

PREM 19/699

Confidential filing.

The Brandt Commission.

ECONOMIC POLICY

The N/S Summit in Cancun, Mexico.

Part 1: Oct 1979

Part 4: Oct 1981.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
26-10-81							
29-10-81							
6-11-81							
12-11-81							
14-11-81							
25-11-81							
21-1-82							
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15-2-82							
25-2-82							
16-3-82							
9-7-82							

PREM 19/699

● PART 4 ends:-

AJC to Dr Jose Juan de
Olloqui 9.7.82

PART 5 begins:-

Willy Brandt to PM 21.1.83

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.

1. Cmd. 8369: Relations with developing
countries - Fifth Report from Foreign Affairs
Committee in Session 1980-81
HMSO, September 1981

2. House of Commons Hansard, 26 October 1981,
columns 557 - 566

Signed BW Wayland Date 14 August 2012

PREM Records Team



ECON POL.

Handwritten initials "JG" and a flourish.

10 DOWNING STREET

From the Private Secretary

9 July 1982

I write to acknowledge the receipt of your letter of 7 July enclosing a copy of the book "Cancun 1981: Antecedentes, debates y conclusiones de la Reunion Internacional sobre Cooperacion y Desarrollo".

A. J. COLES

His Excellency Dr. Jose Juan de Olloqui

Handwritten initials "SW".

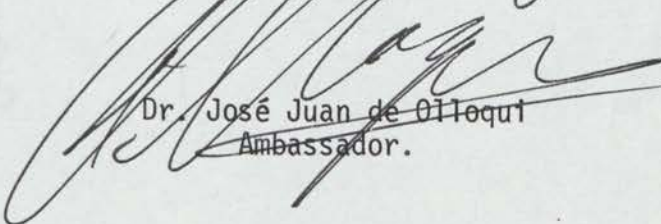
EMBAJADA DE MEXICO

London, 7 July, 1982.

Dear Mr Coles :

Enclosed please find a copy of the book "Cancún 1981: Antecedentes, debates y conclusiones de la Reunión Internacional sobre Cooperación y Desarrollo", which has been published in relation to the international meeting at Cancún, in the understanding that its English version is currently being printed.

The above mentioned publication has been sent to this Embassy by the Mexican Ministry for Foreign Affairs, with the kind request that it be forwarded to the Prime Minister Mrs. Margaret Thatcher.

yours sincerely


Dr. José Juan de Ollague
Ambassador.

Mr. J.A. Coles,
Private Secretary,
10 Downing Street,
London, SW1

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Foreign and Commonwealth Office
London SW1A 2AH

12 March 1982

Seen by P.R.

p-a.

*A. J. C. 15.
3*

Dear John,

Prime Minister's Article in "Towards One World - International Responses to the Brandt Report"

You will recall that in September 1980 the Prime Minister contributed an article to a forthcoming publication of the Friedrich-Ebert-Stiftung in Bonn on the Brandt Report. I now enclose a copy of the full published version which was forwarded to us by the Embassy in Bonn, together with a covering letter to the Prime Minister from the publishers. (We have a copy for our own use.)

I do not think a reply is called for.

Yours ever

John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

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AND TO IMMEDIATE PS/SOS SALISBURY
INFO PRIORITY NAIROBI, UKMIS NEW YORK, UKMIS GENEVA.

PS TO PM 10, DOWNING STREET.

FCO TELNO 184: NEW DELHI CONSULTATIONS

(Follow up to concunx)
mt

1. AS REQUESTED THE FOLLOWING IS MY TELEGRAPHIC REPORT.
2. THE CONSULTATIONS ENDED LAST NIGHT AND A FINAL DOCUMENT IN THE FORM OF A CHAIRMAN'S SUMMING UP WAS PUBLISHED TODAY (COPIES TO FCO, UKMIS NEW YORK AND UKMIS GENEVA BY BAG). NO SIGNIFICANT RESULTS WERE ACHIEVED ON EITHER NORTH/SOUTH OR SOUTH/SOUTH QUESTIONS. A DISPROPORTIONATE AMOUNT OF UNPRODUCTIVE TIME WAS DEVOTED TO THE GLOBAL NEGOTIATIONS, WHERE THE INDIANS ADOPTED A LOW PROFILE, AND CORRESPONDINGLY LESS ATTENTION WAS PAID TO SUCH ISSUES AS ENERGY, FOOD, AND FINANCIAL FLOWS, WHERE THEY HAD LOOKED FOR MORE SUBSTANTIAL RESULTS.
3. AS FAR AS THE GLOBAL NEGOTIATIONS ARE CONCERNED, THE SUMMING UP SAID THAT THE "GROUP OF 77 SHOULD REMAIN FIRM AND FLEXIBLE - FIRM IN ITS COMMITMENTS TO RESOLUTION 34/138 - AND FLEXIBLE IN ITS APPROACH AND STRATEGY." THE PARTICIPANTS AGREED THAT EFFORTS SHOULD BE MADE TO ACHIEVE CONCURRENTLY PROGRESS IN AREAS OF CRITICAL IMPORTANCE TO DEVELOPING COUNTRIES SUCH AS FOOD, ENERGY, FINANCIAL FLOWS, AND TRADE IN THE FORTHCOMING MEETINGS OF SPECIALISED AGENCIES. BUT IT IS CLEAR THAT MAJOR DIFFERENCE OF APPROACH REMAIN BETWEEN HARD LINERS SUCH AS ALGERIA, TANZANIA, GHANA, VIETNAM AND CUBA WHO WARNED AGAINST PARTIAL NEGOTIATIONS IN ISOLATED FIELDS, AND WHO OPPOSED ANY DILUTION OF THE GROUP OF 77 POSITION, AND THOSE, INCLUDING INDIA, PAKISTAN AND SRI LANKA, WHO CALLED FOR A FLEXIBLE APPROACH AND ARGUED AGAINST ADOPTING A CONFRONTATIONAL ATTITUDE.
4. THOUGH THE SUMMING-UP STATES THAT "THE ADOPTION OF A SHORT ENABLING RESOLUTION WAS CONSIDERED THE OPTIMAL WAY OF LAUNCHING THESE (GLOBAL) NEGOTIATIONS", THE PAKISTANI DELEGATE, NAIK, WAS UNABLE TO OBTAIN MUCH SUPPORT FOR A DRAFT WHICH SOUGHT TO ACHIEVE SOME COMPROMISE WITH THE US POSITION BY CALLING FOR AN "ORGANISATIONAL SESSION" OF THE UN CONFERENCE TO BE HELD AND ASKING THE CONFERENCE TO ENTRUST AGENDA ITEMS "WITH RELEVANT AND APPROPRIATE OBJECTIVES AND GUIDANCE" TO THE SPECIALIZED AGENCIES. NAIK WHO WAS OPTIMISTIC ABOUT HIS CHANCES OF SUCCESS AT THE START OF THE CONFERENCE, SEEMS TO HAVE GOT LITTLE HELP FROM OTHER "FLEXIBLE" COUNTRIES, INCLUDING INDIA, FOR HIS DRAFT. AT THE CONCLUDING PRESS CONFERENCE, BHANDARI, THE INDIAN MEA SECRETARY WHO WILL BE CALLING

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ON LORD BRIDGES ON 1 MARCH, SAID THAT NAIK'S TEXT HAD BEEN UNSATISFACTORY BY GOING TOO FAR IN PROTECTING THE COMPETENCE OF THE SPECIALIZED AGENCIES. THE HARD LINERS THUS HAD THEIR WAY AND THERE MAY NOW BE LITTLE PROSPECT THAT NAIK WILL BE ABLE TO SELL HIS COMPROMISE DRAFT IN NEW YORK.

5. THE KEY ISSUES OF FOOD, ENERGY, TRADE AND FINANCE WERE TAKEN UP BY BOTH THE NORTH/SOUTH AND SOUTH/SOUTH COMMITTEES ESTABLISHED BY THE CONFERENCE. THERE WERE NO CONCRETE ACHIEVEMENTS TO RECORD. ON FOOD, AN INDIAN SUGGESTION TO PROMOTE SELF-SUFFICIENCY IN THE DEVELOPING COUNTRIES BY EXAMINING THEIR NEEDS AND POTENTIAL, AS WELL AS THEIR REQUIREMENTS FOR TECHNOLOGY AND CAPITAL, WAS REMITTED TO A COORDINATING GROUP WITH A VIEW TO FORMULATING JOINT VENTURES AND COLLABORATIVE PROJECTS WITHIN THE CARACAS PROGRAMME OF ACTION.

6. ON ENERGY, THE FINAL DOCUMENT REFLECTS THE EMPHASIS IN THE NORTH /SOUTH COMMITTEE ON THE NEED TO ENHANCE THE TRANSFER OF TECHNOLOGY AND ESPECIALLY FINANCE FROM NORTH TO SOUTH. BUT THE OPPOSITION, NOTABLY FROM OPEC COUNTRIES, TO IDEAS FOR ESTABLISHING AN ENERGY AFFILIATE OF THE WORLD BANK (IF NECESSARY BY CO-FINANCING BETWEEN OIL EXPORTING COUNTRIES AND THE IBRD), WHICH OCCUPIED MUCH OF THE DISCUSSION, IS CLEAR FROM THE SUMMARY TREATMENT GIVEN TO THIS SUBJECT IN THE SUMMING UP. THIS MERELY SAYS THAT "THE ESTABLISHMENT OF AN APPROPRIATE INSTITUTION SUCH AS THE ENERGY AFFILIATE OF THE WORLD BANK ACQUIRED OVERRIDING IMPORTANCE".

