAN AUTHORITIES. THERE WILL ALSO BE REGULAR TRANSPORT PROVIDED BETWEEN THE SHERATON HOTEL AND THE HOTELS USED BY THE OTHER DELEGATION MEMBERS.

12. CONFERENCE MEETINGS

AT THE ACTUAL SUMMIT MEETINGS HEADS OF STATE OR GOVERNMENT WILL BE ACCOMPANIED BY NO MORE THAN TWO ADVISERS, WHOM THEY WILL BE FREE, OF COURSE, TO CHANGE AS THEY WISH. AT THE PREPARATORY CONFERENCE MEMBERS WILL ALSO BE RESTRICTED, BUT THERE MAY BE MORE FLEXIBILITY OVER THE NUMBER OF ADVISERS ALLOWED. THERE WILL BE SIMULTANEOUS TRANSLATIONS INTO ENGLISH, FRENCH, SPANISH, ARABIC AND CHINESE. ANY DOCUMENTS CIRCULATED WILL BE AVAILABLE IN ONLY TWO OR THREE LANGUAGES, PROBABLY ENGLISH, SPANISH AND FRENCH. THERE WILL BE NO OBSERVERS. AT THE AUGUST MEETING THE PRESS MAY BE ALLOWED ACCESS AT THE COMMENCEMENT OF MEETINGS, BUT WILL THEN BE REQUIRED TO LEAVE THE HOTEL AREA. FACILITIES FOR PRESS CONFERENCES WILL BE AVAILABLE AT CANCUN AIRPORT BUT NOT AT THE

SHERATON HOTEL, BOTH FOR SECURITY REASONS AND TO PROVIDE THE DESIRED ATMOSPHERE OF INFORMALITY. EACH DELEGATION WILL BE INVITED TO NOMINATE A SPOKESMAN RESPONSIBLE FOR DEALING WITH PRESS ENQUIRIES.

RESTRICTED

13. COMMUNICATIONS

THE SUITES USED BY THE FOREIGN MINISTER IN AUGUST AND HEADS OF STATE OR GOVERNMENT WILL HAVE A TELEPHONE DIRECTLY LINKED TO THEIR RESPECTIVE CAPITALS. SPECIAL EQUIPMENT WILL BE INSTALLED AT THE PRESS CENTRE TO ENABLE TELEVISION OR OTHER COMMUNICATIONS TO BE TRANSMITTED ON THE INTELSAT NETWORK OR BY DIRECT LINK TO MEXICO CITY.

14. SOCIAL

AN INFORMAL AND PRIVATE DINNER WILL BE GIVEN BY FOREIGN MINISTER CASTANEDA ON 31 JULY AND BY PRESIDENT LOPEZ PORTILLO ON 21 OCTOBER, I.E. ON THE EVE OF EACH MEETING.

COX

[THIS TELEGRAM WAS NOT ADVANCED]

NORTH/SOUTH STANDARD

ERD
ES & SD
MAED
TRED
ECD
UND
ESID
M AND C D

ADDITIONAL DISTRIBUTION

NORTH/SOUTH

- 3 -

RESTRICTED

SUBJECT.



10 DOWNING STREET

cc FCO

✓ st. Mantel-tek
✓ ops

Alan
Econ Pol.

✓ Australia: OK Relations with:
Sept 79

THE PRIME MINISTER

20 March 1981

**PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 52/81**

Dear Malcolm

Thank you for your letter of 27 February about relations between the developed and the developing countries.

Like you, I am deeply concerned about the worsening economic situation in the poorest developing countries. It is going to be difficult for many developing countries, especially in Africa, to maintain a reasonable level of per capita growth; in some it is already a question of decline rather than growth. Disappointed aspirations can and do breed unrest and instability. Moreover, a number of developing countries in difficulty are strategically important or are already exposed to Soviet encroachment.

Our policy towards developing countries, both political and economic, will have to take account of these factors. We must show that our concern about their problems is real and that we are determined to do what we can to help. We must convince them that it is with the industrialised countries, rather than with the Soviet Bloc, that their true interests lie.

We shall only be able to do this if we view the problems of developing countries in the light of their widely differing capacities and needs. As you say, flexibility will be one of the conditions of the survival of the existing economic order.

/Fortunately,

JTH

Fortunately, the present system has already shown an impressive ability to adapt to changing circumstances. This can be seen in the trade figures and in private financial flows. Of course government aid is of great importance, particularly to the poorest. But the thrust of our effort must be to help the developing countries to help themselves. It is here that trade and private finance is of such importance.

The domestic economic policies of the industrialised countries are also of great significance for the developing countries. I have in mind the reduction of inflation, along with other policies to promote sustained growth, the maintenance of the open trading system and effective measures to achieve energy conservation. I entirely share your view that a pragmatic and co-operative approach is what is needed. I hope that our discussions in Melbourne can be so arranged as to encourage this.

Finally, I am sure you are right in saying that our two Governments should continue to exchange ideas. I understand that a visit to London by Tony Street is under discussion and that Professor Harries may be here before long. So we ought to be able to take things further well before Melbourne.

(sgd) M T

The Right Honourable J. M. Fraser, C.H., M.P.

GR 835

CONFIDENTIAL

plw file

CONFIDENTIAL

FM VIENNA 161910Z MAR 81

TO PRIORITY FCO

TELEGRAM NUMBER 51 OF 16 MARCH

INFO ROUTINE TO MEXICO CITY, WASHINGTON, PARIS, BONN, STOCKHOLM, OTTAWA, ALGIERS, LAGOS, NEW DELHI, BELGRADE, DAR ES SALAAM, TOKYO, PEKING, DACCA AND MOSCOW
INFO SAVING TO UKMIS NEW YORK, UKMIS GENEVA, UKREP BRUSSELS, UKDEL OECD, THE HAGUE, CANBERRA, ROME, BRASILIA, CARACAS, JEDDA, ABIDJAN, GEORGETOWN AND MANILA

KFS

And

MY TELEGRAM NUMBER 49 : MEXICO SUMMIT : VIENNA PREPARATORY MEETING

1. THE MINISTER OF STATE IN CHANCELLOR KREISKY'S OFFICE TOLD ME ON 14 MARCH THAT AGREEMENT IN PRINCIPLE ON THE MAIN POINTS WAS EFFECTIVELY REACHED AT THE EVE-OF-CONFERENCE DINNER ON 12 MARCH. THE ALGERIAN FOREIGN MINISTER INITIALLY TOOK THE LINE THAT IT WAS NOT SO MUCH A QUESTION OF FIXING DATES FOR THE MEXICO SUMMIT AS OF CONSIDERING WHETHER SUCH A SUMMIT WOULD STILL BE APPROPRIATE, GIVEN THE ABSENCE OF PROGRESS ON GLOBAL ROUND NEGOTIATIONS. NUSSBAUMER SAID THAT THE ALGERIAN HAD HOWEVER BEEN PRETTY WELL ALONE IN THIS AND THAT THE DECISION TO PUT THE MEETING BACK TO OCTOBER HAD HELPED GET ROUND HIS PREOCCUPATION WITH THE GLOBAL NEGOTIATIONS. THE DEFERMENT HAD ALSO HELPED TO REMOVE THE DIFFICULTIES ABOUT THE OTTAWA MEETING, BY PUTTING THE MEXICO SUMMIT IN A QUITE DIFFERENT TIME SCALE. (KREISKY'S PRIVATE SECRETARY, LENNKH, HAS POINTED OUT TO US THAT ON A STRICT READING OF THE PRESS RELEASE, ALGERIA AND INDEED THE OTHER CO-SPONSORS ARE STILL NOT IRREVOCABLY COMMITTED TO A SUMMIT MEETING). NUSSBAUMER SAID THAT THE ONLY POINT WHICH HAD NOT BEEN FINALLY RESOLVED WAS THE QUESTION OF THE AGENDA, WHICH HAD BEEN LEFT OVER FOR DECISION LATER.

2. THE ECONOMIC DIRECTOR AT THE MFA (REISCH) EXPANDED ON ALL THIS AT A BRIEFING FOR INTERESTED HEADS OF MISSION THIS AFTERNOON. HE SAID THERE HAD BEEN A CONSIDERABLE (AND, HE INFERRED, RATHER SURPRISING) DEGREE OF UNANIMITY. HE MADE THE FOLLOWING POINTS:
(A) GLOBAL ROUND NEGOTIATIONS. (LAST THREE WORDS UNDERLINED)

ALL PARTICIPANTS HAD BEEN RATHER PESSIMISTIC ABOUT THE OUTLOOK, BUT AGREED THAT THE MEXICO SUMMIT WOULD BE VERY USEFUL IN ANY EVENT.

(B) DATES. (LAST WORD UNDERLINED) OCTOBER HAD BEEN DECIDED ON TO MEET THE WISH OF NON-SPONSORING PARTICIPANTS TO TAKE PART IN SUBSTANTIVE PREPARATION FOR THE SUMMIT SEMI COLON TO GIVE MORE TIME TO SEE HOW GLOBAL CONSULTATIONS PROGRESSED SEMI COLON AND TO MEET THE AMERICAN PREFERENCE FOR A LATER DATE.

CONFIDENTIAL

(c) AGENDA.

(C) AGENDA. (LAST WORD UNDERLINED) THE CONCLUSIONS OF THE NOVEMBER MEETING ABOUT THE FORM THE SUMMIT SHOULD TAKE WERE ENDORSED BUT OTHERWISE THE AGENDA WAS LEFT FOR FURTHER DISCUSSION BETWEEN ALL PROSPECTIVE PARTICIPANTS. FOUR GUIDELINES WERE GENERALLY AGREED:

- (I) FOOD AND AGRICULTURAL DEVELOPMENT SEMI COLON
- (II) INTERNATIONAL TRADE AND PROBLEMS OF INDUSTRIALISATION SEMI COLON
- (III) ENERGY AND INTERNATIONAL COOPERATION IN THAT SECTOR SEMI COLON
- (IV) MONETARY AND FINANCIAL QUESTIONS.

IT WAS ALSO AGREED THAT THERE SHOULD BE NO FORMAL AGENDA. HEADS OF STATE/GOVERNMENT SHOULD HAVE THE RIGHT TO RAISE WHATEVER POINTS THEY CONSIDER IMPORTANT.

(D) PARTICIPATION. (LAST WORD UNDERLINED) IT WAS AGREED THAT THE NUMBER SHOULD BE KEPT AS SMALL AS POSSIBLE. THERE SHOULD BE NO OBSERVERS, EXCEPT POSSIBLY WALDHEIM (BUT THE QUESTION OF OBSERVERS SHOULD BE DISCUSSED FURTHER AT FUTURE MEETINGS). KREISKY WOULD TAKE ADVANTAGE OF THE VISIT TO AUSTRIA OF THE SOVIET PRIME MINISTER IN EARLY APRIL TO SOUND OUT THE SOVIET UNION AS TO WHETHER THEY WOULD WISH TO BE INVITED. CHINA HAD ALREADY INFORMED AUSTRIA OF HER INTEREST IN ATTENDING.

(E) INVITATIONS. (LAST WORD UNDERLINED) FORMAL INVITATIONS WOULD ISSUE IN THE SECOND HALF OF APRIL. THEY WOULD BE PERSONAL TO THE RECIPIENTS.

(F) PREPARATORY PAPERS. (LAST TWO WORDS UNDERLINED) THERE SHOULD NOT BE UNDULY DETAILED PREPARATION, EG THERE SHOULD BE NO DRAFT DECLARATIONS. BACKGROUND DOCUMENTATION SHOULD BE AVAILABLE TO PARTICIPANTS, WHO MIGHT SUBMIT POSITION PAPERS FOR PRIOR CIRCULATION SO AS TO AVOID LENGTHY PREPARED SPEECHES AT THE SUMMIT AND CONCENTRATE INSTEAD ON DISCUSSION. BUT ALL THIS WOULD BE FOR DECISION BY FOREIGN MINISTERS ALONG WITH THE QUESTION OF A SUBSTANTIVE FRAMEWORK FOR DISCUSSIONS AT THE SUMMIT. IT WAS GENERALLY FELT THAT A SUMMING UP BY THE PRESIDENT OF MEXICO, AS CHAIRMAN, WOULD BE BETTER THAN A FORMAL COMMUNIQUE.

3. REISCH TOLD ME AFTERWARDS THAT THE IDEA OF FURTHER VISITS BY NAVARETE AND LENNKH AS PERSONAL REPRESENTATIVES OF PORTILLO AND KREISKY HAD BEEN SHELVED, GIVEN THAT THERE WAS NOW MORE TIME FOR CONSULTATION THROUGH NORMAL DIPLOMATIC CHANNELS. FULL DETAILS AND INSTRUCTIONS WOULD BE SENT TO THE AUSTRIAN EMBASSY IN LONDON. LENNKH HAS CONFIRMED THIS TO US SEPARATELY, ADDING THAT THE CO-SPONSORS WISH TO GIVE THE ADDITIONAL PARTICIPANTS AS MUCH INFORMATION AS POSSIBLE. HE WILL LET US HAVE LATER THIS WEEK A SUMMARY OF THE REACTIONS HE RECEIVED FROM THE VARIOUS COUNTRIES HE VISITED. IF ON FURTHER REFLECTION WE FELT THAT A VISIT BY HIM TO LONDON WOULD BE USEFUL, HE WAS SURE THAT SUCH A REQUEST WOULD BE SYMPATHETICALLY CONSIDERED HERE.

2
CONFIDENTIAL

14. THE

CONFIDENTIAL

4. THE GERMANS HAVE SHOWN US A COPY OF THE REPORTING TELEGRAM BY THE DEPUTY HEAD OF THEIR DELEGATION. THIS SAYS THAT IN ADDITION TO CHARGING KREISKY WITH RAISING THE QUESTION OF SOVIET PARTICIPATION WITH TICHONOV, THE MEETING ASKED GENSCHER TO RAISE IT ON HIS FORTHCOMING VISIT TO MOSCOW.