6

7. DISCUSSION ON TRADE APPARENTLY TOOK UP LITTLE TIME IN THE NORTH/SOUTH GROUP, BUT THE SUMMING UP EXPRESSED CONCERN AT THE DETIORATING WORLD TRADE CLIMATE, INCREASING PROTECTIONISM PRACTICED BY DEVELOPING COUNTRIES AND THE EROSION OF GSP.

8. THE DISCUSSION OF FINANCIAL FLOWS REFLECTED CONCERN AT THE DETERIORATION IN THE CLIMATE FOR DEVELOPMENTAL AID, WITH PARTICULAR ATTENTION PAID TO MAINTAINING THE FUNDING AND EFFECTIVENESS OF THE IDA. THE SUMMING UP CALLS FOR INITIATIVES AT A HIGH POLITICAL LEVEL TO RESIST PRESENT TRENDS. THERE IS ALSO CRITICISM OF MOVES TOWARDS STRICTER CONDITIONALITY, THE CONCEPT OF GRADUATION, AND OF GREATER EMPHASIS ON BILATERAL AID. PRIVATE FLOWS WERE DECLARED TO BE NO SUBSTITUTE FOR PUBLIC FLOWS.

9. IN THE SOUTH/ SOUTH COMMITTEE, SEVERAL DELEGATIONS EXPRESSED THEIR DISAPPOINTMENT AT THE LACK OF IMPLEMENTATION OF THE PROGRAMME OF ACTION AGREED IN CARACAS IN 1981. THE INDIANS TOOK THE LEAD IN PROPOSING THE ESTABLISHMENT OF A NUMBER OF MECHANISMS FOR SOUTH/SOUTH COOPERATION. BUT NOTHING CONCRETE WAS AGREED. THEIR PROPOSAL FOR A MULTI-LATERAL FINANCING FACILITY WITH AN INITIAL CAPITAL OF DOLLARS 15-20 MILLION WAS REMITTED TO A GROUP OF EXPERTS WHO WILL MEET IN INDIA WITH A VIEW TO FORMULATING

2

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/PRECISE

PRECISE PROPOSALS FOR THE GROUP OF 77. THOUGH THIS WAS DENIED BE BHANDARI THE IDEA ENCOUNTERED SOME OPPOSITION, NOTABLY FROM BRAZILIANS. PROPOSALS FOR TECHNICAL SUPPORT GROUPS FOR GROUP OF 77 NEGOTIATORS IN THE MAIN UK CENTRES AS WELL AS THE ESTABLISHMENT OF A PERMANENT SECRETARIAT FOR THE GROUP OF 77 AND A SOUTH /SOUTH COMMISSION WERE DISCUSSED BUT FINF NO PLACE IN THE SUMMING UP. THE LATTER TWO IDEAS, AND THAT OF CONVENING A SOUTH/SOUTH SUMMIT TO INTENSIFY EFFORTS TOWARDS A NEW INTERNATIONAL ECONOMIC ORDER WERE APPARENTLY THE SUBJECT OF PRIVATE CONSULTATIONS BETWEEN MRS GANDHI PRESIDENT NYRERE AND RAMPHAL. BUT THERE IS NO SUGGESTION IN THE SUMMING UP OF A SUMMIT OR A FOLLOW-UP TO THE DELHI CONSULTATIONS AS PROPOSED BY IRAN. IT IS CLEAR THAT ANY EXPECTATIONS THAT THE RICHER DEVELOPING COUNTRIES, MAINLY THE OIL PRODUCERS WOULD HELP FINANCE NEW GROUP OF 77 INSTITUTIONS WERE NOT MET.

10. EVEN BEFORE THE CONFERENCE STARTED, THE INDIANS WERE DISAPPOINTED AT THE LEVEL OF REPRESENTATION. THE ABSENCE OF SAUDI ARABIA, FOR WHATEVER REASON, WAS A BLOW. THE INDIANS MAY HAVE DERIVED SOME MARGINAL BENEFIT BY BEING ABLE TO SHOW DEVELOPING COUNTRIES THE CONTRIBUTION THEY CAN MAKE TO THEIR ECONOMIC DEVELOPMENT (LISTS OF INDIAN JOINT VENTURES IN DEVELOPING COUNTRIES, ESPECIALLY IN THE MIDDLE EAST, WERE DISTRIBUTED AT THE CONFERENCE AND DELEGATES WERE TAKEN TO THE INDUSTRIAL AREA OF FARIDABAD OUTSIDE DELHI). BUT WHEN MEASURED AGAINST THEIR EARLY HOPES THAT THE CONSULTATIONS WOULD AT LEAST RESULT IN CONSTRUCTIVE PROPOSALS ON ENERGY, FINANCIAL FLOWS, FOOD AND TRADE, THE RESULTS MUST COME AS A DISAPPOINTMENT TO THE INDIANS.

THOMSON

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FRIEDRICH-EBERT-STIFTUNG

Vorstand

The Right Hon. Margaret Thatcher, M.P.
10, Downing Street
L O N D O N

Godesberger Allee 149
5300 Bonn 2

15.2.82 / RK

Dear Prime Minister,

After several unforeseen delays our volume with commentaries on the Report of the so-called Brandt Commission has now been published under the title

"Towards One World?
International Responses to the Brandt Report".

* Please receive enclosed two copies of the book which, I am sure, will be an important document of North-South relations. For your outstanding contribution to it, I should like to reiterate my appreciation and gratitude.

Yours very sincerely,

dr. nau

Alfred Nau

* book not present

Exec Pol

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FM MEXICO CITY 152000Z FEB 82
TO ROUTINE FCO

TELEGRAM NUMBER 85 OF 15 FEBRUARY
INFO OTTAWA, NEW YORK

YOUR TELEGRAMS NUMBERS 88 AND 89: CANCUN: PRIME MINISTER'S REPLY
TO LETTER FROM PRESIDENT LOPEZ PORTILLO AND MR TRUDEAU.

1. I DELIVERED THE PRIME MINISTER'S LETTER TO PRESIDENT LOPEZ PORTILLO THIS MORNING. HE EXPRESSED WARM APPRECIATION BOTH FOR THE SENTIMENTS EXPRESSED IN IT AND FOR MRS THATCHER'S ROLE AT CANCUN. HE ADDED THAT SO FAR AS HE WAS CONCERNED, THE MAINTENANCE OF THE SPIRIT OF CANCUN AND THE LAUNCHING OF GLOBAL NEGOTIATIONS CONSTITUTED THE MOST IMPORTANT PROBLEM IN THE LAST YEAR OF HIS PRESIDENCY. HE EXPRESSED HIS GREAT PERSONAL ADMIRATION FOR MRS THATCHER AND ASKED ME TO CONVEY HIS WARMEST GOOD WISHES TO HER.

TICKELL

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PS TO PM 10, DOWNING STREET.

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*T 22/82 + T 23/82
see 2/2/82.*

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MIPT

CANCUN: PRIME MINISTER'S REPLY TO LETTER FROM PRESIDENT LOPEZ
PORTILLO AND MR TRUDEAU
TEXT IS AS FOLLOWS:

DEAR MR PRESIDENT/DEAR PIERRE,

I AM GRATEFUL FOR THE LETTER WHICH YOU AND YOUR FELLOW
CO-CHAIRMAN HAVE SENT ME ABOUT THE CANCUN SUMMIT.

YOU ARE RIGHT TO FOCUS ON THE IMPORTANCE OF GIVING SUBSTANCE
TO THE 'SPIRIT OF CANCUN'. EXPRESSIONS OF CONCERN FOR THE
DIFFICULTIES FACING THE DEVELOPING WORLD ARE NOT ENOUGH TO
MAINTAIN THE MOMENTUM OF THE SUMMIT. ITS SUCCESS WILL BE
JUDGED BY THE ACTUAL IMPROVEMENTS WHICH WE CAN ACHIEVE,
TOGETHER WITH THE REST OF THE INTERNATIONAL COMMUNITY.

YOU WILL BE AWARE THAT THE UNITED KINGDOM, SPEAKING ON BEHALF
OF ALL MEMBERS OF THE EUROPEAN COMMUNITY, REAFFIRMED THE
COMMUNITY'S SUPPORT AT THE GENERAL ASSEMBLY FOR THE EARLY
LAUNCHING OF GLOBAL NEGOTIATIONS ON AN AGREED BASIS. OUR
AMBASSADOR IN NEW YORK WAS PARTICULARLY ACTIVE IN PROMOTING
IDEAS WHICH MIGHT PROVE ACCEPTABLE TO ALL AND ENABLE THE NEC-
ESSARY DECISIONS TO BE TAKEN. WE COULD NOT, IN THE EVENT,
REACH AGREEMENT BEFORE THE END OF THE YEAR. BUT WE REMAIN
READY TO HELP IN OVERCOMING THE REMAINING DIFFERENCES. I
MYSELF FOLLOWED THE PROGRESS OF PREPARATIONS AT THE GENERAL
ASSEMBLY AND WILL CERTAINLY CONTINUE TO DO SO.

MUCH WAS SAID AT CANCUN ABOUT THE URGENCY OF LAUNCHING THE
GLOBAL NEGOTIATIONS. BUT WE ALSO HAD FRUITFUL EXCHANGES ON

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SPECIFIC ISSUES OF CONCERN TO US ALL, ESPECIALLY ON FOOD AND AGRICULTURE. WE MUST NOT NEGLECT THESE OTHER ISSUES. WE REACHED A WIDE MEASURE OF AGREEMENT, AS EXPRESSED IN YOUR SUMMARY. THIS COVERED BOTH POLICIES WHICH WE SHOULD ADOPT NATIONALLY, SO AS TO PROMOTE CO-OPERATION BETWEEN US, AND THE MOST CONSTRUCTIVE APPROACH TO INTERNATIONAL DISCUSSIONS. WE MUST CONTINUE THE SEARCH FOR ACTION, NATIONAL AND INTERNATIONAL, WHICH WILL WORK TO OUR MUTUAL BENEFIT. THERE ARE IMPORTANT INTERNATIONAL MEETINGS IN THE MONTHS AHEAD. WE SHOULD TAKE THE OPPORTUNITY, AT THESE MEETINGS, TO GIVE SUBSTANCE TO THE 'SPIRIT OF CANCUN'.

I AM WRITING IN THE SAME TERMS TO THE CANADIAN PRIME MINISTER/THE MEXICAN PRESIDENT.

YOURS EVER MARGARET

CARRINGTON

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INFORMATION D	MR HAYES
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PS	

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file
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3 February 1982

I write to acknowledge your letter of 2 February enclosing the original letter addressed to the Prime Minister by President Lopez Portillo and Prime Minister Trudeau.

A J COLES

His Excellency Dr. Jose Juan de Olloqui

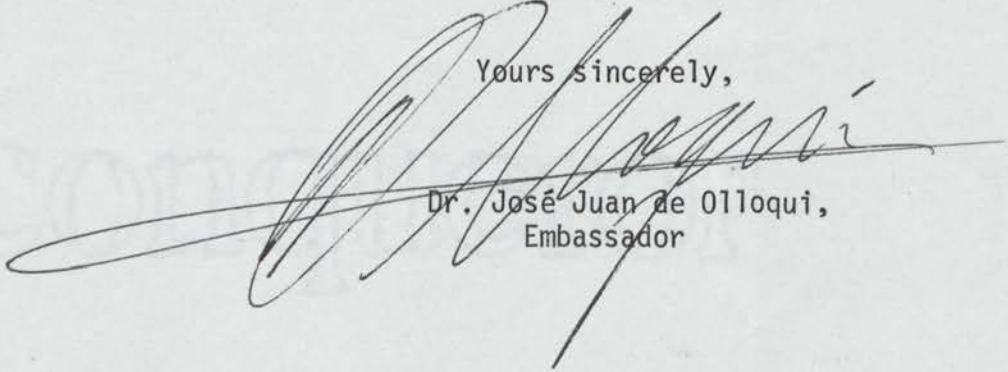
EMBAJADA DE MEXICO

London, 2 February, 1982

Dear Mr. Coles,

With reference to my letter of the 20th of January enclosed please find the original letter addressed to Mrs. Thatcher by President López Portillo and Prime Minister Trudeau.

Yours sincerely,



Dr. José Juan de Ollóqui,
Embassador

Encl.

Mr. J.A. Coles,
Private Secretary
10 Downing Street,
London, SW1

Econ Pd

2 February, 1982

Letter from the Mexican President
and Canadian Prime Minister

Thank you for your letter of 1 February.

I enclose letters, signed by the Prime Minister to the Mexican President and the Canadian Prime Minister. I should be grateful if you could arrange for them to be despatched as you suggest.

[RECEIVED]

F N Richards, Esq
Foreign and Commonwealth Office

FR

SUBJECT PRIME MINISTER'S
PERSONAL MESSAGE

FILE T

BK

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SERIAL No. 123/82

✓ Master

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10 DOWNING STREET

THE PRIME MINISTER

2 February, 1982

Dear Prime,

I am grateful for the letter which you and your fellow Co-Chairman have sent me about the Cancun Summit.

You are right to focus on the importance of giving substance to the 'Spirit of Cancun'. Expressions of concern for the difficulties facing the developing world are not enough to maintain the momentum of the Summit. Its success will be judged by the actual improvements which we can achieve, together with the rest of the international community.

You will be aware that the United Kingdom, speaking on behalf of all members of the European Community, reaffirmed the Community's support at the General Assembly for the early launching of Global Negotiations on an agreed basis. Our Ambassador in New York was particularly active in promoting ideas which might prove acceptable to all and enable the necessary decisions to be taken. We could not, in the event, reach agreement before the end of the year. But we remain ready to help in overcoming the remaining differences. I myself followed the progress of preparations at the General Assembly and will certainly continue to do so.

Much was said at Cancun about the urgency of launching the Global Negotiations. But we also had fruitful exchanges on specific issues of concern to us all, especially on food and agriculture. We must not neglect these other issues. We reached a wide measure

/ of agreement,

RM

of agreement, as expressed in your Summary. This covered both policies which we should adopt nationally, so as to promote co-operation between us, and the most constructive approach to international discussions. We must continue the search for action, national and international, which will work to our mutual benefit. There are important international meetings in the months ahead. We should take the opportunity, at these meetings, to give substance to the 'Spirit of Cancun'.

I am writing in the same terms to the Mexican President.

Y
Lansdown
Raymond

The Rt. Hon. Pierre Elliott Trudeau, P.C., Q.C., M.P.

SUBJECT

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 22/82

BK

cc FCO

✓ Mader
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10 DOWNING STREET

THE PRIME MINISTER

2 February, 1982

Dear Mr. President,

I am grateful for the letter which you and your fellow Co-Chairman have sent me about the Cancun Summit.

You are right to focus on the importance of giving substance to the 'Spirit of Cancun'. Expressions of concern for the difficulties facing the developing world are not enough to maintain the momentum of the Summit. Its success will be judged by the actual improvements which we can achieve, together with the rest of the international community.

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/ a wide measure

LM

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I am writing in the same terms to the Canadian Prime Minister.

All best wishes,

Yours sincerely

Raymond Thelma

His Excellency Licenciado José Lopez Portillo



Foreign and Commonwealth Office

London SW1A 2AH

1 February 1982

Dear John,

*Please type both
letters.*

ADL 1/2.

Letter from the Mexican President
and Canadian Prime Minister

Thank you for your letter of 20 January. I enclose, as you requested, a draft reply which the Prime Minister might send to the letter she has received from President Lopez Portillo and Mr Trudeau.

Their joint letter was addressed to all Cancun participants. It was designed to coincide with the resumption of discussion in New York of preparations for Global Negotiations.

The letter urges all Cancun participants to take a personal interest in the preparations for Global Negotiations. These were left unresolved when the General Assembly was suspended before Christmas. The aim had been to reach agreement on a short Resolution to launch the Global Negotiations in 1982. A number of texts were on the table, including one proposed by the Americans which had high level endorsement in Washington. But the American text was not acceptable to the developing countries as it stood; and even caused difficulty for some of our Community partners, in that it did not launch the Global Negotiations, but only provided for a preliminary Conference to deal with further preparation. In our Presidency role; we were active in New York in trying to find limited changes in the American text which would satisfy all parties, while leaving intact their helpful language on the protection of specialised bodies like the IMF and the World Bank. But neither the Americans nor the developing countries would take a clear view before the session ended.

The latest indications are that the Americans will not contemplate changes to their text on the lines suggested. The developing countries remain confused and undecided. Prospects for agreement may be receding. Even so, we think it right that the Community should maintain its commitment to launching Global Negotiations until others have declared themselves more clearly.

We believe that the Prime Minister's reply should stress the importance of the other subjects discussed at Cancun. The Brandt Commission, meeting in Kuwait in early January, drew attention to the urgent problems of developing countries, which could not wait for Global Negotiations. We must expect to hear more from them.

/We suggest



We suggest that the Prime Minister should send separate letters to the Mexican President and Canadian Prime Minister, in identical terms. These should be transmitted via the Mexican Embassy and the Canadian High Commission.

Yours ever.

A handwritten signature in cursive script, appearing to read "Francis Richards".

(F N Richards)
Private Secretary

J A Coles Esq
No.10 Downing Street
LONDON

DRAFT: ~~minute~~/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM: The Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

- ~~Top Secret~~
- ~~Secret~~
- ~~Confidential~~
- ~~Restricted~~
- ~~Unclassified~~

TO:

Your Reference

1. Excmo. Sr. Lic. José Portillo y Pacheco

President of the United Mexican States

Copies to:

2. Rt Hon Pierre Elliott Trudeau, P.C., Q.C., Prime Minister of Canada

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SUBJECT:

.....In Confidence

CAVEAT.....

I am grateful for the letter which you and your fellow Co-Chairman have sent me about the Cancun Summit.

You are right to focus on the importance of giving substance to the 'Spirit of Cancun'. Expressions of concern for the difficulties facing the developing world are not enough to maintain the momentum of the Summit. Its success will be judged by the actual improvements which we can achieve, together with the rest of the international community.

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Enclosures—flag(s).....

/agreement

agreement before the end of the year. But we remain ready to help in overcoming the remaining differences. I myself followed the progress of preparations at the General Assembly and will certainly continue to do so.

Much was said at Cancun about the urgency of launching the Global Negotiations. But we also had fruitful exchanges on specific issues of concern to us all, especially on food and agriculture. We must not neglect these other issues. We reached a wide measure of agreement, as expressed in your Summary. This covered both policies which we should adopt nationally, so as to promote co-operation between us, and the most constructive approach to international discussions. We must continue the search for action, national and international, which will work to our mutual benefit. There are important international meetings in the months ahead. We should take the opportunity, at these meetings, to give substance to the Spirit of Cancun.