FCO PLEASE PASS TO SAVING ADDRESSEES

GORDON

[REPEATED AS
REQUESTED]

THIS TELEGRAM
WAS NOT
ADVANCED

NORTH/SOUTH STANDARD

ERD	ECD
ES & SD	UND
MAED	ESID
TRED	APD

ADDITIONAL DISTRIBUTION

NORTH/SOUTH

3

CONFIDENTIAL

Ear 156

GRS 425

UNCLASSIFIED

1 PS TO PM 10 DOWNING ST

DESKBY 131630Z

FM VIENNA 131530Z MAR 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 47 OF 13 MARCH

AND TO PRIORITY ALGIERS, OTTAWA, PARIS, BONN, MEXICO CITY, STOCKHOLM, BELGRADE, LAGOS, WASHINGTON, DAR ES SALAAM, NEW DELHI AND TO ROUTINE MOSCOW, TOKYO, THE HAGUE, CANBERRA, PEKING, ROME, BRASILIA, CARACAS, JEDDA, ABIDJAN, GEORGETOWN, DACCA, MANILA, UKMIS NEW YORK, UKMIS GENEVA, UKREP BRUSSELS, UKDEL OECD

MY TELNO 45 (NOT TO ALL):

MEXICO SUMMIT: VIENNA FOREIGN MINISTERS' PREPARATORY MEETING: 13/14 MARCH

MB

1. THE FOLLOWING FOREIGN MINISTERS MET IN VIENNA THIS MORNING UNDER CHANCELLOR KREISKY'S CHAIRMANSHIP: PAHR(AUSTRIA), BENYAHIA (ALGERIA), MACGUIGAN (CANADA), FRANCOIS-PONCET (FRANCE), GENSCHER (FRG), RAO (INDIA), CASTANEDA (MEXICO), ULLSTEN (SWEDEN), SALIM (TANZANIA), VRHOVEC (YUGOSLAVIA). THE NIGERIANS WERE REPRESENTED BY BOLOKOR (MINISTER OF STATE, MFA).

2. A PRESS CONFERENCE BEFORE LUNCH BY KREISKY, CASTANEDA AND PAHR MADE IT CLEAR THAT SIGNIFICANT PROGRESS HAS BEEN MADE.

3. TIMING AND LOCATION (UNDERLINED)

THE SUMMIT WILL TAKE PLACE IN CANCUN, MEXICO, ON 22-23 OCTOBER. INVITATIONS ARE TO BE ISSUED BY THE END OF APRIL.

4. PARTICIPATION (UNDERLINED)

THE SUMMIT WILL NOT BE EXTENDED BEYOND THE ORIGINAL LIST OF 21 COUNTRIES EXCEPT THAT A RENEWED APPROACH WILL BE ORGANISED BY KREISKY TO THE USSR AND CHINA. IN A CAREFULLY PHRASED STATEMENT KREISKY SAID THAT HE (NOT NECESSARILY PERSONALLY) WOULD ORALLY EXPLAIN TO THE USSR THAT THEY WOULD BE WELCOME TO PARTICIPATE IN THE SUMMIT. HE CONTINUED THAT IT HAD ALSO BEEN DECIDED THAT THERE WOULD BE QUOTE NO OBJECTION TO CHINESE PARTICIPATION UNQUOTE. IT APPEARS THAT AN APPROACH TO PEKING WILL NOT BE CONDITIONAL UPON THE RESPONSE FROM MOSCOW. CASTANEDA DECLINED TO NAME THE 21 COUNTRIES BUT SAID THAT HE HOPED TO MAKE THE LIST PUBLIC AT THE END OF THIS VIENNA MEETING. IT SEEMS CLEAR HOWEVER THAT THEY ARE THOSE LISTED IN THE ANNEX TO LYNE'S LETTER OF 13 FEBRUARY TO ALEXANDER.

5. PREPARATION (UNDERLINED)

A FURTHER PREPARATORY MEETING, IN MEXICO NOT VIENNA WILL TAKE PLACE AT FOREIGN MINISTER LEVEL IN EARLY AUGUST INVOLVING ALL PARTICIPANTS IN THE SUMMIT. CASTANEDA SAID THAT THIS MEETING SHOULD SEEK TO QUOTE ASSESS THE PREPARATORY WORK UNQUOTE WHICH WAS BEING DONE FOR THE SUMMIT.

16.

6. AGENDA(UNDERLINED)

KREISKY WAS UNWILLING TO BE DRAWN ON AGENDA TOPICS. HE STRESSED THAT THE SUMMIT SHOULD PERMIT A QUOTE FREE AND FRANK DISCUSSION OF THE VARIOUS PRZLEMS UNQUOTE BY THE PARTICIPATING STATES. NOTHING TOO RIGID SHOULD BE ARRANGED, THOUGH A FRAMEWORK WITHIN WHICH DISCUSIONS MIGHT TAKE PLACE SHOULD BE AGREED BY AUGUST. IN RESPONSE TO A QUESTION, CASTANEDA SAID THAT HE SAW FOUR MAIN QUESTIONS WHICH SHOULD BE ADDRESSED AT THE SUMMIT: FOOD AND AGRICULTURE, TRADE AND RAW MATERIALS, THE RATIONALISATION OF ENERGY RESOURCES, AND FINANCE AND MONETARY ORDER.

7. US ATTITUDE(UNDERLINED)

CASTENADA SAID THAT MR MACGUIGAN HAD THAT MORNING BRIEFED HIS FOREIGN MINISTER COLLEAGUES ON HIS INTERPRETATION OF PRESIDENT REAGAN'S ATTITUDE TO THE SUMMIT FOLLOWING THE LATTER'S RECENT VISIT TO OTTAWA. MACGUIGAN HAD SAID THAT THE US WAS WILLING TO PARTICIPATE, BUT HAD DIFFICULTIES WITH THE EARLIER DATE PROPOSED. THE NEW US ADMINISTRATION FELT THAT IT NEEDED MORE TIME TO PREPARE ITS POSITION. CASTENADA DID NOT SEE ANY US RESERVATIONS (IE ITS REDUCED AID BUDGET) WHICH MIGHT JEOPARDISE THE SUMMIT. KREISKY SAID THAT HE THOUGHT PRESEDENT REAGAN'S PARTICIPATION AT THE OCTOBER SUMMIT WAS QUOTE THINKABLE UNQUOTE (DENKBAR).

8. CASTENADA SAID THAT HE WAS QUOTE REASONABLY OPTIMISTIC UNQUOTE ABOUT THE POSSIBILITY OF SUCCESS AT THE SUMMIT. IT WOULD NOT BE NECESSARY FOR THE SUMMIT TO LEAD TO AGREED COMMON PRINCIPLES OR PRACTICES. THE FACT THAT MORE THAN 20 HEADS OF GOVERNMENT WOULD MEET AND EXCHANGE VIEWS WOULD BE AN ACHIEVEMENT WHICH IN ITSELF WOULD JUSTIFY THE MEETING.

9. FURTHER DISCUSSION OF A POSSIBLE AGENDA FOR THE SUMMIT WILL TAKE PLACE THIS AFTERNOON.

GORDON

NORTH/SOUTH STANDARD

ERD
ES & SD
MAED
TRED
MED
FED

ECD
UND
ESID
RSD
TCD

ADDITIONAL DISTRIBUTION

NORTH/SOUTH

RS 175
UNCLASSIFIED
FM VIENNA 131745Z MAR 81
TO PRIORITY FCO
TELEGRAM NUMBER 50 OF 13 MARCH

SAVING TO ALGIERS, OTTAWA, PARIS, BONN, MEXICO CITY, STOCKHOLM,
BELGRADE, LAGOS, WASHINGTON, DAR ES SALAAM, NEW DELHI, MOSCOW,
TOKYO, THE HAGUE, CANBERRA, PEKING, ROME, BRASILIA, CARACAS,
JEDDA, ABIDJAN, GEORGETOWN, DACCA, MANILA, UKMIS NEW YORK,
UKMIS GENEVA, UKREP BRUSSELS, UKDEL OECD

MIPT: MEXICO SUMMIT PREPARATORY MEETING
FOLLOWING IS RELEVANT EXTRACT:

IN CONNECTION WITH THE PROPOSED CONSULTATIONS ON AN INTERNATIONAL
MEETING ON COOPERATION AND DEVELOPMENT AT THE LEVEL OF HEADS OF
STATE/GOVERNMENT THE MINISTERS AGREED:

TO PROPOSE TO PARTICIPATING HEADS OF STATE/GOVERNMENT THAT THE
MEETING BE HELD IN MEXICO ON OCTOBER 22-23, 1981:

THAT THE HEADS OF STATE/GOVERNMENT OF ALGERIA, AUSTRIA, BANGL-
ADESH, BRAZIL, CANADA, CHINA, FRANCE, FEDERAL REPUBLIC OF GERMANY,
GUAYANA, INDIA, IVORY COAST, JAPAN, MEXICO, NIGERIA, PHILIPPINES,
SAUDI ARABIA, SWEDEN, TANZANIA, UNITED KINGDON, UNITED STATES OF
AMERICA, VENEZUELA AND YUGOSLAVIA SHOULD BE INVITED TO ATTEND: AND
TO CONVEY TO THE SOVIET UNION THEIR WISH FOR THE PARTICIPATION
OF ITS HEAD OF STATE/GOVERNMENT.

THE MINISTERS FURTHER AGREED THAT A PREPARATORY MEETING BE CONVENED
AT THE LEVEL OF FOREIGN MINISTERS IN MEXICO, ON AUGUST, 1-2,
1981. ALL THOSE COUNTRIES WHOSE HEADS OF STATE/GOVERNMENT HAVE
ACCEPTED TO ATTEND THE INTERNATIONAL MEETING ON COOPERATION AND
DEVELOPMENT, WILL BE INVITED TO THIS PREPARATORY MEETING.

AS TO THE CHARACTER AND OBJECTIVES OF THE INTERNATIONAL MEETING
ON COOPERATION AND DEVELOPMENT, THE MINISTERS ENDORSED THE REL-
EVANT CONCLUSIONS REACHED AT THEIR FIRST CONSULTATIONS HELD
IN VIENNA LAST NOVEMBER.

GORDON

NORTH/SOUTH

STANDARD
ERD
ESSD
MAED
TRED
ECD
UND
ESID

MED
FED
PCD
MCD

ADDITIONAL DISTRIBUTION:
NORTH/SOUTH

**THIS TELEGRAM
WAS NOT
ADVANCED**



Prime Minister

Alex Draft?

Am

Dear Michael,

Foreign and Commonwealth Office

London SW1A 2AH

No - it is terrible

not

13 March 1981

Relieve for PM's signature

Letter from the Australian Prime Minister

(Attached)

In your letter of 3 March you asked for a draft reply to a letter from the Australian Prime Minister dated 27 February about North/South problems.

The letter is a ranging shot for the Commonwealth Heads of Government meeting in Melbourne next September; it is couched in general terms which give us no particular difficulty. Mr Fraser has a close and long standing personal interest in these questions and will therefore wish the Melbourne meeting to give them prominence. This wish will be shared by the Commonwealth Secretary-General. The extent to which Mr Fraser can succeed will be influenced by the timing and outcome of the proposed Mexico Summit. If it immediately precedes Melbourne, the Commonwealth meeting could be, in that respect, an anti-climax.

The Australians' general approach is to combine a relatively high level of activity with a flexible posture on issues such as commodities, where their interests coincide with those of many developing countries. They place less emphasis on aid and trade, where their record is not very impressive.

The Australian Minister of External Affairs is hoping to visit London in June and one of Mr Fraser's advisers, Professor Harries, is seeking an early invitation for talks with senior officials on third world issues. The enclosed draft makes appropriate references to these visits.

Yours ever

Rodric Lyne

(R M J Lyne)
Private Secretary

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

DSR 11 (Revised)

DRAFT: ~~minute/letter/teletype/despatch/note~~

TYPE: Draft/Final 1+

FROM:

Reference

Prime Minister

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

The Rt Hon Malcolm Fraser

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter of 27 February about relations between the developed and the developing countries.

CAVEAT.....

I share your concern at the worsening economic situation of the poorest developing countries. It will be difficult for many developing countries, especially in Africa, to maintain a reasonable level of per capita growth; in some it is already negative. ^{I agree with} ~~There can be~~ ^{you} ~~little doubt~~ ^{& instability} that disappointed aspirations can breed unrest. It is also true that a number of developing countries in difficulty are strategically important or are already exposed to Soviet encroachment. Our policy towards developing countries, both political and economic, must take full account of these considerations. ^{We must} ~~It is~~ ~~important that we should~~ show ~~our~~ genuine concern about their problems, as well as our determination to do what we can to help. We must convince them that it is with the industrialised countries, rather than with the Soviet Bloc, that their true community of interest lies.

Enclosures—flag(s).....

~~At the same time, I believe that our approach should be based on a realistic assessment of the play of~~

^{/economic}
We shall only be able to achieve these goals if

?? ?
~~economic forces. I believe, for example, that we must view~~
~~developing countries in the light of their individual~~
~~capacities and needs, which differ ^{very} widely.~~

the
problems of

This is part of that ~~flexibility~~ ^{flexibility} ~~adaptability~~ which,

I agree with you,
will be one of
the

You say that reform and flexibility are one of the
conditions of survival of the existing economic order. I
~~agree. But we must not forget the extent to which the present~~
~~system continues to adapt itself to changing circumstances.~~
^{I am constantly impressed by the adaptability}
^{has already shown in adjusting reactions}

I hope that we shall be able progressively to widen the
debate ^{??} on the development process. Aid is important,

particularly to the poorest. But we must also underline the
~~importance of trade and private financial flows.~~ ^{of course aid is}
~~And our~~ ^{government}
efforts should be made in a spirit of partnership, on the
basis of helping the developing countries to help themselves
^{and it is here that trade is of such importance.}

of great importance,
particularly to the
poorest. But
the ~~amount~~ ^{amount} of our
effort must be to
help

^{significant factor of course}
~~A further aspect which, I believe, needs to be~~ ^{Another}
~~remembered~~ is the extent to which the domestic economic
policies of the industrialised countries can help the
developing countries. I have in mind the reduction of
inflation, along with other policies to promote sustained
growth, ~~including~~ the maintenance of the open trading system
and effective measures to achieve energy conservation. I
entirely share your view that a pragmatic and cooperative
approach is what is needed. I hope that our discussions in
Melbourne can be so arranged as to encourage an approach of
this kind.

^{saying}
~~Finally, I am sure~~ ^{you are right in that one two governments} ~~we should continue to exchange ideas.~~

AS

I understand that a visit to London by Tony Street is under
discussion and that Professor Harries may be here before
long. So we ought to be able to take things further well
before Melbourne.

PS TO PM 10 DOWNING ST

CONFIDENTIAL

GRS 70

CONFIDENTIAL

FM MEXICO CITY 102305Z MAR 81
TO PRIORITY FCO
TELEGRAM NUMBER 78 OF 10 MARCH
INFO WASHINGTON

MY TELNO 77: MEXICO SUMMIT OF DEVELOPED AND DEVELOPING COUNTRIES.

THE US EMBASSY CONFIRM THAT REAGAN PROPOSED SEPTEMBER. THEIR UNDERSTANDING IS THAT LOPEZ PORTILLO'S REACTION WAS THAT HE DID NOT KNOW WHETHER THE PROPOSAL WOULD BE ACCEPTABLE TO OTHER COUNTRIES INVITED BUT THAT MEXICO WOULD TRY TO MEET REAGAN'S PREFERENCE. THE US EMBASSY HAVE NOT HEARD THE FORMULA ATTRIBUTED TO NAVARRETE BY THE GERMAN CHARGE.

COX

THIS TELEGRAM
WAS NOT
ADVANCED

NORTH/SOUTH LIMITED

ERD	PS/LPS
ES & SD	PS/MR HURD
TRED	PS/MR MARTEN
ESID	PS/PUS
ECD	SIR E YOUDE
UND	MR BULLARD
SPD	LORD BRIDGES
LEGAL ADVISERS	MR BRAITHWAITE
MAED	MR HANNAY
APD	MR EVANS
INFORMATION D	MR HAYES
NEWS D	LORD N-G LENNOX
PS	

ADDITIONAL DISTRIBUTION
NORTH/SOUTH

CONFIDENTIAL

GR 700
CONFIDENTIAL

CONFIDENTIAL

DESKBY 110900Z

FM WASHINGTON 102030Z MARCH 81
TO IMMEDIATE FCO
TELEGRAM NUMBER 823 OF 10 MARCH
INFO ROUTINE MEXICO CITY.

MEXICO SUMMIT: US CONDITIONS FOR ATTENDANCE

1. MINISTER (COMMERCIAL) SPOKE TODAY TO STREEB (EXECUTIVE ASSISTANT TO RASHISH) TO TRY TO CLARIFY THE VARIOUS ELABORATIONS WHICH HAVE BEEN CIRCULATING ABOUT US CONDITIONS FOR ATTENDANCE AT MEXICO.
2. STREEB WAS NOT SURPRISED TO HEAR THAT A NUMBER OF VERSIONS WERE CURRENT. AFTER THE PRIME MINISTER'S VISIT RASHISH HAD CALLED IN THE AMBASSADORS OF THE FIVE OTHER OTTAWA SUMMIT COUNTRIES, AS WELL AS THE YUGOSLAVIAN AND AUSTRIAN AMBASSADORS, TO BRING THEM UP-TO-DATE ON THE PRESIDENT'S VIEWS ABOUT MEXICO. RASHISH HAD MADE THREE BASIC POINTS: ON TIMING, REPRESENTATION, AND CONTENT.
3. ON TIMING, RASHISH HAD SAID, THE AMERICANS WOULD BE ABLE TO ATTEND A SUMMIT IN LATE AUGUST OR EARLY SEPTEMBER. THEY RECOGNISED THE PROBLEM THAT A LATER DATE WOULD POSE FOR LOPEZ PORTILLO. BUT THEY HAD MADE IT CLEAR THAT PRESIDENT REAGAN COULD NOT ATTEND A MEETING IN MEXICO UNTIL AFTER THE ECONOMIC SUMMIT IN OTTAWA.
4. AS REGARDS REPRESENTATION, THE AMERICANS HAD MADE IT CLEAR THAT THEY WOULD NOT ACCEPT ANY CUBAN REPRESENTATION. THIS FORMULATION WAS INTENDED TO EXCLUDE THE POSSIBILITY THAT CASTRO MIGHT SEND A DEPUTY. RASHISH HAD ALSO MADE IT CLEAR THAT THE US WERE DOUBTFUL ABOUT THE ADVISABILITY OF ENCOURAGING SOVIET ATTENDANCE. THEY DID NOT SEE THAT THE RUSSIANS COULD CONTRIBUTE VERY MUCH. THEY WOULD ONLY TRY TO CREATE DISSENTION BETWEEN THE INDUSTRIALISED AND DEVELOPING COUNTRIES. RASHISH HAD ALSO SAID THAT ANY REPRESENTATION BY THE PLO WOULD NOT BE ACCEPTABLE. BUT HE HAD SAID NOTHING ABOUT LIBYA.
5. RASHISH HAD SAID THAT THE AMERICANS THOUGHT IT DESIRABLE TO RESTRICT THE NUMBERS AS FAR AS POSSIBLE IF THE DISCUSSION WAS TO BE MANAGEABLE. THEY WERE TALKING ABOUT A RANGE OF 18 TO 21 PARTICIPANTS. MUCH BEYOND THAT THEY THOUGHT THAT THE MEETING WOULD DEGENERATE INTO A SERIES OF SET SPEECHES AND THERE WOULD BE NO POSSIBILITY OF SERIOUS EXCHANGES OF VIEWS. BUT THIS WAS A US OBJECTIVE RATHER THAN A CONDITION. THE ITALIAN AMBASSADOR HAD APPARENTLY BEEN UPSET BY IT, ARGUING THAT ITALY WOULD BE REPRESENTED AT OTTAWA AND THAT HER INCREASED AID TARGET THIS YEAR QUALIFIED HER FOR PARTICIPATION AT MEXICO. RASHISH HAD SIMPLY TAKEN NOTE SYMPATHETICALLY ON THIS REACTION.

*NOT v.
convenient
for anyone
else!*

CONFIDENTIAL

/6.

6. ON THE CONTENT OF THE DISCUSSIONS, RASHISH HAD BEEN LESS PRECISE. THE AMERICANS WOULD WANT THE DISCUSSIONS AT MEXICO TO BE WELL PREPARED IN ORDER TO REDUCE THE RISK THAT THEY WOULD QUOTE RUN AMOK UNQUOTE. BUT THEY WERE ANXIOUS THAT THE DISCUSSIONS SHOULD STICK TO BROADER ISSUES OF, FOR EXAMPLE, ENERGY AND FOOD PROBLEMS. THEY WOULD CERTAINLY WANT TO AVOID GETTING INTO DETAILED QUESTIONS OF THE PROPOSED IBRD ENERGY AFFILIATE, THE MAINTENANCE OF VALUE OF OPEC ASSETS, OR THE LIBERALISATION OF THE MULTIFIBRE AGREEMENTS. GLOBAL NEGOTIATIONS WOULD BE A STICKING POINT: PRESIDENT REAGAN WOULD NOT GO TO MEXICO IF IT WAS TO TURN INTO AN EFFORT TO RESOLVE THE PROBLEM OF LAUNCHING GLOBAL NEGOTIATIONS.

7. ACCORDING TO STREEB RASHISH HAD NOT AT ANY STAGE SUGGESTED THAT FINANCIAL ISSUES SHOULD BE EXCLUDED. IN AMERICAN THINKING, SUCH QUESTIONS AS RESOURCE TRANSFERS AND THE ROLE OF THE PRIVATE SECTOR WERE CERTAINLY CANDIDATES FOR DISCUSSION.

8. MINISTER (COMMERCIAL) TRIED OUT ON STREEB THE ACCOUNT OF THE GERMAN CHARGE D'AFFAIRES IN MEXICO (MEXICO CITY TELEGRAM NO 77). STREEB'S REACTION WAS THAT THIS WAS COMPLETE FABRICATION. PRESIDENT REAGAN'S PROPOSAL HAD BEEN LIMITED TO THE POINT IN PARAGRAPH 3 ABOVE. ACCORDING TO STREEB, HE HAD NOT EVEN MENTIONED THE QUESTION OF QUOTE APPROPRIATE UNQUOTE REPRESENTATION, BUT THIS HAD BEEN DEALT WITH AT OTHER LEVELS SINCE. STREEB WOULD NOT BE DRAWN ON WHO THE US EMISSARY TO MEXICO CITY WAS TO BE (MEXICO CITY TELEGRAM NO 76) NOR PRECISELY WHAT HIS MISSION WAS. HE VOLUNTEERED, HOWEVER, THAT THE EMISSARY WOULD HAVE RETURNED TO WASHINGTON BY 13 MARCH WHEN HE HOPED HE MIGHT BE ABLE TO TELL US MORE.

9 STREEB UNDERLINED THAT THE AMERICANS WERE BEING VERY CAREFUL TO MAKE TWO THINGS CLEAR:

- 1) NO DECISION HAD YET BEEN TAKEN WHETHER PRESIDENT REAGAN WOULD ATTEND THE MEXICO SUMMIT OR NOT.
- 11) LOPEZ PORTILLO HAD NOT MADE ANY COMMITMENT ABOUT ACCEPTANCE OF US CONDITIONS. HE ONLY SAID THAT HE WAS DELIGHTED WITH THE PRESIDENT'S MESSAGE.

ADVANCE TO EVANS (AUSS)

HENDERSON

(ADVANCED AS REQUESTED)

NORTH/SOUTH LIMITED

ADDITIONAL DISTRIBUTION

NORTH/SOUTH

→ ERD	PS/LPS
ES & SD	PS/MR HURD
TRED	PS/MR MARTEN
ESID	PS/FUS
ECD	SIR E YOUDE
UND	MR BULLARD
SPD	LORD BRIDGES
LEGAL ADVISERS	MR BRAITHWAITE
MAED	MR HANNAY
APD	MR EVANS
INFORMATION D	MR HAYES
NEWS D	LORD N-G LENNOX
PS	MR URE

2

CONFIDENTIAL

HS

Ecan Pd

9 March 1981

Thank you for your letter of 9 March,
enclosing the signed original of Mr. Fraser's
letter to Mrs. Thatcher of 27 February.

MICHAEL ALEXANDER

His Excellency Sir James Plimsoll, A.C., C.B.E.

R

010
CONFIDENTIAL



AUSTRALIAN HIGH COMMISSION · LONDON

THE HIGH COMMISSIONER

9 March 1981

Dear Mr Alexander,

I have been asked by the Australian Prime Minister, The Rt. Hon. Malcolm Fraser, to convey the enclosed letter from him, dated 27 February 1981, to your Prime Minister, The Rt. Hon. Margaret Thatcher.

It is the original of the letter to Mrs Thatcher, the text of which I sent to you on 3 March 1981.

Yours sincerely,

(J. Plimsoll)

Mr Michael Alexander,
Private Secretary (Overseas Affairs)
to the Prime Minister,
Prime Minister's Office,
10 Downing Street,
LONDON, SW1.

CONFIDENTIAL



PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T36A/81

PRIME MINISTER
CANBERRA

27 FEB 1981

It is apparent to us here that the problems of developing countries and issues in the North/South dialogue will be prominent in international discussions over the year ahead. I expect that we will be giving particular attention to these matters at the Commonwealth Heads of Government Meeting in Melbourne later in the year.

My Government has been conducting a review of North/South matters. In looking at the Third World, we see some disturbing trends. As the situations of the poorest countries have worsened in recent years and as others have experienced the dislocation attending change, there has been an increased incidence of conflict and instability in several areas. Continuing difficulties and frustrations exacerbate strains in political relationships and when - as in the case of Iran - the atmosphere deteriorates sufficiently, economic rationality can all too readily become subordinated to political passion and a turning away from co-operation with the West.

As we see it, the fact that East-West rivalry has assumed a new urgency in the last year or so is not a reason for relegating North/South issues to the "back-burner". On the contrary, given the Soviet strategy of using its extended military reach to exploit instability, some Third World countries are likely to provide the focus for East-West confrontations in the difficult years ahead. Preventing the deterioration of relations between the West and developing countries therefore assumes even greater importance.

It seems to us to be in the enlightened self-interest of the West to respond in good time to moderate elements in the Third World rather than to wait and to see its mood become more radical and its condition more desperate and unstable. We also see purely economic

interests of the West involved in maintaining co-operation with the Third World. If the existing economic order is to remain substantially in being, with the willing participation of Third World countries, its benefits must be demonstrably mutual. Reform and flexibility which serve this purpose are not the enemies of that order, they are among conditions for its survival.

It is in this light that we see a pressing need for progress in North/South matters. Probably progress will be slow at best in the dialogue on the large structural and systemic issues raised by the Third World under the NIEO banner, but that must not prevent progress in other areas where there are urgent - and tractable - problems. These are areas such as food, health, education and technical assistance - especially in agriculture and energy. Progress can be made in such areas both multilaterally and bilaterally. It would make a vital contribution to the well-being of ordinary people in Third World countries, as the Brandt report has reminded us.

For its part, the Australian Government is prepared to make a positive contribution, particularly in areas in which Australia has strong credentials - for example, food security and agricultural development, and energy and resources development. We will also be seeking to play a constructive role in discussions on North/South issues generally.