I am writing in the same terms to

(1) The Canadian Prime Minister/(2) The Mexican President

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FEB 11 1982

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R M

Econ Pol

21 January, 1982

;

I write to acknowledge receipt of your letter of 20 January enclosing the text of a letter to the Prime Minister from President Jose Lopez Portillo and Prime Minister Trudeau. I am bringing the letter to Mrs Thatcher's attention.

A. J. COLES

His Excellency Dr Jose Juan de Olloqui

file BK

21 January 1982

Cancun

I sent you yesterday a copy of a letter which the Prime Minister has received from President José Lopez Portillo and Prime Minister Trudeau. That letter had been forwarded by the Canadian High Commission.

For the record, I should also let you know that I have today received a letter from the Ambassador of Mexico forwarding a parallel text.

A J COLES

Roderic Lyne, Esq.,
Foreign and Commonwealth Office

RM



B/P

27/1/82

6

10 DOWNING STREET

From the Private Secretary

20 January 1982

Cancun

I enclose a copy of a letter from the Canadian High Commissioner and also a copy of the text of a letter from Prime Minister Trudeau and President Jose Lopez Portillo.

The second letter urges that the Prime Minister should continue to take a direct personal interest in the consultations which will resume in New York on the question of the launching of global negotiations.

I should be grateful if you could provide a draft reply for signature by the Prime Minister.

A.L. COLES

B/P
2

Roderic Lyne Esq
Foreign and Commonwealth Office.

file BX
20 January 1982

Thank you for your letter of 20 January enclosing the text of a letter to the Prime Minister from Prime Minister Trudeau and President José Lopez Portillo in their capacity as Co-Chairmen of the International Meeting on Cooperation and Development held in Cancun, Mexico, in October 1981.

A reply will be sent in due course.

A J COLES

Her Excellency Mrs. Jean Casselman Wadds

2

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T 12/82

Haut Commissariat du Canada



Canadian High Commission

SUBJECT.

✓ e. Mantelet set
of

Macdonald House
1 Grosvenor Square
London W1

January 20, 1982

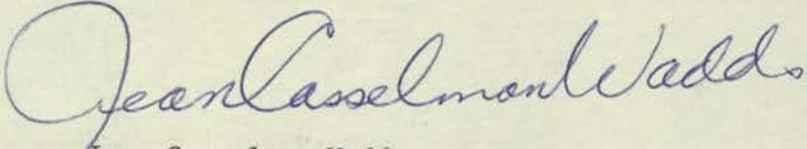
Dear Mr. Coles,

With the concurrence of the Ambassador of Mexico I have the pleasure of forwarding to Prime Minister Thatcher the text of a letter from Prime Minister Trudeau and President José Lopez Portillo dated January 15, 1982.

The letter is addressed to Mrs. Thatcher by Prime Minister Trudeau and President Portillo in their capacity as Co-Chairmen of the International Meeting on Cooperation and Development held in Cancun, Mexico, in October, 1981.

The original letter will be sent to Mrs. Thatcher when it is received at the High Commission.

Yours sincerely,


Jean Casselman Wadds
High Commissioner

Mr. J.A. Coles
Private Secretary
10 Downing Street
London



T 12/82

Mexico City, January 13, 1982.

Dear Colleague,

Some three months after the International Meeting on Cooperation and Development, we, your Co-Chairmen at that meeting, met in Mexico City. It was natural that we would want to use the opportunity to reflect on the discussions at Cancun and assess developments since then.

In retrospect, we remain convinced that the Summit was extremely worthwhile and we have been encouraged by the favourable reaction which you as participants have made known subsequently. Clearly it will take more time before history can judge the results of what may have been achieved at Cancun. But perhaps we can make some tentative assessments.

Our profound hope as Co-Chairmen of that meeting is that what we there called the "Spirit of Cancun" will not be lost but will be reinforced by each of the twenty-two participants as we face the awesome problems confronting the world. One of the unique aspects of Cancun was the nature of our discussion - the frankness and informality with which we spoke to each other, the lack of rhetoric and recrimination in our remarks, the genuine attempt we made to come to grips with the real problems and the consensus which developed on most critical issues we examined. If each of us went home from Cancun with clearer insights into the urgency and gravity of the world's problems, with a better understanding of each other's perspectives and with an appreciation of the need to make compromises for the sake of progress, then the immense effort which went into Cancun was more than justified.

None of us, however, can be content with just fine words or an admirable spirit. The "Spirit of Cancun" has to be translated into the policies we individually pursue as national governments and into the instructions we give our Ministers and officials in the negotiating process at international meetings. Three months after Cancun, your Co-Chairmen are not convinced that this translation is taking place to the extent we had all hoped at Cancun.

Her Excellency
Mrs. Margaret Thatcher
Prime Minister of the United Kingdom
London



* 2 *

While there are many forums and many issues to which the Spirit of Cancun should be applied, the most immediate and internationally obvious is that of Global Negotiations. Considerable time was spent on this subject at Cancun and words adopted calling for a sense of urgency in the launching of Global Negotiations.


We followed closely the consultations in the United Nations General Assembly, during November and December, on the question of the launching of Global Negotiations. We were very much encouraged by the fact that all the Cancun countries participated actively and positively in those discussions. Thus, one of the positive elements derived from Cancun was the full reassumption of consultations that had been suspended. Another positive element, of great importance, was the fact that in a number of interested countries the question was followed at a very high political level. The degree of personal awareness of the importance of this issue moved many leaders participating in Cancun to remain personally informed on and interested in the evolution of the discussions in New York.


While some progress was made in these consultations, the General Assembly recessed in December without agreement having been reached on the text of a resolution. The differences, however, seem to us to be resolvable if all concerned are prepared to show a spirit of flexibility and compromise. We, therefore, hope that all of you will continue to take a direct personal interest in the consultations which will resume soon in New York.

We need global negotiations to deal with complex and inter-related North-South questions and to give urgent attention to particularly pressing problems. Our discussions at Cancun showed that most of these belong to the realms of food security, energy and finance. We need to be prepared to initiate innovative efforts in these fields, within the general context of improving international cooperation for development and reactivating the world economy.

The time for decision is at hand. Let us build upon Cancun and ensure that the opportunity is grasped now before it is lost.

Yours sincerely,


José López Portillo


Pierre Elliott Trudeau

Copy to Mr Alexander, No 10



2. 5/5

ERD

Opinto. ✓ 15 PS

Lambeth Palace, SE1 7JU.

*PS/ Mr Martin
PS/ Mr Howard
Mr Evers*

November 25th 1981

Prime Minister (2)

27/11

Handwritten note: will request if required

My dear Peter,

Thank you so much for your letter about the Cancun Summit. I am grateful for such an early summary of your own impressions.

I do not at all underestimate the value of this short meeting. It does mark a commitment to the subject and quite apart from decisions made it will be a point of reference.

Hitherto we have had to raise these issues in terms of Brandt - with all its imperfections and the danger of being charged with mere rhetoric. Now there is a chance of referring to the commitment made at Mexico. Naturally they have to be in general terms but I am grateful for all that you have put into this whole operation. You warned us that we should not expect too much and without wishing to sound patronising I congratulate you and the Prime Minister on the result.

With best wishes,

Yours ever,

Handwritten signature: Bos

The Rt. Hon. the Lord Carrington, K.C.M.G., M.C.,
Foreign and Commonwealth Office,
London SW1A 2AH.

Handwritten initials: mt

30 NOV 1981





EMBAJADA DE MEXICO

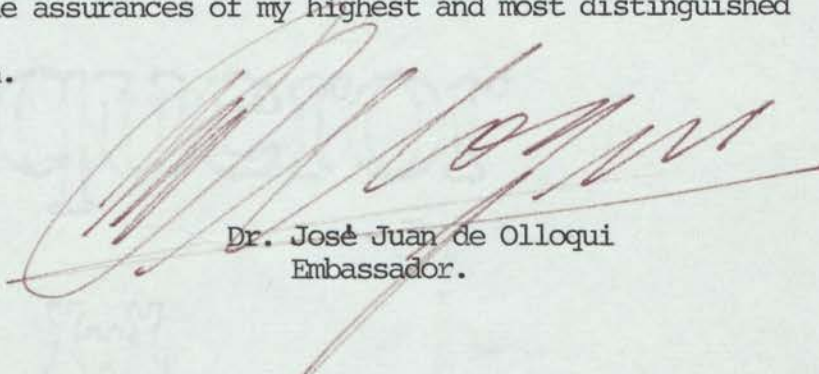
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PRIME MINISTER'S 003047
PERSONAL MESSAGE
SERIAL No. *121*

London 19 November, 1981

Your Excellency,

I have the honour to address myself to Your Excellency with further reference to my Note 002843, to send you herewith the autograph letters of His Excellency José López Portillo, President of the United States of Mexico in relation to the International Meeting on Co-operation and Development at Cancun last October.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest and most distinguished consideration.



Dr. José Juan de Olloqui
Embassador.

Right Hon. Margaret Thatcher, M.P.
Prime Minister,
10 Downing Street,
L o n d o n

Beam Del T 150 B/87



Foreign and Commonwealth Office

London SW1A 2AH

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Promie Amster

MB + fa Amst - 12/x1

Dear Michael,

Letter from President Lopez Portillo to the Prime Minister

The Mexican Ambassador called on Lord Trefgarne on 6 November to deliver the enclosed letter from President Lopez Portillo to the Prime Minister about the outcome of Cancun.

The President writes in predictably warm terms of the Summit, particularly the Prime Minister's contribution, and encloses a copy of the Co-Chairmen's summary. He expresses the hope that the "Spirit of Cancun" will endure, mainly through continued informal bilateral contacts, but does not otherwise address substantive issues.

As you know, the Prime Minister has already sent a letter of thanks to the President. I do not think a further reply is required.

yours ever

Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

Exam Pd.

12 November, 1981

Thank you for your letter of 27 October. The record of the meeting between the Prime Minister and President Lopez Portillo on 21 October is being sent to you. The Prime Minister did not think that anything of substance passed at her meetings with the President on 24 and 25 October.

M. O'D. B. ALEXANDER

His Excellency C.C.C. Tickell, M.V.O.
(Mexico City)

4

~~SUBJECT~~

Letter copied to
Master 10ps.

WRD 09411

pw pps Euph

Italy - development
Aid

GRS 280
UNCLASSIFIED
FRAME DEVELOPMENT
DESKBY 061500Z
FM F C O 061334Z NOV 81
TO IMMEDIATE ROME
TELEGRAM NUMBER 241 OF 6 NOVEMBER
INFO SAVING UKREP BRUSSELS.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 7154/21

Rp
7/1

YOUR TELNO 442 , HUNGER IN THE WORLD.
1. PLEASE ARRANGE FOR THE FOLLOWING MESSAGE FROM THE PRIME MINISTER
TO BE DELIVERED TO SIGNOR SPADOLINI TODAY.
BEGINS.

MY DEAR PRIME MINISTER,

I SHOULD LIKE YOU TO KNOW BEFORE YOUR VISIT TO THE UNITED KINGDOM
ON 9 NOVEMBER HOW GRATEFUL I WAS TO RECEIVE YOUR LETTER OF 7
SEPTEMBER EXPLAINING YOUR GOVERNMENT'S IMPORTANT INITIATIVE ON
WORLD HUNGER.

I AM GLAD THAT THE EUROPEAN COMMISSION WERE ABLE TO RESPOND SO
QUICKLY WITH SPECIFIC PROPOSALS FOR ACTION BY THE COMMUNITY.
HUNGER ON THE TRAGIC SCALE SUFFERED BY SO MANY IN THE WORLD IS
ONE OF THE GREAT CHALLENGES OF THE LAST QUARTER OF OUR CENTURY.
I WHOLLY AGREE WITH YOU THAT GREATER ATTENTION MUST BE PAID TO
IT. BOTH AS THE PRESIDENCY OF THE COUNCIL OF MINISTERS OF THE
EUROPEAN COMMUNITY AND ON A NATIONAL BASIS, HER MAJESTY'S
GOVERNMENT WILL TAKE APPROPRIATE MEASURES WITH A VIEW TO CONSOLIDAT-
ING AND IMPROVING EXISTING ACTIVITIES IN THIS FIELD. WE MUST
ALSO, AS YOU SAY, SEEK TO REDUCE THE DELAYS IN THE IMPLEMENTATION
OF OBJECTIVES ALREADY AGREED IN THE UNITED NATIONS. THE UNITED
KINGDOM WILL, OF COURSE, PARTICIPATE FULLY IN THE INTERNATIONAL
DISCUSSION WHICH I UNDERSTAND YOU PROPOSE TO CONVENE IN ROME.

THE TRAGEDY IS THAT THE NECESSARY RESOURCES AND FOOD ALREADY
EXIST, BUT THAT THEY ARE NOT REACHING THOSE IN GREATEST NEED.
I BELIEVE THAT WE CAN, IF WE SET OUR MINDS TO THE TASK, DO MUCH
TO END THIS LARGELY AVOIDABLE SUFFERING.

YOURS SINCERELY,

ENDS.

2. SIGNED ORIGINAL FOLLOWS BY BAG.

CARRINGTON

FRAME DEVELOPMENT
ECD(E)
ERD
WED



c.c. FCO
LPS

JS

SUBJECT.

10 DOWNING STREET

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 154/81

THE PRIME MINISTER

6 November, 1981.

✓. Master net
ops.

My dear Prime Minister,

I should like you to know before your visit to the United Kingdom on 9 November how grateful I was to receive your letter of 7 September explaining your Government's important initiative on world hunger.

I am glad that the European Commission were able to respond so quickly with specific proposals for action by the Community. Hunger on the tragic scale suffered by so many in the world is one of the great challenges of the last quarter of our century. I wholly agree with you that greater attention must be paid to it. Both as the Presidency of the Council of Ministers of the European Community and on a national basis, Her Majesty's Government will take appropriate measures with a view to consolidating and improving existing activities in this field. We must also, as you say, seek to reduce the delays in the implementation of objectives already agreed in the United Nations. The United Kingdom will, of course, participate fully in the international discussion which I understand you propose to convene in Rome.

The tragedy is that the necessary resources and food already exist, but that they are not reaching those in greatest need. I believe that we can, if we set our minds to the task, do much to end this largely avoidable suffering.

Yours sincerely,

(SGD) MT

Signor Giovanni Spadolini

26



20

10 DOWNING STREET

From the Private Secretary

6 November, 1981.

Message to Signor Spadolini

Further to your letter to me of 4 November I enclose the signed copy of a message from the Prime Minister to the President of the Council of Ministers of Italy. You may wish to telegraph the text to Rome today.

M. O'D. B. ALEXANDER

A.K.C. Wood, Esq.,
Office of the Lord Privy Seal.

my

SUBJECT
cc Martha
Sps

INFORMAL TRANSLATION

PRIME MINISTER'S
PERSONAL MESSAGE

SERIAL No. T 1538/81

NATIONAL PALACE
5 NOVEMBER, 1981

EMBAJADA DE MEXICO

DEAR MADAM PRIME MINISTER:

I HAVE THE HONOUR TO ACKNOWLEDGE RECEIPT OF
THE KIND PRESENTS THAT YOU GRACEFULLY SENT ON TO ME.

I AM VERY GRATEFUL FOR YOUR COURTESY, AND TAKE
THE OPPORTUNITY TO ASSURE YOU OF MY HIGHEST AND MOST
DISTINGUISHED CONSIDERATION.

(SIGNED)
JOSE LOPEZ PORTILLO

RIGHT HON. MARGARET THATCHER, M.P.
PRIMER MINISTER,
10 DOWNING ST.,
LONDON



JOSÉ LÓPEZ PORTILLO

PALACIO NACIONAL, A-
5 DE NOVIEMBRE DE 1981

SEÑORA PRIMERA MINISTRA :

RECIBÍ CON AGRADO LOS-
APRECIABLES OBSEQUIOS QUE TUVO LA GENTILEZA DE
HACERME LLEGAR.

ESTIMO LAS FINAS ATEN-
CIONES CON QUE ME DISTINGUE, Y REITERO A USTED
EL TESTIMONIO DE MI MÁS ALTA CONSIDERACIÓN.

EXCELENTÍSIMA SEÑORA
MARGARET THATCHER,
PRIMERA MINISTRA DE
LA GRAN BRETAÑA,
P R E S E N T E.



3

10 DOWNING STREET

Prime Minister.

The Community have
(on Tuesday)
recently ^{accepted} action which
goes some small way to
meet the Nathan case. Hence
the relatively forthright tone
of this letter. If you are
winded, I will arrange for the
text to be telegraphed to Rome
to-morrow + given to Sr. Spadolini
before his departure.

"Dear Prime Minister"

Phd. S/x

RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

4 November 1981

Type for PM's signature

Completed

Dear Michael,

Ans

ITALIAN 'INITIATIVE' ON WORLD HUNGER

On 16 and 21 September you sent Francis Richards a copy and a translation of Signor Spadolini's letter of 7 September to the Prime Minister on world hunger.

Similar letters were sent to all EC Heads of Governments, and the Italian press has recorded that Signor Spadolini has now received replies from both Herr Schmidt and M. Mitterrand. HM Ambassador in Rome has asked whether there are plans for the Prime Minister to send a reply, and recommended that if not the Prime Minister should acknowledge the letter appropriately during the Anglo-Italian summit.

Now that, after much argument, we have agreed in principle to the 40 MECU extra food aid proposed by the Commission as one element in a Community 'plan of action' in response to the Italian initiative, we consider that it would be appropriate for the Prime Minister to send a written reply to Signor Spadolini, in addition to mentioning the matter to him at the 9 November Anglo-Italian Summit (the point will be covered in the European Communities steering brief for that meeting). I enclose a draft reply accordingly. It would be desirable to have the letter delivered to Signor Spadolini before he leaves for London. If the Prime Minister agrees, therefore, the text would need to be telegraphed to Rome as soon as possible.

Yours,

Alan

A K C Wood
APS/Lord Privy Seal

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

RESTRICTED

DRAFT: minute/letter/teletype/despatch/note

TYPE: Draft/Final 1+

FROM: The Prime Minister

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

Top Secret

Signor Giovanni Spadolini
~~Prime Minister~~ *President of the Council of Ministers*
Republic of Italy

Secret

Copies to:

Confidential

Restricted

Unclassified

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

I should like you to know before your visit to the United Kingdom on 9 November how grateful I was to receive your letter of 7 September explaining your Government's important initiative on world hunger.