Progress over the year ahead will not be easy. It appears possible that the Global Negotiations in the United Nations General Assembly may not begin for some months and that progress in them will in any event be difficult. Arrangements for the summit meeting recommended by the Brandt Commission and scheduled to be held in Mexico in June have yet to be firmed up.

In the circumstances, the meeting of Commonwealth Heads of Government, representing some forty-five developed and developing countries, may well be the most important forum in which progress can be made in discussions of North/South issues this year. I believe that within the Commonwealth we have an invaluable opportunity to foster a pragmatic and co-operative approach to the dialogue between developed and developing countries.

I would welcome your reactions to these ideas. Exchanges of ideas between our Governments will be helpful in developing a common approach and in ensuring a positive outcome from the Commonwealth Heads of Government meeting.

My warm personal regards.

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister of Great Britain,
10 Downing Street,
LONDON U.K.

GRS 255

CONFIDENTIAL ECLIPSE

Ear Pd.

CONFIDENTIAL

ECLIPSE

DESKBY 051830Z

FM MEXICO CITY 051700Z MAR 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 73 OF 5 MARCH

INFO WASHINGTON

mb

WASHINGTON TELNO 737: PROPOSED NORTH-SOUTH SUMMIT.

1. AS SEEN FROM HERE, REAGAN'S ACTION SEEMS AN ASTUTE MOVE. IT WILL HOWEVER PRESENT THE MEXICANS WITH A DIFFICULT DILEMMA. IF THEY TRY TO GO AHEAD WITH THE CONFERENCE IN JUNE, AS AGREED BY THE CO-SPONSORS IN VIENNA, THE BEST THEY CAN HOPE TO ACHIEVE IN REAGAN'S ABSENCE WILL BE A VERY LIMITED SUCCESS, AND THERE IS A RISK OF THE MEETING TURNING OUT TO BE A HUMILIATING NON-EVENT. BUT A POSTPONEMENT WOULD GO AGAINST THE GRAIN SINCE IT APPEARS TO ALLOW THE US GOVERNMENT TO DICTATE THE DATE, AFTER ALL THE PRELIMINARY DISCUSSIONS ON THIS POINT ALREADY CONDUCTED AMONG THE CO-SPONSORS. OUR GUESS IS THAT THE MEXICANS WILL SWALLOW THEIR PRIDE AND ARGUE FOR A POSTPONEMENT IN ORDER TO ACCOMMODATE REAGAN, BUT IT WILL BE INTERESTING TO SEE WHAT CASTANEDA SAYS ON THE SUBJECT IN LONDON NEXT WEEK.

2. THE US AMBASSADOR HERE HAS NOT BEEN INFORMED ABOUT REAGAN'S TELEPHONE CALL TO PRESIDENT LOPEZ PORTILLO. THE NUMBER 2 IN THE EMBASSY WAS INFORMED BY TELEPHONE FROM WASHINGTON BUT INSTRUCTED NOT TO TELL EITHER HIS AMBASSADOR (A CARTER NOMINEE SHORTLY TO BE REPLACED) OR ANYONE ELSE IN THE EMBASSY. FERCH TOLD THE COUNSELLOR THAT THE VERSION GIVEN TO HIM WAS THAT THE PRESIDENT'S DECISION WAS A DIRECT RESULT OF HIS DISCUSSIONS WITH MRS THATCHER. IF THE MEXICANS HEAR ABOUT THE BRITISH ROLE, WE SHALL EARN CREDIT IN THAT REGAN HAS SAID HE IS PREPARED TO ATTEND (AND RESPECT FOR THE PRIME MINISTER'S INFLUENCE WITH HIM), BUT NOT AS REGARDS THE PROPOSED POSTPONEMENT, WHICH DEFEATS THE MEXICAN OBJECTIVE THAT THE POSITION OF THE DEVELOPED COUNTRIES SHOULD BE AS UNREHEARSED AS POSSIBLE.

COX

NORTH/SOUTH LIMITED

ERD PS/LPS
ES & SD PS/MR HURD
TRED PS/MR MARTEN
ESID PS/PUS
ECD SIR E YOUDE
UND MR BULLARD
SPD LORD BRIDGES
LEGAL ADVISERS MR BRAITHWAITE
MAED MR HANNAY
APD MR EVANS
INFORMATION D MR HAYES
NEWS D LORD N-G LENNOX
PS

ADDITIONAL DISTRIBUTION

NORTH/SOUTH

CONFIDENTIAL ECLIPSE

FILE

VLB

BF 17/3/81

3 March 1981

I enclose the text of a letter which the Prime Minister has received today from the Prime Minister of Australia about North/South problems.

I should be grateful if you would let me have in due course a draft reply which the Prime Minister might send to Mr. Fraser.

MICHAEL ALEXANDER

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

FILE

VLB

3 March 1981

Thank you for your letter of 3 March. I have of course brought the letter from the Australian Prime Minister, which you enclosed, to Mrs. Thatcher's immediate attention.

MICHAEL ALEXANDER

His Excellency Sir James Plimsoll, AC, CBE



CONFIDENTIAL

AUSTRALIAN HIGH COMMISSION • LONDON

THE HIGH COMMISSIONER

3 March 1981

MB *for Phil*

Dear Mr Alexander,

I have been asked by the Australian Prime Minister, the Rt Hon. Malcolm Fraser, to convey the enclosed letter from him to your Prime Minister, the Rt Hon. Margaret Thatcher, which has been received by telegraph this morning. The original is following by air. - 27.2.81

I should be grateful if you could bring this letter to Mrs Thatcher's attention as soon as possible.

Yours sincerely,

J. Plimsoll

(J. Plimsoll)

Mr Michael Alexander,
Private Secretary (Overseas Affairs)
to the Prime Minister,
Prime Minister's Office,
10 Downing Street,
LONDON SW1.

CONFIDENTIAL

0142
SUBJECT

cc Marked
Ops
Australia
Anglo Aust Res
Sept 79



PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 136A/81

PRIME MINISTER
CANBERRA

27 FEB 1981

My Dear Regent

It is apparent to us here that the problems of developing countries and issues in the North/South dialogue will be prominent in international discussions over the year ahead. I expect that we will be giving particular attention to these matters at the Commonwealth Heads of Government Meeting in Melbourne later in the year.

My Government has been conducting a review of North/South matters. In looking at the Third World, we see some disturbing trends. As the situations of the poorest countries have worsened in recent years and as others have experienced the dislocation attending change, there has been an increased incidence of conflict and instability in several areas. Continuing difficulties and frustrations exacerbate strains in political relationships and when - as in the case of Iran - the atmosphere deteriorates sufficiently, economic rationality can all too readily become subordinated to political passion and a turning away from co-operation with the West.

As we see it, the fact that East-West rivalry has assumed a new urgency in the last year or so is not a reason for relegating North/South issues to the "back-burner". On the contrary, given the Soviet strategy of using its extended military reach to exploit instability, some Third World countries are likely to provide the focus for East-West confrontations in the difficult years ahead. Preventing the deterioration of relations between the West and developing countries therefore assumes even greater importance.

It seems to us to be in the enlightened self-interest of the West to respond in good time to moderate elements in the Third World rather than to wait and to see its mood become more radical and its condition more desperate and unstable. We also see purely economic

interests of the West involved in maintaining co-operation with the Third World. If the existing economic order is to remain substantially in being, with the willing participation of Third World countries, its benefits must be demonstrably mutual. Reform and flexibility which serve this purpose are not the enemies of that order, they are among conditions for its survival.

It is in this light that we see a pressing need for progress in North/South matters. Probably progress will be slow at best in the dialogue on the large structural and systemic issues raised by the Third World under the NIEO banner, but that must not prevent progress in other areas where there are urgent - and tractable - problems. These are areas such as food, health, education and technical assistance - especially in agriculture and energy. Progress can be made in such areas both multilaterally and bilaterally. It would make a vital contribution to the well-being of ordinary people in Third World countries, as the Brandt report has reminded us.

For its part, the Australian Government is prepared to make a positive contribution, particularly in areas in which Australia has strong credentials - for example, food security and agricultural development, and energy and resources development. We will also be seeking to play a constructive role in discussions on North/South issues generally.

Progress over the year ahead will not be easy. It appears possible that the Global Negotiations in the United Nations General Assembly may not begin for some months and that progress in them will in any event be difficult. Arrangements for the summit meeting recommended by the Brandt Commission and scheduled to be held in Mexico in June have yet to be firmed up.

In the circumstances, the meeting of Commonwealth Heads of Government, representing some forty-five developed and developing countries, may well be the most important forum in which progress can be made in discussions of North/South issues this year. I believe that within the Commonwealth we have an invaluable opportunity to foster a pragmatic and co-operative approach to the dialogue between developed and developing countries.

I would welcome your reactions to these ideas. Exchanges of ideas between our Governments will be helpful in developing a common approach and in ensuring a positive outcome from the Commonwealth Heads of Government meeting.

My warm personal regards.

Yours faithfully
Margaret Thatcher

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister of Great Britain,
10 Downing Street,
LONDON U.K.

SUBJECT

g/Master
Dpt
Australia: Anglo-Aust. Relations
Sept 79

CONFIDENTIAL

Text of Letter dated 27 February 1981
from the Rt Hon. Malcolm Fraser to the
Rt Hon. Margaret Thatcher

Prime Minister (2)
I have asked for advice.

PRIME MINISTER'S
PERSONAL MESSAGE

Begins:

My Dear Margaret, SERIAL No. T36A/81

Am 3/3

It is apparent to us here that the problems of developing countries and issues in the North/South dialogue will be prominent in international discussions over the year ahead. I expect that we will be giving particular attention to these matters at the Commonwealth Heads of Government meeting in Melbourne later in the year.

My Government has been conducting a review of North/South matters. In looking at the Third World, we see some disturbing trends. As the situations of the poorest countries have worsened in recent years and as others have experienced the dislocation attending change, there has been an increased incidence of conflict and instability in several areas. Continuing difficulties and frustrations exacerbate strains in political relationships and when - as in the case of Iran - the atmosphere deteriorates sufficiently, economic rationality can all too readily become subordinated to political passion and a turning away from cooperation with the West.

As we see it, the fact that East/West rivalry has assumed a new urgency in the last year or so is not a reason for relegating North/South issues to the "back-burner". On the contrary, given the Soviet strategy of using its extended military reach to exploit instability, some Third World countries are likely to provide the focus for East-West confrontations in the difficult years ahead. Preventing the deterioration of relations between the West and developing countries therefore assumes even greater importance.

It seems to us to be in the enlightened self-interest of the West to respond in good time to moderate elements in the Third World rather than to wait and to see its mood become more radical and its condition more desperate and unstable. We also see purely economic interests of the West involved in maintaining cooperation with the Third World. If the existing economic order is to remain substantially in being, with the willing participation of Third World countries, its benefits must be demonstrably mutual. Reform and flexibility which serve this purpose are not the enemies of that order, they are among conditions for its survival.

It is in this light that we see a pressing need for progress in North/South matters. Probably progress will be slow at best in the dialogue on the large structural and systematic issues raised by the Third World under the NIEO banner, but that must not prevent progress in other areas where there are urgent - and tractable - problems. These are areas such as food, health, education and technical assistance -

CONFIDENTIAL

CONFIDENTIAL

especially in agriculture and energy. Progress can be made in such areas both multilaterally and bilaterally. It would make a vital contribution to the well-being of ordinary people in Third World countries, as the Brandt Report has reminded us.

For its part, the Australian Government is prepared to make a positive contribution, particularly in areas in which Australia has strong credentials - for example, food security and agricultural development, and energy and resources development. We will also be seeking to play a constructive role in discussions on North/South issues generally.

Progress over the year ahead will not be easy. It appears possible that the global negotiations in the United Nations General Assembly may not begin for some months and that progress in them will in any event be difficult. Arrangements for the summit meeting recommended by the Brandt Commission and scheduled to be held in Mexico in June have yet to be firmed up.

In the circumstances, the meeting of Commonwealth Heads of Government, representing some forty-five developed and developing countries, may well be the most important forum in which progress can be made in discussions of North/South issues this year. I believe that within the Commonwealth we have an invaluable opportunity to foster a pragmatic and cooperative approach to the dialogue between developed and developing countries.

I would welcome your reactions to these ideas. Exchanges of ideas between our Governments will be helpful in developing a common approach and in ensuring a positive outcome from the Commonwealth Heads of Government Meeting.

My warm personal regards.

Yours sincerely,

(Malcolm Fraser)

The Rt Hon. Margaret Thatcher, MP,
Prime Minister,
Prime Minister's Office,
10 Downing Street,
LONDON.

Ends.

CONFIDENTIAL



Econ Pad

10 DOWNING STREET

From the Private Secretary

9 February, 1981.

Relations with the Developing
Countries

As you are already aware, the Prime Minister has agreed to hold a "seminar" on our relations with the developing countries at 1045 on Friday, 13 February. I understand that you will be getting in touch with me about the details.

M. O'D. B. ALEXANDER

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

KRB

CONFIDENTIAL

Econ Pol



Prime Minister.

Foreign and Commonwealth Office

London SW1A 2AH

5 February 1981

PM has agreed this.

Can you arrange. Hunt

5/2

Mr. Alexander

*Set up for Friday
13 Feb at 10.45.*

*Pl. will be in
touch about details*

Dear Michael,

Relations with the Developing Countries

The Foreign and Commonwealth Secretary thinks it would be helpful to have a short discussion with the Prime Minister about the political aspects of this question and the way it might be handled during their visit to Washington.

el. 9/2

Lord Carrington believes that the United Kingdom's attitude towards the various initiatives taken in the broad context of the so-called 'North/South dialogue' will inevitably continue to play a significant role in our external relations in the next year or so. The position which President Reagan adopts will be important in relation to the talks going on in New York about the opening of the Global Negotiations. There is also the proposed Summit meeting in Mexico in June, and the Ottawa Summit in July.