I am glad that the European Commission were able to respond so quickly with specific proposals for action by the Community. ~~There is no doubt that~~ ^{hunger} on the tragic scale suffered by so many in the world is one of the great challenges of the last quarter of our century, ^{and I agree with} ~~and I agree with~~ that greater attention must be paid to it. ~~I can assure you that~~ ^{you} ~~both~~ ^{as} the Presidency of the Council of Ministers ~~of the~~ European Community and on a national basis my Government will take ~~the necessary and appropriate measures to ensure that~~ ^{with a view} ~~effective and practical steps are taken~~ to consolidate ^{and} ~~and~~ improve ^{high} existing activities in this field, ^{we must also, as you say, to} ~~and to~~ reduce the ^{the} delays in the implementation of objectives already agreed ^{the} ~~internationally~~ in the United Nations, ^{the United Kingdom, of course,} ~~(which you specifically mentioned in your letter)~~ We shall naturally participate fully in the international discussion, ~~in conjunction with the relevant United Nations bodies,~~ which I understand you propose to convene in Rome.

Enclosures—flag(s).....

The tragedy is that the necessary resources and food already exist, but that they are not reaching those in greatest need. I believe that we can, if we set our minds to the task, do much to end this largely avoidable suffering.

Am

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Foreign and Commonwealth Office

London SW1A 2AH

4 November 1981

NRBM

Thoms 4/19

Jean Long

The Cancun Summit

In the Communique issued at Melbourne, those Commonwealth Governments participating in the Cancun Summit were asked to provide you with an assessment of the outcome of the Summit, which you could pass on to our colleagues who were not there. I am glad to give you my views of how the Summit went and of the points which strike me as most important. You will have seen the Prime Minister's statement in Parliament on 26 October. In case you do not already have a copy, I enclose a summary issued at the end of the meeting by the Co-Chairmen, President Lopez Portillo and Mr Trudeau.

The aim of the Cancun Meeting, in the minds of all the participants, was to achieve a greater mutual understanding of the problems facing the world economy, and particularly the developing countries. We could not make commitments which would bind countries who were not present. But we could give a lead in seeking solutions across a wide range of subjects of concern to us all.

I believe that the Summit achieved these objectives. The atmosphere was constructive throughout. All were very much aware of the extent of poverty in the world and that, for many countries, the problems were getting worse. All wanted to find ways to help which would be mutually beneficial to developed and developing countries and would enable developing

/countries

His Excellency Mr S S Ramphal Kt CMG QC



countries to realise their full potential. For each country, this meant showing understanding of the needs and problems of others and looking for policies which helped and did not harm economic partners.

There was fruitful discussion of the four issues selected for the Summit - food, trade, energy and finance. Thanks to the skilful Chairmanship of Prime Minister Trudeau and President Lopez Portillo, these were genuine debates, not exchanges of prepared positions. There was not agreement on everything; but all those present wanted to make progress towards practical solutions to the real problems.

There was a very useful debate on food and agriculture. It was generally agreed that, while food aid was important to meet temporary shortages, the first priority was for developing countries to grow more food for their own people. This involved providing proper incentives to farmers, and the right sort of training and technical assistance. Consumer subsidies, on the other hand, could sometimes be unhelpful. Many thought that the international agencies dealing with food and agricultural questions should be rationalised.

The discussion on trade made it clear that all participants appreciated the value of an open trading system. There was much concern about the problems of commodity producers; more Commodity Agreements were advocated, as well as an early start to the work of the Common Fund. The Prime Minister confirmed Britain's intention to ratify the Common Fund Agreement soon; several other Heads of State and Government did the same.

The possibility of establishing an Energy Affiliate in the

/World Bank



World Bank was considered in the energy debate. Saudi Arabia made clear that they thought that this was a good idea, though energy could not be treated separately from development in general. Britain expressed support for an Energy Affiliate, assuming that it would attract additional funds for energy investment, especially from oil surplus countries.

Since Britain was the largest source of private capital for developing countries in 1980, we particularly welcomed the wide recognition in the financial discussion that countries should pursue policies which would attract private investment and bank lending. The points made by developing countries in the discussion made clear the importance for them of the IMF and the World Bank.

The Summit considered how best to pursue the proposal for Global Negotiations. Many participants attached great importance to this, though it was clear that the term meant different things to different countries. All finally agreed that a renewed effort should be made at the United Nations to launch Global Negotiations on an agreed basis and with a real prospect of progress. This should be done with a sense of urgency. A number of participants, including the Prime Minister, stressed that, in this context, the competence of specialised bodies, such as the IMF, the World Bank and the GATT, should not be affected. We believe that developing countries would suffer if the financial institutions lost the confidence of their major subscribers or of the capital markets.

The meeting decided that it would be wrong to inaugurate a series of summits on the Cancun model. This would not have been welcome to a number of countries (including Commonwealth /countries)



countries) who were not there. Follow-up to the Summit will, therefore, take place in the United Nations and the other organisations concerned.

I would be grateful if you could arrange for this account to be made available to Commonwealth Governments through their representatives in London.

J. P. Carrington

(CARRINGTON)

1-4 NOV 1967



POST OFFICE

RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

30 October 1981

(2)

*fc
Rmt*

*Prime Minister
G. MAP
MORSA*

Rmt 2/x1

Dear Michael,

Financial flows to developing countries

We have been asked to provide further information on Britain's standing in terms of capital flows to developing countries.

First, I can confirm that the figures in the table sent to you on 25th September are as accurate as they can be, on the basis of our present information. These figures relate to flows of private capital only. Britain was the largest source of such flows in 1980, totalling \$11.1 billion. But in 1980 private flows from the United States were very depressed, at \$4.3 billion. In most years, private capital flows from the United States would be around \$5 billion higher than from the United Kingdom. (The British figure includes large amounts of recycled OPEC money.)

If the figures for official aid and private capital flows in 1980 are added together, Britain still comes out ahead of the United States (at \$12.9 billion as against \$11.4 billion). These are the figures we would use in support of the Prime Minister's statement in the House on 26 October that 'if one takes aid, private investment and financial flows together ... our record is the best in the world'.

However, adding aid and private capital together does not give a comprehensive picture of net financial flows to the developing countries. It is necessary to include other official flows - ie flows from official funds which are not sufficiently concessional to count as aid. The major component of 'other official flows' is official export credit and interest subsidies in support of private export credit. In 1980 there was a net inflow of official funds under this heading, because repayments from the banks under the discontinued ECGD scheme for refinancing long-term export credits exceeded interest rate subsidies for export credit paid to the banks. In strict terms of 'financial flows', one should include private export credit while excluding the official support given to these export credits, even though the figures are unfavourable to us. Thus in total financial flows the United States comes top, while the United Kingdom comes second.

/If

RESTRICTED



/ I enclose a table which sets out total net financial flows, with all their components, for OECD aid donor countries in 1980. This is drawn from the draft DAC Report, which will not be published until the end of the year. The figures may be changed again before then. In any case, we should not quote figures for countries other than the UK until the DAC has made them public.

Yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing St

TOTAL NET FLOWS TO DEVELOPING COUNTRIES 1980

\$ Billion

		<u>Official Flows</u>			<u>Private Flows</u>	
		<u>Total Flows</u>	<u>Aid</u>	<u>Other</u>	<u>Capital</u>	<u>Voluntary Agencies</u>
		(1)	(2)	(3)	(4)	(5)
1.	United States	13.9	7.1	1.1	4.3	1.3
2.	United Kingdom	12.8	1.8	- 0.2	11.1	0.1
3.	France	11.5	4.0	0.7	6.7	..
4.	Germany	10.6	3.5	0.6	6.0	0.4
5.	Japan	6.8	3.3	1.5	2.0	..
6.	Switzerland	4.5	0.2	..	4.2	0.1
7.	Italy	4.0	0.7	0.5	2.8	..
8.	Belgium	2.9	0.6	0.2	2.1	..
9.	Canada	2.8	1.0	0.7	1.0	0.1
10.	Netherlands	2.3	1.6	..	0.6	0.1
11.	Sweden	1.8	0.9	..	0.8	0.1
12.	Australia	0.9	0.7	..	0.2	..
13.	Norway	0.9	0.5	..	0.3	..
14.	Denmark	0.8	0.5	0.1	0.2	..
15.	Austria	0.2	0.2	- ..	0.1	..
16.	Finland	0.2	0.1	..	0.1	..
17.	New Zealand	0.1	0.1

.. Less than $\frac{1}{2}$ billion

Source: DAC

Note: The figures for France and New Zealand are provisional estimates.



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Two P. 1000000

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original filed on:-

✓ LRB

SUBJECT.

PM Tours Abroad:

Cancun admin: Dec 80.



file
PRIME MINISTER'S

10 DOWNING STREET PERSONAL MESSAGE

SERIAL No. T 15CAA/81

THE PRIME MINISTER

28 October 1981

✓ mention
egs.

Dear Chancellor

Having just returned from Mexico, I felt I should write personally to tell you how much you were missed during our discussions in Cancun.

The initiative which you took, together with President Lopez Portillo, to convene a meeting of Heads of State and Government to discuss co-operation and development has amply justified itself. The debates at Cancun were thoroughly rewarding. They have given new impetus to the effort to find solutions to some of the daunting problems faced by the international community.

I have read with interest the memorandum which you circulated to the participants in the Summit. I only wish that you could have been there yourself to make what would certainly have been an important contribution to the discussions. I hope that your return to full health is continuing satisfactorily.

*Yours sincerely
Raymond Williams*

His Excellency Federal Chancellor Dr. Bruno Kreisky



BRITISH EMBASSY,
MEXICO CITY.

27 October 1981

M O'D B Alexander Esq
Prime Minister's Office
No 10 Downing Street
LONDON SW 1

Dear Michael,

We found your wallet cunningly hidden beneath a towel in your bedroom. Here it is. I hope you have not found life too impossible without it.