Although it would be possible to say something about the problem at the Prime Minister's briefing meeting before the Washington visit, Lord Carrington thinks that it would justify a separate discussion. Lord Carrington hopes that it might be possible to fit this in before his own departure for Nigeria, which would mean the week beginning Monday 9 February.

yours ever

Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

CONFIDENTIAL



FILE
ECON. POL.

PH

10 DOWNING STREET

From the Private Secretary

28 January, 1981

North/South Summit

You asked me in your letter of 21 January whether there were any dates which, from the Prime Minister's point of view, the North/South Summit should avoid. There are none other than those of which you are already aware. However, it would in general suit the Prime Minister best if the meeting could take place in the period 1 - 7 June.

M. O'D. B. ALEXANDER

R Lyne, Esq
Foreign and Commonwealth Office

R

GPS 900
CONFIDENTIAL

CONFIDENTIAL

FM MEXICO CITY 231740Z JAN 81
TO PRIORITY FCO
TELEGRAM NUMBER 17 OF 23 JANUARY

Read in full

MY TELEGRAM NUMBER 9 OF 12 JANUARY: NORTH-SOUTH SUMMIT.

1. PRIME MINISTER TRUDEAU PAID A 24 HOUR UNOFFICIAL VISIT TO MEXICO ON 17 JANUARY. HE HAD A PRIVATE DINNER WITH PRESIDENT LOPEZ PORTILLO AT WHICH THE ONLY OTHER MEXICANS PRESENT WERE FOREIGN MINISTER CASTANEDA, DEPUTY MINISTERS ROSENZWEIG-DIAZ AND NAVARRETE AND THE PRESIDENT'S PRIVATE SECRETARY, ROBERTO CASILLAS. ACCORDING TO MY CANADIAN COLLEAGUE, CHARLAND, THE SOLE TOPIC OF CONVERSATION WAS THE NORTH-SOUTH SUMMIT.
2. CHARLAND TELLS ME THAT THE MEXICANS ARE DISENCHANTED WITH THE ROLE OF THE AUSTRIANS, WHOM THEY ACCUSE OF BEING HALF-HEARTED IN THE PREPARATIONS FOR THE SUMMIT. MY JAPANESE COLLEAGUE, WHOSE MINISTER OF INTERNATIONAL TRADE AND INDUSTRY, TANAKA, HAS JUST BEEN HERE, CONFIRMS THIS. ACCORDING TO CHARLAND, THE MEXICANS TRIED HARD TO GET THE CANADIANS TO STEP INTO THE BREACH, BUT TRUDEAU, WHILE PROMISING THE MEXICANS SUPPORT, POLITELY DECLINED TO TAKE ON A LEADING ROLE.
3. THERE WAS MUCH DISCUSSION ABOUT THE LIKELIHOOD OF US PARTICIPATION. THE MEXICANS WERE UNCERTAIN ABOUT HOW TO READ THE OMENS. REAGAN HAD BEEN TOTALLY NON-COMMITAL AT CIUDAD JUAREZ. CASTANEDA CONSIDERED THAT IF REAGAN DID NOT ATTEND, IT MIGHT BE NECESSARY TO CALL THE WHOLE THING OFF. PRESIDENT LOPEZ PORTILLO DID NOT AGREE AND THOUGHT THAT THERE SHOULD BE TWO ALTERNATIVE STRATEGIES, ONE FOR A SUMMIT WITH THE AMERICANS AND ANOTHER WITHOUT. THE CANADIANS FORMED THE IMPRESSION THAT THERE MAY HAVE BEEN SOME REVERSAL OF ROLES, WITH THE PRESIDENT NOW MORE COMMITTED TO A SUMMIT AND CASTANEDA, APPREHENSIVE ABOUT THE DIFFICULTIES AND CONSEQUENCES OF FAILURE, LESS SO. (POLITICAL MACHISMO MAY BE A FACTOR, LOPEZ PORTILLO BEING UNWILLING TO ALLOW REAGAN TO VETO THE PROJECT). TRUDEAU, AS FORESHADOWED IN MY TELEGRAM UNDER REFERENCE, PROMISED TO USE HIS INFLUENCE WITH REAGAN AND SAID THAT MCGUIGAN WOULD TALK TO HAIG. THE MEXICANS SAID THAT THEY HOPED THAT THE WEST GERMAN FOREIGN MINISTER, WHO WOULD SHORTLY BE VISITING WASHINGTON, WOULD ALSO LOBBY HAIG. MY EGYPTIAN COLLEAGUE, WHOSE FOREIGN MINISTER, BOUTROS GHALI, HAS JUST BEEN HERE, TELLS ME THAT MEXICAN PLANNING IS PROCEEDING ON THE CLEAR ASSUMPTION THAT REAGAN WILL ATTEND.
4. THE MEXICANS, CHARLAND TELLS ME, ENVISAGE THAT HEADS OF GOVERNMENT/STATE WOULD ATTEND THE SUMMIT WITH A MAXIMUM OF TWO ADVISERS EACH AND A TOTAL DELEGATION OF NOT MORE THAN TEN. CASTANEDA STILL HAS IN MIND A MAXIMUM OF 23-25 COUNTRIES. AUSTRALIA, ITALY, THE NETHERLANDS, MALAYSIA, INDONESIA AND JAMAICA ARE LOBBYING HARD TO BE INVITED. IT IS POSSIBLE THAT INVITATIONS MAY BE EXTENDED TO AUSTRALIA AND ITALY. BUT JAMAICA HAS BEEN REPLACED BY GUYANA FOLLOWING THE ELECTORAL DEFEAT OF MANLEY AND THERE IS NO LIKELIHOOD OF THIS DECISION BEING REVERSED. THERE HAS BEEN CORRESPONDENCE BETWEEN PRESIDENT LOPEZ PORTILLO AND PRESIDENT MARCOS WHO IS LIKELY TO ATTEND THE SUMMIT REPRESENTING BOTH THE PHILIPPINES AND ASEAN.

CONFIDENTIAL

/s.

5. THE CANADIANS HAD NOT BEEN ABLE TO GET ANY CLEAR INDICATION FROM THE MEXICANS ABOUT THE ATTENDANCE OF OBSERVERS. THE ISSUE APPEARED TO HAVE BEEN PUSHED TO ONE SIDE FOR THE MOMENT, PERHAPS PENDING REAGAN'S DECISION ON WHETHER TO ATTEND. IF THE CUBANS SENT AN OBSERVER IT WOULD PROBABLY BE AT FOREIGN MINISTER LEVEL.

6. THE MEXICANS THOUGHT THAT KREISKY HAD MISHANDLED THE INVITATION TO THE RUSSIANS, THOUGH IT WAS CHANNELLED THROUGH THE SOVIET EMBASSY IN VIENNA IT HAD GONE QUOTE ON THE PARTY NET UNQUOTE. THE MEXICANS BELIEVED A NEW FORMAL INVITATION SHOULD BE FORMULATED. THE MEXICAN ABASSADOR IN MOSCOW HAD TAKEN SOUNDINGS, BUT GOT NOWHERE. SOME CONSIDERED THAT THE RUSSIANS WERE WAITING FOR REAGAN TO MAKE UP HIS MIND BEFORE TAKING A FINAL DECISION. BUT IT SEEMED UNLIKELY THAT THE RUSSIANS WOULD ACCEPT AN INVITATION TO ATTEND.

7. OVERALL THE CANADIANS FORMED THE IMPRESSION THAT THE MEXICANS HAD BECOME SO INVOLVED IN THE MECHANICS OF THE SUMMIT THAT THEY WERE NOT GIVING ADEQUATE THOUGHT TO ITS POSSIBLE CONTENT. THE MEXICANS HAD TOLD THEM THAT THEY HOPED CONCRETE IDEAS WOULD EMERGE FROM THE VIENNA PREPARATORY CONFERENCE AND THE STEERING COMMITTEE WHICH IS TO BE SET UP. WHEN THEY SUGGESTED THAT THE BRANDT COMMISSION MIGHT ALSO BE ABLE TO HELP, THE CANADIANS POINTED OUT THAT ITS REPORT WAS UNACCEPTABLE TO SOME OF THE COUNTRIES SCHEDULED TO PARTICIPATE. PRESIDENT LOPEZ PORTILLO THEN SUGGESTED THAT MR HEATH, WHO CONTINUED TO TAKE A KEEN INTEREST IN NORTH-SOUTH MATTERS, AND HAD RECENTLY BEEN IN MEXICO, MIGHT BE ABLE TO ASSIST IN A PERSONAL CAPACITY.

8. MY JAPANESE COLLEAGUE STILL DOES NOT KNOW WHETHER HIS FOREIGN MINISTER WILL BE INVITED TO ATTEND THE VIENNA MEETING. THE JAPANESE HAD HPOED THAT THE MEXICANS AND CANADIANS WOULD AGREE ON AN INVITATION TO JAPAN, BUT THE MATTER HAD NOW BEEN REFERRED TO THE AUSTRIANS. THE JAPANESE BELIVE THAT UNLESS THE SUMMIT IS CAREFULLY STRUCTURED AND THE AGENDA WELL-DEFINED, THE CHANCES OF GETTING REAGAN TO ATTEND ARE SLIM. THIS VIEW POSSIBLY REFLECTS THEIR OWN DESIRE FOR A TIDILY STRUCTURED SUMMIT. MY FRENCH COLLEAGUE TELLS ME THAT FRANCE IS PREPARED TO ATTEND BUT THAT HIS GOVERNMENT, BECAUSE OF THE PRESIDENTIAL ELECTION, IS TAKING AN OBJECTIVE AND FOR THE PRESENT, FAIRLY DETACHED (BUT HE INSISTS NOT QUOTE LUKEWARM UNQUOTE) VIEW OF THE WHOLE AFFAIR. IF REAGAN DID NOT ATTEND, PRESUMABLY QUOTE WESTERN UNQUOTE COUNTRIES WOULD, IN HIS VIEW, HAVE TO RECONSIDER THEIR POSITION, SINCE IN SUCH CIRCUMSTANCES THE SUMMIT MIGHT DETERIORATE INTO AN ANTI-US PROPAGANDA OCCASION.

COX

NORTH/SOUTH STANDARD

ERD
ES & SD
MAED
TRED
Mand CD
NAD
SEAD

ECD
UND
ESID

ADDITIONAL DISTRIBUTION

NORTH/SOUTH

THIS TELEGRAM
WAS NOT
ADVANCED

2

CONFIDENTIAL

MR. ALEXANDER

NORTH/SOUTH DIALOGUE

Tooping The Colour is on Saturday
13 June and so what with the proposed State
Visit by King Khaled, these are not
terribly good dates.

The CBI Annual Dinner is on Tuesday
16 June, but obviously that could go.
Assuming that President Giscard does not
come at the beginning, really the best
dates are from 1-7 June.

ES.

21 January 1981



Miss Stephens:?

Foreign and Commonwealth Office

London SW1A 2AH

21 January 1981

Dear Michael,

North/South Summit

I wrote to you on 1 December about likely dates for this meeting.

We recently heard from the Canadians that 11 June to 13 June had now been fixed as the dates for the meeting. These dates would overlap with the dates which we have proposed for a State Visit by King Khaled (9 June to 12 June). However, on checking in Vienna, we found that the dates are still not yet firm; they will be decided at the second preparatory meeting of co-sponsors, which is to be held in Vienna at Ministerial level on 13 March.

The Austrians have invited us to let them know of any dates in the first half of June that would give the Prime Minister particular difficulty. Are there dates other than those of the State Visit (and the Queen's Birthday Parade?) which if possible you would prefer the Summit to avoid?

yours ever

Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing St

CONFIDENTIAL

GRS 260
CONFIDENTIAL

FM MEXICO CITY 122359Z JAN 81
TO PRIORITY FCO
TELEGRAM NUMBER 9 12 JANUARY
INFO SAVING WASHINGTON, OTTAWA, UKMIS NEW YORK.

NORTH /SOUTH DIALOGUE

MIPT

1. THE NORTH/SOUTH SUMMIT WAS ALSO DISCUSSED AT BILATERAL TALKS BETWEEN MEXICAN AND CANADIAN MINISTERS HELD IN MEXICO LAST WEEK. ACCORDING TO THE CANADIAN EMBASSY:

(A) DATES FOR THE SUMMIT HAVE NOW BEEN FIRMLY FIXED FOR 11 - 13 JUNE AT THE SHERATON HOTEL, CANCUN, WITH PARTICIPANTS ARRIVING ON 10 JUNE AND DEPARTING ON 14 JUNE:

(B) TRUDEAU AND MCGUIGAN WOULD DO THEIR BEST AT MEETINGS WHICH THEY WOULD HAVE WITH REAGAN AND HAIG RESPECTIVELY OVER THE NEXT MONTH OR SO TO PERSUADE THE US GOVERNMENT TO ADOPT A POSITIVE ATTITUDE TO THE SUMMIT.

(C) THE JAPANESE FOREIGN MINISTER MIGHT BE INVITED TO ATTEND THE VIENNA MEETING IN MARCH. IN THIS CASE THERE MIGHT BE AN ADDITIONAL AFRICAN COUNTRY REPRESENTED TO KEEP THE BALANCE BETWEEN NORTH AND SOUTH:

(D) FOLLOWING THE VIENNA MEETING IN MARCH A STEERING COMMITTEE CONSISTING OF PERSONAL REPRESENTATIVES OF THE 11 CO-SPONSORS WOULD BE CHARGED WITH MAKING DETAILED PREPARATIONS FOR THE MEETING, INCLUDING IN PARTICULAR THE DRAWING UP OF A LIST OF OPTIONS FOR ACTION, FOR CONSIDERATION BY HEADS OF GOVERNMENT AT THE SUMMIT MEETING. (ASKED WHEN AND HOW THE PARTICIPATING COUNTRIES NOT REPRESENTED AT VIENNA WOULD BE BROUGHT INTO THE PREPARATIONS, THE CANADIAN EMBASSY COULD ONLY SAY THAT THE CO-SPONSORS RECOGNISED THAT THIS WAS AN IMPORTANT QUESTION).