We do not have an incoming confidential bag for ten days; so please forgive me if I say that if you have not already sent it, I would be most interested to receive your record of the private meeting between the Prime Minister and President López Portillo on 21 October, together with any notes you may have made about her subsequent meetings with him (at the Cancún Airport on 24 October and at Los Pinos on 25 October). It was very nice to have such obliging as well as sparkling guests at the house. Thank you all for coming.

Yours ever

Crispin

Crispin Tickell



10 DOWNING STREET

From the Private Secretary

26 October 1981

As I told Sue Nye on the phone this morning, the Prime Minister intends to make a statement this afternoon about the International Meeting on Co-operation and Development in Cancun, from which she has returned overnight.

I attach a copy of the summary by the co-chairmen of the meeting, which is the only official document to emerge from the proceedings.

M. A. PATTISON

CS

Sir Tom McCaffrey,
Office of the Leader of the Opposition.



CONCUN 1981

الاجتماع الدولي للتعاون و التنمية

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

IMCD/DOC. 2
ORIGINAL: ENGLISH
October 23, 1981

SUMMARY BY THE CO-CHAIRMEN OF THE INTERNATIONAL
MEETING ON COOPERATION AND DEVELOPMENT

SUMMARY BY THE CO-CHAIRMEN OF THE INTERNATIONAL
MEETING ON COOPERATION AND DEVELOPMENT

We, the Co-Chairmen, had the great honour to preside over a meeting of Heads of State and Government designed to focus on relationships between North and South, particularly the serious economic problems confronting the international community. The United Nations Secretary-General attended as a special guest.

We strongly believe that the very fact that 22 leaders from some of the world's most influential yet diverse countries were prepared to come to Cancun and discuss these issues clearly demonstrated the importance and gravity that they attached to them. The North/South relationship was seen as one of the most serious challenges to be faced in the coming decade, ranking with and linked to the maintenance of world peace, as a priority for the attention of all governments.

The spirit which prevailed among us as we addressed these fundamental issues was extremely constructive and positive. It was clear from the outset that we were not here - indeed we could not be here - to take decisions on behalf of the rest of the world. Our task was rather to bring our voices to bear at the highest level on the fundamental issues, to identify the major problems and to try to evaluate and promote possible solutions. With this end in mind we spoke openly and frankly to one another and did not try to evade the hard issues. Nor did we indulge in recrimination or casting of blame on others. We were not bound by traditional bureaucratic entanglements nor did we allow ourselves to be shackled by posturing or rhetoric. The atmosphere throughout was receptive to new ideas and approaches and a willingness to listen and understand. We believe that together we succeeded in creating a spirit of genuine confidence and trust amongst ourselves.

Our task now will be to ensure that we build upon this trust and understanding, carry this momentum forward into the future and translate thought into action and progress with the aim of revitalizing the world economy and accelerating the development of developing countries. It is in this light that Heads of State and Government were clearly determined to attack

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the problems on an urgent basis in the international institutions existing for this purpose, and to continue to give their personal attention to this process.

Obviously there were differences of view expressed. Among 22 very diverse nations it could not be expected that interests would be identical or approaches necessarily the same. But what struck us most forcefully were the many areas of shared priorities and of common ground. Thus, while various roads were suggested to solve the problems facing us, in virtually every case the basic objectives were shared by all of us.

All participants recognized the importance of interdependence in terms of the functioning of their economies, reflected in the fact that the economic prosperity of any country or group of countries increasingly depends on the existence of conditions for growth and stability in other nations. They all appreciated that many of the economic problems which beset them individually could only be solved through joint action among states and that in this sense there was a high degree of mutual self-interest involved in promoting closer international cooperation. There was a strongly shared view that in the global community the problems of economic disparities among nations needed to be seen as the responsibility of all and therefore required concerted action. The view was expressed that, in an increasingly integrated world economy, no country or group of countries can evade their responsibilities. In this respect, regret was voiced about the absence of the Soviet Union from the Meeting.

At the same time the importance of strengthening and increasing the effectiveness of cooperation among developing countries was seen as an element of growing significance in international relations. Many participants regretted the amount of resources devoted to armaments which could be better employed for developmental purposes.

It was recognized that many of the problems were deep and complex and not subject to quick or simplistic solutions. With a long and difficult period ahead, leaders committed themselves to working together to try to build an international economic order in which all states would be able to realize their potential with equal opportunities, and the developing countries in particular would be able to grow and develop according to their own values.

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The Heads of State and Government confirmed the desirability of supporting at the United Nations, with a sense of urgency, a consensus to launch Global Negotiations on a basis to be mutually agreed and in circumstances offering the prospect of meaningful progress. Some countries insisted that the competence of the specialized agencies should not be affected.

With respect to substance we focussed on what we viewed as the major issues and the challenges facing the world economy under the headings of: food security and agricultural development; commodities, trade and industrialization, energy; and monetary and financial issues. Throughout the Meeting the discussion was pragmatic and direct, touching both on broad approaches and frequently on specific details. These discussions made clear the political will of all participants at Cancun to move forward and to take action.

Food Security and Agricultural Development

Discussions on this topic indicated several general areas of understanding and shared viewpoints regarding the following principal questions:

- Persistent and widespread manifestations of hunger are entirely incompatible with the level of development attained by the world economy and, in particular, with existing food production capacity. Within as brief a period as possible, hunger must be eradicated. This objective is clearly an obligation of the international community and constitutes a first priority both at the national level and in the field of international cooperation.
- Sustained and long-term internal effort on the part of the developing countries to attain increasing self-sufficiency in food production is the basic element in obtaining a real answer to the problem of hunger. Nevertheless, this effort requires timely and sufficient international technical and financial support in coordination with internal policies and strategies.
- First, developing countries should define and put into operation, with the aid of ample and effective international support, national food strategies covering the entire cycle of food production, productivity,

distribution and consumption, that include effective action for rural development, by means of increasing incomes of food producers, which, paradoxically, are the ones most affected by hunger.

- Food aid should be seen as a temporary tool in emergency situations. Such situations could well continue to exist -perhaps unfortunately at an even higher scale- over the next years; but food aid should not be used as a permanent replacement for the necessary development of the required food production in developing countries themselves.
- The rate of population growth in some countries leads to increases in food demand that are difficult to meet.

The experience of a certain number of countries has shown that development of a population policy aids in solving some of the most acute aspects of the food problem.

- The workings of international agricultural and food organizations operating within the framework of the United Nations need to be reviewed in order to avoid duplication of work, to use available resources more effectively and to improve their general efficiency.

A number of other points were mentioned during the course of the debate. Among the more important were the following:

- A long-term program geared to the eradication of hunger by the year 2000 should be prepared, including elements of both internal effort and international cooperation.
- A number of steps could be taken to improve the effectiveness of food security mechanisms. Among these are the negotiation of a new international grains agreement; coordination of national food reserves; expansion of the International Emergency Food Reserve, increasing the predictability and continuity of contributions to it; establishment of reserves sufficient to cover the food security needs of developing countries, especially the least developed.

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- Task forces could be sent from developed to developing countries, in order to assist the latter in developing and implementing agricultural programs and effectively disseminating high-productivity agricultural techniques.
- International trade conditions also exert a considerable influence on the agricultural and food situation of developing countries. Trade barriers raised against agricultural products hinder the growth of agricultural activity and the achievement of food security objectives.
- The recent setting up of a "food facility" within the compensatory financing scheme in the International Monetary Fund constitutes an important step. In the future, however, it would be necessary for the resources allocated and the terms of access to those resources to be more compatible with the needs of food-importing developing countries.
- The International Fund for Agricultural Development (IFAD) requires prompt replenishment of its resources so that it may continue its operations without interruption.

Commodities, Trade and Industrialization

Participants addressed a range of problems under this item.

- Noting the slow progress in implementing the UNCTAD Integrated Program for Commodities, particularly in the negotiation of new commodity agreements, they agreed on the need to complete procedures for bringing the Common Fund into operation. Because earnings from commodity exports are of fundamental importance to the economic growth and stability of developing countries, a range of possible approaches was suggested including more intensive efforts to negotiate effective international agreements to stabilize commodity prices, and other measures aimed at stabilizing developing country earnings from commodity exports.

- The need to improve the Generalized System of Preferences for developing countries was also recognized, as well as the need for continued efforts on the part of governments to resist protectionist pressures.
- Several participants noted the contribution which the proposed GATT Ministerial Meeting in 1982 could make to addressing trade problems of developing countries, including barriers to trade in agriculture and obstacles to the further processing of their raw material exports.
- A number of participants referred to the importance of industrialization of developing countries and the contribution which increased trade could make to this objective. Restructuring of developed country industries was identified as being relevant to this objective, as was a positive result from the renegotiation of the Multifibre Arrangement.
- The need to help developing countries improve their infrastructures, including transportation and storage facilities, was also raised and a proposal for mobilizing resources to this end was presented.

Energy

- It was recognized that energy is one of the key problem areas of the 1980s that must be tackled seriously and urgently. The problem was characterized more as a global one than as purely a North-South issue.
- In order to ensure an orderly transition from the era of hydro-carbons to the era of diversified energy sources, the proposal for a World Energy Plan as a framework providing an overall approach covering this complex process was recalled and interest expressed in it.
- The potential contribution of regional energy cooperation schemes was also pointed out in the discussion.
- It was also recognized that energy conservation must be pursued by major oil-consuming countries. Development of new and renewable sources of energy also required emphasis, as was agreed at the recent Nairobi Conference.