(E) SOVIET SILENCE WAS BEING INTERPRETED TO MEAN THAT THE SOVIET UNION WOULD NOT ATTEND. IN THIS CASE NEITHER CHINA NOR ROMANIA WOULD BE INVITED. THE CONSENSUS AMONG CO-SPONSORS WAS MOVING TOWARDS THE VIEW THAT NEITHER ITALY NOR THE NETHERLANDS SHOULD BE INVITED, BUT THAT AUSTRALIA MIGHT BE.

FCO PASS SAVING OTTAWA AND UKMIS NEW YORK

COX

[REPEATED AS REQUESTED]

NORTH/SOUTH STANDARD

ERD
ES & SD
MAED
TRED
ECD
UND
ESID
M AND C D

ADDITIONAL DISTRIBUTION

NORTH/SOUTH

CONFIDENTIAL

PS TO P.M. *Gordon*
No 10 DOWNING ST.

GR 235

CONFIDENTIAL

CONFIDENTIAL

FM VIENNA 121554Z JAN 81

TO ROUTINE FCO

TELEGRAM NUMBER 7 OF 12 JANUARY

INFO SAVING TO WASHINGTON, BONN, PARIS, MEXICO CITY, OTTAWA
ALGIERS, NEW DELHI, DAR ES SALAAM, STOCKHOLM, BELGRADE AND LAGOS

NORTH/SOUTH SUMMIT

1. THE FOREIGN MINISTER TOLD ME ON 12 JANUARY THAT IT WAS NOW PRETTY CERTAIN THAT THE FOLLOW-UP PREPARATORY MEETING BY THE SPONSORS WOULD BE HELD IN VIENNA ON 13 TO 15 MARCH. THE ATTENDANCE WOULD BE THE SAME AS AT THE NOVEMBER MEETING. I ASKED WHETHER THEY HAD YET HAD ANY RESULT FROM THE SOUNDINGS WHICH WERE TO BE TAKEN OF THE RUSSIANS AND THE CHINESE. HE SAID THEY HAD NOT AS YET HAD ANY CLEAR INDICATION OF THEIR INTENTIONS.

2. DR PAHR SAID THERE HAD BEEN SOME SUGGESTION THAT THE MARCH MEETING MIGHT BE BROUGHT FORWARD, SINCE THE POSITION WAS NOT YET CLEAR ABOUT GLOBAL NEGOTIATIONS. HE DID NOT, HOWEVER, BELIEVE THAT ADVANCING THE MEETING WOULD HAVE SERVED ANY USEFUL PURPOSE. EQUALLY, HE WAS OPPOSED TO DEFERRING IT.

3. I TOOK THE OPPORTUNITY OF AGAIN REMINDING HIM THAT ALTHOUGH WE WERE NOT SEEKING AN INVITATION TO THE MARCH MEETING OF CO-SPONSORS, THIS SHOULD NOT BE CONSTRUED AS INDICATING ANY LACK OF INTEREST ON OUR PART. HE SAID HE FULLY UNDERSTOOD AND APPRECIATED OUR POSITION. HE CONFIRMED THAT FROM THE OUTSET THE INTENTION HAD BEEN THAT WE SHOULD BE INCLUDED AMONGST THOSE INVITED TO THE SUMMIT MEETING IN MEXICO.

FCO PLEASE PASS TO SAVING ADDRESSEES

GORDON

STANDARD
ERD
ESSD
MAED
TRED
ECD
LND
ECCND
APD

ADDITIONAL DISTRIBUTION
NORTH/SOUTH

[PASSED AS REQUESTED]

CONFIDENTIAL

GRS 650

CONFIDENTIAL

CONFIDENTIAL

FM MEXICO CITY 122359Z JAN 81

TO PRIORITY FCO

TELEGRAM NUMBER 8 OF 12 JANUARY

INFO SAVING WASHINGTON, OTTAWA, UKMIS NEW YORK.

Read i full

NORTH /SOUTH DIALOGUE

1. I TODAY ACCOMPANIED MR EDWARD HEATH AT SEPARATE CALLS ON PRESIDENT LOPEZ PORTILLO AND DEPUTY FOREIGN MINISTER NAVARRETE, AT WHICH THE TOPIC OF CONVERSATION WAS THE PROPOSED NORTH/SOUTH SUMMIT MEETING IN MEXICO NEXT JUNE. I SUMMARIZE BELOW THE MAIN POINTS MADE BY THE MEXICANS (MAINLY NAVARRETE, PRESIDENT LOPEZ PORTILLO DID LITTLE MORE THAN TAKE NOTE OF THE VIEWS PUT TO HIM BY MR HEATH IN SUPPORT OF THE RECOMMENDATIONS OF THE BRANDT COMMISSION).

2. PARTICIPATION.

(A) THE VIENNA MEETING HAD REACHED FAIRLY FIRM AGREEMENT ON 21 COUNTRIES TO BE INVITED (YOUR TELNO 986 TO UKMIS NEW YORK). IT HAD AGREED IN ADDITION THAT THE SOVIET UNION SHOULD BE SOUNDED OUT AND THAT IF THE SOVIET GOVERNMENT WAS FAVOURABLE TO ATTENDING, CHINA SHOULD ALSO BE INVITED. THE CHINESE WERE KNOWN TO BE INTERESTED IN PARTICIPATING, BUT IF THE UNITED STATES AND CHINA, BUT NOT THE SOVIET UNION, ATTENDED, THIS WOULD GIVE THE MEETING AN ANTI-SOVIET APPEARANCE WHICH WOULD BE UNDESIRABLE. KREISKY HAD RECENTLY TOLD THE MEXICANS THAT AFTER TWO MONTHS HE HAD STILL OBTAINED NO REACTION FROM THE SOVIET GOVERNMENT.

(B) A MAJOR UNCERTAINTY WAS THE ATTITUDE OF THE REAGAN ADMINISTRATION. PRESIDENT LOPEZ PORTILLO HAD SPOKEN ABOUT THE SUMMIT BRIEFLY AT HIS MEETING WITH REAGAN ON 5 JANUARY. REAGAN'S REACTION HAD BEEN NON-COMMITAL AND LOPEZ PORTILLO HAD NOT PRESSED THE ISSUE. HE HOPED TO MEET REAGAN AGAIN BEFORE LONG, AND AT THEIR NEXT MEETING WOULD PRESS FOR A DEFINITION OF THE U.S. POSITION. THE MEXICANS EXPECTED THAT THE US ATTITUDE WOULD BE COOL, BUT WOULD PROBABLY FALL SHORT OF A CLEAR REJECTION OF PARTICIPATION. IF SO, THE MEETING OF CO-SPONSORS IN VIENNA IN MARCH WOULD HAVE TO DECIDE WHETHER OR NOT TO GO AHEAD AND ISSUE AN INVITATION IN THE HOPE THAT THE REAGAN GOVERNMENT WOULD BE RELUCTANT TO TURN DOWN A DIRECT INVITATION FROM AN IMPORTANT AND REPRESENTATIVE GROUP OF COUNTRIES

(C) WITH REGARD TO CUBA, THE CO-SPONSORS WERE LOOKING AT POSSIBILITIES OF RESPONDING TO CASTRO'S INTEREST SHORT OF INVITING DIRECT PARTICIPATION BY CUBA IN ITS OWN RIGHT. IF THE US GOVERNMENT MADE IT A CONDITION FOR ITS OWN ATTENDANCE THAT CUBA SHOULD

CONFIDENTIAL

/NOT

CONFIDENTIAL

NOT BE INVITED, THE CUBANS WOULD UNDERSTAND THAT US ATTENDANCE WAS MORE IMPORTANT THAN THEIR OWN FOR THE NORTH/SOUTH DIALOGUE. IT MIGHT BE POSSIBLE FOR A SENIOR CUBAN (NOT CASTRO) TO ATTEND AS AN OBSERVER ON BEHALF OF THE NON-ALIGNED MOVEMENT. BUT THE WHOLE QUESTION OF THE ATTENDANCE OF OBSERVERS RAISED DIFFICULTIES, SINCE THERE WERE MANY GROUPS WHICH WOULD HAVE TO BE CONSIDERED EG SELA , COMECON, THE EUROPEAN COMMUNITY ETC. (D) APART FROM REVIEWING THE POSSIBLE PARTICIPATION OF COMMUNIST COUNTRIES, THE CO-SPONSORS WOULD HAVE TO TAKE DECISIONS AT THEIR MEETING IN MARCH ON WHETHER TO INVITE AUSTRALIA AND THE ADDITIONAL EUROPEAN COUNTRIES WHICH HAD EXPRESSED AN INTEREST.

3. SUBSTANCE

A) IT WAS NOT ENVISAGED THAT THE SUMMIT SHOULD TRY TO REACH FORMAL AGREEMENT ON SPECIFIC ISSUES. THE AIM WAS TO ACHIEVE A COMMON RECOGNITION OF THE PRINCIPAL PROBLEMS WHICH NEEDED TO BE TACKLED AND AGREEMENT IN PRINCIPLE ON THE MEANS BY WHICH THEY SHOULD BE TACKLED.

THE MEETING SHOULD IN EFFECT AIM TO PRODUCE GUIDELINES SUFFICIENTLY CLEAR TO ENABLE WORK TO MAKE PROGRESS AT A LOWER LEVEL ON SPECIFIC AND DETAILED AGREEMENTS.

(B) MR HEATH SUGGESTED THAT THE SUMMIT MIGHT CONCENTRATE ON 4 TOPICS: FOOD, DEBT, ENERGY, AND TRANSNATIONALS. HE ARGUED THAT IF THE MEETING TRIED TO COVER THE WHOLE RANGE OF NORTH/SOUTH ISSUES, IT WOULD INEVITABLY REPEAT PREVIOUS FAILURES SUCH AS CIEC. NAVARRETE AGREED THAT TOPICS FOR DISCUSSION SHOULD BE LIMITED AND CAREFULLY CHOSEN, BUT THOUGHT THAT THE MEETING MIGHT BE INVITED TO CHOSE FROM A LIST OF 8 - 10 TOPICS. THE INTERESTS OF PARTICIPANTS VARIED A GREAT DEAL AND SOME MIGHT REACT BADLY IF THE PARTICULAR TOPIC OF MOST CONCERN TO THEM WAS NOT EVEN ON THE AGENDA. FOR EXAMPLE, SOME COUNTRIES WOULD WISH TO INSIST ON SOME DISCUSSION OF THE ISSUE OF ACCESS TO MARKETS.

SEE MIFT.

FCO PASS SAVING TO OTTAWA

THIS TELEGRAM WAS NOT ADVANCED

(REPEATED AS REQUESTED)

COX
NORTH SOUTH
STANDARDS
EED
UND
ES vs D
ESID
MAG D
M vs D
TAD

ADDITIONAL DIST:
NORTH/SOUTH

CONFIDENTIAL

CONFIDENTIAL

Econ P. 1.

Ne
MA

EY BAG

CONFIDENTIAL

FROM FCO 311230Z DEC 80

TO CERTAIN MISSIONS AND DEPENDENT TERRITORIES

GUIDANCE TELEGRAM NUMBER 136 OF 31 DECEMBER 1980

PROPOSED NORTH/SOUTH SUMMIT

INTRODUCTION

1. The proposal for a North/South Summit may attract increasing attention in coming months. This guidance summarises our present knowledge of its progress. Much of this information has been given to us in confidence; paragraphs 2 to 10 should therefore be used cautiously and only with reliable contacts. A line to take is at paragraphs 11-14.

BACKGROUND

2. The proposal for a limited North/South Summit was contained in the Brandt Commission Report published in March 1980. The idea was taken up by Chancellor Kreisky of Austria and President Portillo of Mexico. As their initial soundings encountered difficulties, particularly over participation, they judged it advisable to form a group of co-sponsors. The co-sponsors eventually numbered eleven - Algeria, Austria, Canada, France, FRG, India, Mexico, Nigeria, Sweden, Tanzania, Yugoslavia.

3. The co-sponsors held their first preparatory meeting, at Ministerial level, in Vienna on 7/8 November. They reached agreement in principle, although not without difficulty, to hold the summit in Mexico City in the first half of June 1981. This falls after the French Presidential elections, but before the Ottawa Economic Summit of the Seven (20-21 July). The developing country co-sponsors pressed for such timing in order to avoid a predetermined and coordinated Western position.

4. The meeting drew up the following list of 21 firm candidates for invitations: Austria, Canada, France, West Germany, Japan, Sweden, UK, United States; Mexico, Brazil, Venezuela, Guyana; Algeria, Nigeria, Ivory Coast, Tanzania; Saudi Arabia, India, Bangladesh, Philippines; Yugoslavia. The Soviet Union and China are also to be sounded out to determine whether they would welcome an invitation.

5. United Kingdom participation in the Summit was firmly accepted at the sponsors' meeting.

CONFIDENTIAL

CONFIDENTIAL

6. We are told that the Germans suggested the inclusion of Netherlands, Italy, the European Commission and Australia as participants, but without success. The Dutch are continuing to seek an invitation and are looking for support in the European Community, as they will hold the Presidency at the time.

7. The prospects for a successful meeting will depend considerably on the readiness of the United States to attend. The choice of a date in June for the Summit will give time for the new US Administration to form a view. Most of the co-sponsors would consider that there was little point in a meeting without American participation. While Cuba had solicited an invitation, as holding the Presidency of the Non-Aligned Movement, their inclusion seems to have been rejected for fear that it would obstruct American attendance.

8. The Algerians were, it appears, only reluctant co-sponsors of the Summit and saw value in it only if it helped to further G77 objectives in the Global Negotiations. In discussion of the agenda, the Algerians (to some extent supported by the Yugoslavs) therefore argued for a close link with the Global Negotiations. This was resisted by most other co-sponsors, including India. It was agreed that there should be a general discussion of a number of topics, but without a formal agenda. The French proposed the inclusion of energy and monetary questions.

9. It thus seems likely that the Summit will be relatively unstructured and deliberately informal. Both the Canadians and the Germans argued strongly for informality. They believe that this is this best way to defuse excessive expectations. The Austrians have indicated to us that Chancellor Kreisky envisages a two-day meeting (the likeliest dates are 6/7 June 1981). It would be informal in tone, rather in the nature of a seminar, and would produce no formal conclusions.

10. The co-sponsors intend to hold a second preparatory meeting in March 1981. They would then review developments since their meeting in November: decide on the formal issue of invitations: and have further discussion of the agenda and other preparations. The prospects and the timing of the Summit may be affected by progress towards launching the Global Negotiations (on which informal discussions will resume in New York in mid-January - see Guidance Telno 130 of 19 December).

LINE TO TAKE

11. We have already expressed our readiness to participate in the North/South Summit in Mexico and expect to be invited. We believe that the Summit could give a political impetus to realistic action on the problems facing the world economy. We agree that these problems deserve treatment by Heads of Government. We welcome the contribution to North/South matters which such a summit could make.

12. The Minister of State (Mr Hurd) said in the House of Commons on 12 December: 'As we understand it, however, the plan is that there should be a summit in Mexico in June next year of between 20 and 25 participants. We expect to be one of them. If that is so, my right hon Friend the Prime Minister will accept the invitation, and will go to the summit with her customary zest and vigour.'

CONFIDENTIAL

CONFIDENTIAL

13. (If raised). We can accept any Community consensus on how the EC should be represented at a North/South Summit. It is, however, for the co-sponsors to pursue such questions.

14. (If raised). We do not accept that the Government's general approach to North/South matters led to our omission from the group of co-sponsors. Numbers obviously had to be limited: of those countries which attend Western economic summits, the US, Japan, UK and Italy were not included among the co-sponsors.

CARRINGTON
FCO/WHITEHALL
INFORMATION DEPT

ADDITIONAL DISTRIBUTION
GUIDANCE
NORTH/SOUTH

CONFIDENTIAL



M. O'D. B. Alexander Esq.

With the Compliments
of the
Private Secretary
to the
Secretary of the Cabinet

Cabinet Office,
London, S.W.1.



Scand.

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB CVO

Ref. A03767

WRBPA

9th December 1980

Hand

North-South

I enclose a copy of a telegram from the Canadian Embassy in Cairo containing an account of Mr. Trudeau's visit to Saudi Arabia. This was sent to us by the Canadian High Commission in London and is also being sent to other Personal Representatives. In the words of the High Commission, it was sent "on a personal and private basis . . . so as to give an indication of the type of message he [Mr. Trudeau] is trying to give to them as part of the preparatory process for the Ottawa Summit". I should therefore be grateful if you could give the telegram a limited distribution within the F. C. O.

Copies of this letter and of the telegram go to Michael Alexander, Vi Read (ODA) and Joseph Halligan (Treasury).

D. J. WRIGHT

(D. J. WRIGHT)
Private Secretary

Enc.

R. A. Burns Esq.

CONFIDENTIAL

CONFIDENTIAL

20-0000
HR

C O N F I D E N T I A L

FM CAIRO PDEL0019 20NOV80

TO EYTOTT ECR

INFO WSHDC DELIVER TO CANDEL TO IERD MTG BY 241000

EOANN PARIS LDN TOKYO ROME JEDDA PFNNY BRBEC POECD GENEV MXICO VIENN
PCOOTT/PITFIELD/FOWLER ITCOTT/JOHNSTONE/FASTHAM/OGF FINOTT/STEWART/
IFD/IPD/IER CIDAOTT/MASSE/SHORTLIFFE/POI

BH EMROTT/COHEN/IERP/CAMPBELL AGRICOTT/THANT MSEDOTT/OSHALDESTON
DE OTT

BAG CRCAS PRSLA KNGTN BRGYN STKHM OSLO ALGER LAGOS DSLAM DELHI
DACCA MANIL JKHTA DAKAR ABDJN BGRAD PEKIN CNBRA MOSCO HAGUE PRU
BNATO DE OTT

DISTR MIN AEG DMM JHT LHS PGN PGA PGP PGE PGS PPS POL SPS ECT ESE
ECO SER GAM

---PM VISIT TO SAUDI ARABIA:NORTH/SOUTH DISCUSSIONS

VISIT TO RIYADH GAVE PM USEFUL OPPORTUNITY TO REVIEW NORTH/SOUTH
(N/S)ISSUES WITH NUMBER OF MINISTERS.IT WAS SOLE TOPIC IN MTG WITH
FINANCE MINISTER,SIGNIFICANT TOPIC IN MTG WITH OIL MINISTER,AND PART
OF FINAL ROUND TABLE DISCUSSION CHAIRED BY CROWN PRINCE WITH OTHER
MINISTERS PRESENT.AT SEPARATE MTG WITH FOREIGN MINISTER,PM GAVE
NOTICE OF WANTING TO RAISE N/S ISSUE BUT IN FACT SSSION SPENT
LARGELY ON ARAB-ISRAFL QUESTION.IN ALL CASES,PM WAS ASKED TO LEAD
OFF WITH CDN VIEWS.NATURE OF HIS MSG AND WAY IT WAS DELIVERED MADE
MARKED IMPRESSION ON SAUDI HOSTS WHO RESPONDED WARMLY AND OPENLY.

...2

PAGE TWO PDEL0019 CONF

EXPRESSING DESIRE TO WORK CLOSELY WITH CDA IN SEEKING ANSWERS TO
INNATL ECONOMIC PROBLEMS, WHILE DESCRIBING PARTICULAR SAUDI CONCERNS.

2. PMS MSG HAD FOUR MAIN COMPONENTS: ROLE OF CDA AND N/S ISSUES AT
ECONOMIC SUMMIT; SUBSTANCE OF N/S PROBLEMS; PROCESS OF N/S DIALOGUE;
AND ATTITUDE OF CDA TO COOPERATION WITH SAUDIS AND OTHERS.

3. IN DESCRIBING ROLE OF CDA AS HOST OF NEXT ECONOMIC SUMMIT, PM
OUTLINED IMPORTANCE OF N/S ISSUES AS AGENDA ITEM BOTH BECAUSE OF
CDN VIEWS (WITH ROOTS GOING BACK TO PEARSON) AND VIEWS OF SUMMIT
PARTNERS AS AGREED AT VENICE. HE STRESSED CDN SUMMIT SHOULD NOT/NOT
BE SEEN, AS SOME LDCS ARE, AS ATTEMPT BY MAJOR INDUSTRIAL COUNTRIES
TO QUOTE GANG UP UNQUOTE ON POORER COUNTRIES OR CRYSTALIZE DEFENSIVE
POSITIONS. RATHER IT SHOULD BE SEEN AS EFFORT TO GIVE N/S PROBLEMS
ATTENTION THEY DESERVE IN PRESENT WORLD. HE FELT VENICE HAD RECOGNIZED
WE HAD NOT/NOT SOLVED N/S ISSUES AND HAD QUOTE WOKEN UP UNQUOTE TO
FACT THAT WE NEEDED TO BRIDGE GAP. AS HOST, HE WANTED TO USE CDN SUMMIT
TO FIND QUOTE CONSTRUCTIVE APPROACHES UNQUOTE. FOR THIS PURPOSE HIS
INTENTION WAS TO CONSULT WIDELY IN ADVANCE, NOT/NOT ONLY WITH SUMMIT
PARTNERS, BUT ALSO WITH OTHER KEY COUNTRIES SUCH AS SAUDI ARABIA
(HE MENTIONED ALSO COUNTRIES TO BE VISITED IN JAN), IN ORDER TO
OBTAIN GREATER UNDERSTANDING OF THEIR VIEWS ON PRIORITIES AND AREAS
FOR PROGRESS, AND ALLOW HIM TO SPEAK FROM DIRECT KNOWLEDGE. THESE COULD
BE APPROACHED ON GROUNDS OF BOTH SUBSTANCE AND PROCESS.

4. WHILE RECOGNIZING THERE WERE MANY IMPORTANT AREAS OF SUBSTANCE

...3

PAGE THREE PDEL0019 CONF

WHICH NEEDED TO BE RESOLVED, INCLUDING RECYCLING OF PETRODOLLARS AND ROLE OF IPRD/IMF, PM SINGLED OUT PROPOSED ENERGY AFFILIATE OF WORLD BANK FOR SPECIAL ATTENTION. HE MENTIONED HIS CONVERSATION WITH MCNAMARA ON EVE OF DEPARTURE AND HIS OWN FAVOURABLE DISPOSITION TOWARDS CONCEPT OF AFFILIATE WHICH WORLD BANK WAS ELABORATING. DEVELOPMENT OF ENERGY RESOURCES IN THIRD WORLD WAS, IN HIS VIEW, ONE OF MOST IMPORTANT OBJECTIVES OF INNATL COOPERATION AND HE WENT ON TO DESCRIBE NEW PROGRAM TO ASSIST DEVELOPING COUNTRIES BY PETRO CDA INNATL UNDER CDN NEP. HE SAID CDA WOULD ATTEND MTG OF NINE COUNTRIES BEING CONVENED BY WORLD BANK NOV24, TO WHICH SAUDI ARABIA AND KWAIT ALSO INVITED, FOR PRELIMINARY DISCUSSION OF ENERGY AFFILIATE. HE SAW ADVANTAGE OF AFFILIATE NOT/NOT JUST AS MEANS OF MTG FINANCING NEEDS OF ENERGY-DEFICIT LDCS, BUT AS INSTITUTION WHERE QUOTE WE CAN TALK TOGETHER AND IMPROVE COOPERATION UNQUOTE. IN HIS VIEW ALSO, AFFILIATE SHOULD BE IMPORTANT EXAMPLE OF WILLINGNESS TO DEVELOP NEW POWER-SHARING TECHNIQUES WITH OPEC COUNTRIES WHERE VOTING STRUCTURES WOULD REFLECT NEW PATTERNS.

5. ON PROCESS OF DIALOGUE, PM REFERRED TO FRUSTRATIONS EXPERIENCED BY ALL COUNTRIES AT LACK OF PROGRESS IN PAST BUT EXPRESSED CDN SUPPORT FOR TWO TECHNIQUES NOW UNDER INNATL DISCUSSION TO IMPROVE DIALOGUE AND MAKE IT MORE EFFECTIVE: ROUND OF GLOBAL NEGOTIATIONS AND NORTH/SOUTH SUMMIT. WITH RESPECT TO PROPOSED GLOBAL NEGOTIATIONS, PM ADMITTED UN FORUM WITH ITS RHETORIC AND SLOW PACE COULD BE PAINFUL.

...4

PAGE FOUR PDELE019 CONF

BUT THOUGHT IT IMPORTANT TO USE FORUM BOTH FOR POSITIVE PURPOSES AND AS ESCAPE VALVE WHERE COUNTRIES COULD QUOTE LET OFF STEAM UNQUOTE AND STATE GENERAL IMPRESSIONS OF WHAT IS WRONG. GIVEN INEVITABLE BLOC-TO-BLOC NEGOTIATING APPROACH IN UNIVERSAL FORUM, HOWEVER, PM BELIEVED THERE WOULD BE UTILITY IN ARRANGING SMALLER MTGS. IN THIS RESPECT, CDA WAS QUOTE READY TO GAMBLE UNQUOTE ON PROPOSED MEXICAN N/S SUMMIT WHICH HE HOPED WOULD CREATE NUCLEUS OF COUNTRIES, INCLUDING SAUDI ARABIA, WHO ARE GENUINELY CONCERNED WITH N/S PROBLEMS AND PREPARED TO QUOTE THINK THEM THROUGH UNQUOTE TO SOLUTIONS.

6. GENERAL MSG LEFT BY PM WITH SAUDI MINISTERS WAS THAT CDA WANTED TO CONSULT FULLY WITH THEM ON IMPORTANT INTL ECONOMIC ISSUES AND HOPED FOR CLOSE COOPERATION IN INTL BODIES WHERE ISSUES UNDER EXAM. AS LEADER IN OPEC, ISLAM, ARAB WORLD AND THIRD WORLD, SAUDI ARABIA HAD KEY AND VITAL ROLE TO PLAY, REINFORCED BY ITS RAPIDLY GROWING STATUS AS MAJOR FINANCIAL POWER. PM THEREFORE INVITED RESPONSES FROM SAUDIS ON THEIR ASSESSMENT OF N/S ISSUES AND HOW TWO COUNTRIES COULD WORK TOGETHER TO QUOTE BREAK LOG JAM UNQUOTE IN BOTH SUBSTANCE AND PROCESS.

7. REACTIONS OF SAUDI MINISTERS WERE WARMLY POSITIVE, THOUGH CLEARLY CONTAINING RESERVATIONS ABOUT TYPE OF ROLE SAUDI ARABIA COULD BE EXPECTED TO PLAY. THEY EXPRESSED DESIRE TO COOPERATE WITH AND SUPPORT CDA WHICH THEY HOPED WOULD PLAY QUOTE LEADING ROLE UNQUOTE IN NORTH/SOUTH ISSUES BECAUSE OF RESPECT AND GOOD RELATIONS IT ENJOYED IN ALL PARTS OF WORLD. THEY UNDERLINED PRESENT FORTHCOMING ATTITUDE

...5

PAGE FIVE PDELE0019 CONFID

OF SAUDI ARABIA IN PROVIDING HIGH LEVELS OF AID AND IN COOPERATING IN GLOBAL AND REGIONAL INSTITUTIONS. THEY MAINTAINED STRONG SUPPORT FOR IBRD AND IMF AND MADE NO/NO MENTION OF PLO OBSERVER ISSUE. THEY WERE COMMITTED TO WORKING WITH INDUSTRIALIZED COUNTRIES IN ATTEMPTING TO FIND SOLUTIONS TO ECONOMIC PROBLEMS OF THIRD WORLD.

8. MORE SPECIFICALLY, THEY CONFIRMED SAUDI ARABIA WELCOMED IDEA OF ENERGY AFFILIATE AND WOULD PARTICIPATE, THROUGH IBRD EXECUTIVE DIRECTOR, IN NOV24 MTG. ACCORDING TO FINANCE MINISTER, TWO POINTS WOULD BE IMPORTANT IN CREATION OF AFFILIATE. FIRST WAS DISTR OF VOTING POWER, WHICH HE DID NOT/NOT EXPECT TO BE DIFFICULT ISSUE. SECOND WAS NUMBER OF PARTICIPANTS WHICH HE HOPED WOULD REFLECT BROAD QUOTE MORAL RESPONSIBILITY UNQUOTE OF INNATL COMMUNITY RATHER THAN SIMPLY ASSUMPTION OPEC SURPLUS COUNTRIES WOULD BEAR FINANCIAL BURDEN.

9. FINANCE MINISTER ALSO CONFIRMED SAUDI ARABIA WOULD SUPPORT EXPANDED LENDING PROGRAM OF IMF, INCLUDING DIRECT BORROWING BY FUND FROM SURPLUS COUNTRIES AND CAPITAL MARKETS, IN ORDER TO EASE RECYCLING PROBLEM.

10. MORE CAUTIONARY REMARKS WERE OF FOLLOWING NATURE. FIRST, SAUDI ARABIA WAS QUOTE NOT/NOT PLEASED UNQUOTE AT WAY LEADERS OF INDUSTRIAL COUNTRIES FREQUENTLY STATED OR IMPLIED THAT OPEC WAS RESPONSIBLE FOR ECONOMIC PROBLEMS OF WORLD. THEY REFERRED TO OIL PRICES BUT NOT/NOT FUNCTIONING OF INNATL ECONOMIC SYSTEM. THEY

...6

PAGE SIX PDEL0019 CONF

TALKED ABOUT FACT OF SURPLUSES BUT NOT/NOT REASONS. AS FINANCE MINISTER PUT IT, QUOTE HOW CAN WE CONSTANTLY BE ASKED TO PRODUCE MORE OIL TO MEET INNATL NEEDS AND NOT/NOT HAVE SURPLUSES? UNQUOTE.

11. SECOND, SAUDI ARABIA HAD CONCERNS ABOUT INNATL PROCESSES WHICH TENDED TO BACK OPEC INTO CORNER AND PUT ALL BLAME ON THEM. THIS EXPLAINED IN PART SAUDI ATTITUDE AT UN SPECIAL SESSION TOWARDS GLOPAL NEGOTIATIONS. SAME CONCERNS APPLIED TO NORTH/SOUTH SUMMIT THOUGH SAUDI ARABIA WOULD BE PREPARED TO CONSIDER FAVOURABLY INVITATION TO BALANCED SUMMIT. (YAMANI EXPRESSED APPRECIATION FOR AND REASSURANCE FROM PMS DESCRIPTION OF INFORMAL, NOT-NEGOTIATING, NON-SPEECH TYPE OF SUMMIT HE PREFERRED.)

12. THIRD, YAMANI CONFIRMED AGAIN DIFFICULTY OF SAUDI ARABIA IN TAKING POSITIONS ON INNATL ECONOMIC POLICY ISSUES UNTIL SUCH TIME AS OPEC HAD ADOPTED ITS OWN LONG TERM STRATEGY REVIEW. HE HOPED THIS COULD BE ADOPTED IN SECOND QUARTER OF NEW YEAR BUT IN MEANTIME SAUDI ARABIA WAS COMMITTED TO MOVING IN STEP WITH OPEC PARTNERS.

13. FOURTH, POINT PARTICULARLY STRESSED BY FINANCE MINISTER APA AL-KHAIL, WAS CONFUSION CREATED BY LARGE NUMBER OF OVERLAPPING PROPOSALS FOR INNATL COOPERATION, AND COMPETITION BETWEEN THEM FOR LIMITED MANPOWER RESOURCES AND FINANCING, WHICH MADE IT IMPOSSIBLE FOR SAUDI ARABIA TO BE POSITIVE ON ALL. WHILE NOT/NOT SPECIFIC ON EXAMPLES, HE STATED THAT EVEN CIEC AGENDA HAD BEEN TOO WIDE AND IMPLIED GLOBAL NEGOTIATIONS WERE TRYING TO COVER TOO MUCH GROUND.

...7

PAGE SEVEN PDEL0019 CONF

HE URGED THAT FIRST PRIORITY SHOULD BE TO CHOOSE AND CONCENTRATE ATTENTION OF WORLD ON CERTAIN KEY PROPOSALS. HE HOPED G7 ECONOMIC SUMMIT WOULD AT LEAST TRY TO ESTABLISH SMALL LIST OF MAIN ISSUES ON WHICH INDUSTRIAL COUNTRIES WERE JOINTLY PREPARED TO MOVE IN MORE COORDINATED AND DYNAMIC WAY. (IN AGREEING, PM POINTED OUT THIS WAS PRECISELY WHAT G7 WAS TRYING TO ACHIEVE THROUGH CONSOLIDATED LIST OF KEY QUESTIONS NOW UNDER PREPARATION BY PERSONAL REPS OF SUMMIT LEADERS.)

14. IN REPLYING TO SAUDI VIEWS, PM ACCEPTED VALIDITY OF MANY OF POINTS MADE. HE DREW FROM EXCHANGE THAT THERE WAS REQUIREMENT FOR INSTITUTIONAL CHANGES RESULTING FROM SHIFTING BALANCES OF POWER IN WORLD. NO/NO LONGER COULD HALF DOZEN MAJOR INDUSTRIAL COUNTRIES WIELD ALL POWER AS THEY HAD IN PAST. IT HAD TAKEN TIME FOR THEM TO APPRECIATE SIGNIFICANCE OF CHANGES TAKING PLACE IN WORLD BUT HE THOUGHT THAT RECENT INTL DEVELOPMENTS HAD REVEALED LIMITED ABILITY OF WEST TO EXERCISE ECONOMIC, POLITICAL OR MILITARY POWER AND THAT COUNTRIES FROM THIRD WORLD HAD TO BE BROUGHT INTO DECISION-MAKING PROCESS. HE BELIEVED THAT, AT VENICE, SUMMIT SEVEN HAD BEEN SAYING NOT/NOT THAT OPEC WAS AT FAULT AND MUST PAY, BUT RATHER THAT OPEC WAS REALITY WITH CONSIDERABLE POWER WITH WHICH RESPONSIBILITIES FOR OTHER DEVELOPING COUNTRIES NEEDED TO BE SHARED.

15. IN FINAL SESSION WITH CROWN PRINCE AND KEY MINISTERS, NORTH/SOUTH THEME CAME UP IN SLIGHTLY DIFFERENT FORM. IN CONTEXT OF APAB-ISRAELI PROBLEM, PRINCE FAHD STRESSED NEED FOR STABILITY IN THIRD WORLD

...8

PAGE EIGHT FDEL 0019 CONF

WHERE FREEDOM AND JUSTICE WERE BEST GUARANTEES THAT COMMUNISM WOULD BE REJECTED AS IDEOLOGY. PICKING UP THEME, PM APPLIED IT TO DOMESTIC SITUS AS WELL AS INNATL RELATIONS. HE AGREED THAT SOVIET IDEOLOGY HAD LITTLE APPEAL FOR TRULY FREE PEOPLES BUT SUGGESTED THAT IN VERY POOR COUNTRIES TO CHOOSE TO BE WITH FREE WORLD, WE HAD TO SHOW WE COULD HELP SOLVE THEIR PROBLEMS AND INSTITUTE INNATL SYSTEMS CONDUCIVE TO JUSTICE. THIS WAS ONE OF REASONS CDA WAS DETERMINED TO TRY TO HELP SOLVE N/S PROBLEMS. CROWN PRINCE FULLY AGIEED, POINTING TO GENEROSITY OF SAUDI AID EFFORTS AND WELCOMING DISCUSSIONS WHICH HAD TAKEN PLACE FOR CLOSER COOPERATION BETWEEN SAUDI ARABIA AND CDA IN DEVELOPMENT OF N/S RELATIONS.

000/236 22 1222Z OTOW 658

CONFIDENTIAL

Mooba 9R.

Ecan
PS



Am

Foreign and Commonwealth Office

London SW1A 2AH

7-10-1980

1 December 1980

Noted but the King of Spain is expected on the 9th

Am Stephens to note

CS. 2/12

Am

Dear Michael,

North/South Summit

In your letter of 18 November you asked for clarification about the dates proposed for this Summit.

According to Chancellor Kreisky's Private Office, although the dates of 4-5 June have been mentioned, 5-7 June are more likely as they fall on a weekend. The Chancellor is keeping his diary free between 5 and 14 June with the expectation that the meeting itself could last two or three days.

I fear that we shall have nothing firmer until the co-sponsors meet again next March.

I am sending copies of this letter to recipients of yours.

*Zee
G.H.*

(G G H Walden)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

CONFIDENTIAL



Prime Minister

MA 1/x11

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

PRIME MINISTER

1 ~~Moore~~ to see
2 PA

NORTH/SOUTH SUMMIT

MA 3/x11

The Foreign and Commonwealth Secretary kindly sent me a copy of his minute to you of 14 November about the preparation for a North/South Summit in June.

2. I would like to stress the importance of the point which he makes about avoiding a close link between this Summit and the UN global negotiations. We must ensure that if attempts are made to govern the IMF and the World Bank either from the global negotiations or from the North/South Summit, they do not succeed. To judge by the views which Chancellor Schmidt expressed to you recently, we can count on his support on this. I hope this can be kept very much in mind in our preparations for the North/South Summit. I also agree with the Secretary of State for Industry that the present list of participating developing countries does not suggest that the discussion will be well balanced.

3. I am copying this minute to the Foreign Secretary, the Secretaries of State for Trade and Industry and the Secretary to the Cabinet.

(G.H.)

28 November 1980



Foreign and Commonwealth Office

London SW1A 2AH

26 November 1980

Dear Michael,

Prime Minister's Article For The
Friedrich Ebert Stiftung
(Foundation)

In October the Prime Minister contributed an article to the Friedrich Ebert Stiftung for a forthcoming publication on the Brandt Report. The President of the Stiftung has now written to the Prime Minister to acknowledge receipt of the article. Herr Nau's letter and a translation are enclosed.

Yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

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

FRIEDRICH-EBERT-STIFTUNG

The Right Hon. Margaret Thatcher, M.P.
10, Downing Street
L O N D O N

Godesberger Allee 149
5300 Bonn 2

12th November 1980

Pamie Minister

(2)

Paul

Paul

Dear Prime Minister,

Thank you for your article on the Brandt Commission Report which was handed to us by your Private Secretary.

Your comment has been found very interesting and most important by emphasising anti-inflationary and liberal policies.

We shall, certainly, send you a copy of the English version after publication.

Yours sincerely,

Alfred Nau

Alfred Nau
President

FRIEDRICH EBERT STIFTUNG

Forschungsinstitut

Herrn
S. Cornish
Erster Botschaftssekretär
Britische Botschaft
Friedrich-Ebert-Allee 77
5300 B O N N 1

Ihr Zeichen

Ihre Nachricht vom

Unser Zeichen
-/RK

Hausruf
8 83 -612

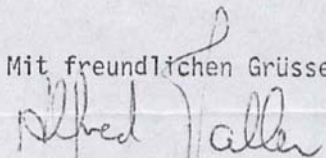
Datum
12. November 1980

Betreff

Sehr geehrter Herr Cornish,
wie seinerzeit mit Ihnen vereinbart, überreichen wir Ihnen in
der Anlage einen Brief des Vorstandsvorsitzenden der Friedrich-
Ebert-Stiftung, Herrn Alfred Nau, mit der höflichen Bitte um
Weiterleitung an The Right Hon. Margaret Thatcher, M.P.
Eine Kopie des Schreibens füge ich für Sie bei.

Vielen Dank für Ihr Entgegenkommen.

Mit freundlichen Grüßen


Alfred Pfaller

Anlagen

CONFIDENTIAL

JS

cc 720

26 November 1980

NORTH/SOUTH SUMMIT

The Prime Minister has seen and taken note of the Secretary of State for Industry's minute to her of 21 November about participation in the North/South Summit.

I am sending a copy of this letter to Roderic Lyne (FCO).

MODBA

Ian Ellison, Esq.,
Department of Industry.

9B



PRIME MINISTER

NORTH/SOUTH SUMMIT

CONFIDENTIAL

(V)

Prime Minister.

I fear that U.K. views about participation in this event are unlikely to carry much weight with the organisers. In any case the process is already well advanced and I doubt whether it would be possible to introduce new names. But you would mention the thought to Nelson Schmidt & Co.

1 The Foreign and Commonwealth Secretary sent me a copy of his minute to you of 14 November about the preparations for a limited summit of developed and developing countries.

*Am
24/11/80*

2 I see that the organisers are still at the stage of sounding out potential participants in the summit meeting in Mexico City in June 1981. While this process is going on I wonder if some account could be taken of my own feeling that it is odd that not one of the success stories in the developing world, like Hong Kong, Singapore, Taiwan and South Korea, who have successfully pulled themselves up by a combination of their own efforts and free market economics, has been invited. I realise that Hong Kong and Taiwan, for different reasons, are disqualified from participation in international gatherings but Singapore and South Korea seem likely to make a much better contribution (and one, moreover, more sympathetic to our own point of view) than Algeria, Tanzania or Bangladesh.

3 I am copying this minute to the Foreign and Commonwealth Secretary and to the other recipients of his minute.

KJ

Department of Industry
Ashdown House
123 Victoria Street

K J
21 November 1980

CONFIDENTIAL

PART 1 ends:-

18.11.80

PART 2 begins:-

21.11.80