- Emphasized in the discussion was the serious problem developing countries face in meeting their large energy import bills which for many represent a good part of their limited foreign exchange earnings.
- The need for increased energy investment, from both private and official sources, in developing countries was stressed. Support was expressed by many participants for expanded energy lending in developing countries by the World Bank and, in this respect, the establishment of an Energy Affiliate was advocated.
- Some participants suggested the need for better exchange of information between energy producing and consuming countries in order to facilitate long-term energy planning.

Monetary and Financial Issues

- Participants reviewed the financial difficulties being experienced by developing countries with regard to their balance of payments deficits, their debt service burden and their development financing needs.
- They discussed conditions of access⁸ by developing countries to the various sources of financing and the role of the relevant multilateral institutions, in particular the International Monetary Fund and the World Bank, in the light of the current economic and financial problems facing developing countries.
- Points raised by some participants in the discussion included the impact of high interest rates, the creation and distribution of liquidity and role of the SDR as a main reserve asset and in financing development, IMF conditionality, the decision-making process in the international financial institutions, access to capital markets and the respective role of private and official sources of external capital in development financing.
- Several suggestions were noted for improved international financial cooperation.

FINAL
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CANCUN SUMMIT : STATEMENT

MONDAY 26 OCTOBER

At the invitation of the Mexican and Austrian Governments,
I attended the International Meeting for Co-operation
and Development at Cancun in Mexico on 22 and 23
October.

My Rt. Hon. and Noble Friend the Foreign and
Commonwealth Secretary accompanied me.

Seven of the 22 countries represented were from
the Commonwealth and three were members of the
European Community.

At the end of the meeting, the Mexican President and the
Canadian Prime Minister, who had presided over the
Summit, gave their own summary of the results to
the press.

I have placed a copy of this in the library of
the House.

The Summit was never intended to negotiate or to make precise
commitments, since we could not bind countries that
were absent.

The aim was to promote greater understanding between
the participants and to give a lead in seeking
solutions across a range of subjects.

/The Summit

The Summit achieved these objectives.

The participants came not only to give their own viewpoint, but genuinely to discuss and debate the issues.

Although we could not expect universal agreement, everyone showed a willingness to be both positive and practical in approaching the problems that face both developed and developing countries.

We were all very much aware of the poverty and misery which affect so many people in the developing countries. We in the industrial countries wanted to help as much as we could, despite problems of our own.

As the United Nations International Development Strategy pointed out, the primary responsibility for development rests with the developing countries themselves. But we have to find ways to co-operate with these countries to help them realise their full potential.

There was a constructive discussion of each of the four main themes chosen for the Summit - food, trade, energy and finance.

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On the first of these, it was agreed that, while food aid was needed for temporary shortages, the main priority must be for developing countries to grow more food for their own people.

This means giving farmers the right incentives and technical support.

Aid should be designed to reinforce these objectives.

It was recognised that, for most developing countries, trade flows are more important than aid.

We were very much aware of the difficulties created by world recession but agreed on the value to all of maintaining the fabric of the open trading system. In the discussion of commodity matters, I confirmed our intention to ratify the Common Fund agreement.

The discussion of energy focussed on increasing investment in developing countries, to enable them to build up their own resources.

I joined a number of other participants in supporting the idea of an Energy Affiliate of the World Bank, provided that this would attract additional finance for energy investment, especially from OPEC surplus countries.

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There was wide recognition of the need for developing countries to pursue policies which would attract private investment and bank lending.

The discussion showed how much the developing countries relied on the help they receive from the IMF and the World Bank.

Funds from these institutions should complement and encourage private finance, for many countries. More aid could then be concentrated on the poorest.

There was much discussion on how best to pursue the proposal for Global Negotiations, although it was evident that this term meant different things to different countries.

We finally agreed to go back to the United Nations and to try to work out how to launch Global Negotiations on an agreed basis and with a real prospect of progress.

A number of countries, including ourselves, made it clear in this context that the independence of specialised bodies like the IMF and the World Bank must be respected. It would certainly not be in the interests of the developing countries if those

/institutions

institutions lost the confidence of their major subscribers and of the financial markets.

The organisation of the Summit meeting by the Mexican Government was excellent.

I must pay tribute to the skill and statesmanship displayed throughout by the two Chairmen, President Lopez Portillo and Mr. Trudeau, who took the place of Chancellor Kreisky of Austria, sadly absent because of ill-health.

Immediately after the Summit I was invited by President Lopez Portillo to go to Mexico City to join him in signing a Memorandum of Understanding for the Sicartsa Steel Mill contract.

This contract has been awarded to Davy Loewy. Its total value is £330 million, with a British content of about £200 million.

This is the largest single turnkey contract ever won in Mexico by a British company, or indeed by any foreign company.

It will make a valuable contribution to the development of the Mexican economy and will create jobs here at home.

FILE

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26 October, 1981

Cancun: Mrs Gandhi

Since the Prime Minister's conversations with Mrs Gandhi at Cancun have been referred to in the press, you may wish to be aware of the Prime Minister's view that nothing of any consequence was said. In particular there was no reference whatever to the MCC tour of India.

I am sending a copy of this letter to Warwick Smith (Mr Macfarlane's Office, Department of the Environment).

M. O'D. B. ALEXANDER

R M J Lyne, Esq
Foreign and Commonwealth Office

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26 October, 1981

Cancun: Bilaterals

I enclose a set of the records of the Prime Minister's bilateral discussions in the margins of last week's meeting at Cancun.

I am sending a copy of this letter together with a copy of the record of the conversation with President Nyerere to John Kerr (HM Treasury).

M. O'D. B. ALEXANDER

R M J Lyne, Esq
Foreign and Commonwealth Office

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FROM UKDEL CANCUN.

CANCUN SUMMIT: SECOND DAY.

1. THE FIRST SESSION CONSIDERED TRADE, ENERGY AND FINANCE IN THAT ORDER.

2. IN THE TRADE DISCUSSION ALL STRESSED THE NEED TO RESIST PROTECTIONIST PRESSURES. THERE WAS MUCH CONCERN ABOUT THE PROBLEMS OF COMMODITY PRODUCERS, WITH SUGGESTIONS FOR MORE COMMODITY AGREEMENTS, ENLARGED EXPORT EARNINGS STABILISATION SCHEMES AND AN EARLY START TO THE WORK OF THE COMMON FUND. THE UK AND FRANCE SAID THEY WOULD RATIFY THE COMMON FUND AGREEMENT SHORTLY. BANGLADESH (MISTAKENLY) THANKED THE COMMUNITY FOR HAVING EXTENDED THEIR STABEX SCHEME TO LEAST DEVELOPED COUNTRIES.

3. UNDER ENERGY, FAHD SAID THAT THE SAUDIS THOUGHT THAT AN ENERGY AFFILIATE WAS A VERY GOOD IDEA AND WELL WORTH STUDYING; THEY WERE READY TO PARTICIPATE IN SUCH STUDY. BUT ENERGY COULD NOT BE CONSIDERED SEPARATELY FROM DEVELOPMENT IN GENERAL. MANY OTHER COUNTRIES, (INCLUDING OTHER OPEC MEMBERS) ALSO FAVOURED AN ENERGY AFFILIATE. BUT THE AMERICANS DID NOT COMMENT. MEXICO URGED THE ADOPTION OF THEIR WORLD ENERGY PLAN AS PRESENTED TO THE UN IN 1979.

4. DURING THE FINANCIAL DISCUSSION, VIRTUALLY ALL DEVELOPING COUNTRY SPEAKERS ARGUED FOR CHANGES IN THE IMF AND WORLD BANK. THEY CALLED FOR A LARGER DECISION-MAKING ROLE FOR DEVELOPING COUNTRIES; NEW ISSUES OF SDRS; LIGHTER IMF CONDITIONALITY; AND MORE FUNDS FOR IDA. REAGAN URGED WIDER USE OF PRIVATE CAPITAL. NYERERE POINTED OUT THAT INFRASTRUCTURE PROJECTS COULD NOT ATTRACT PRIVATE FUNDS. TRUDEAU COUNTERED BY SAYING THAT PRIVATE CAPITAL WOULD NOT GO TO TANZANIA ANYWAY, FOR FEAR OF EXPROPRIATION. BRAZIL ARGUED, FROM THEIR OWN EXPERIENCE, THAT PUBLIC AND PRIVATE CAPITAL SHOULD BE USED IN A COMPLEMENTARY FASHION IN DEVELOPMENT.

5. DESPITE THE EFFORTS OF TRUDEAU FROM THE CHAIR, THESE DISCUSSIONS WERE LESS LIVELY THAN THE DEBATE ON FOOD THE DAY BEFORE AND MANY POINTS WERE LEFT IN THE AIR.

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6. MEANWHILE, THE CANADIANS WERE ACTIVE BEHIND THE SCENES IN WORKING OUT LANGUAGE FOR THE FINAL SUMMARY WHICH WOULD REFLECT THE WIDEST COMMON GROUND ON GLOBAL NEGOTIATIONS AND ALLOW PREPARATIONS TO RESUME AT THE UN UNDER CONDITIONS ACCEPTABLE TO THE AMERICANS. CONSULTATIONS WITH THE US, MEXICO AND YUGOSLAVIA, AMONG OTHERS, PRODUCED A TEXT APPARENTLY ACCEPTABLE TO ALL, INVITING THE UN SECRETARY-GENERAL TO FORM A LIMITED GROUP TO TAKE MATTERS FURTHER. WE ENCOURAGED THE CANADIANS IN THEIR EFFORTS.

7. BUT WHEN THE SECOND SESSION BEGAN - ONE HOUR LATE - RIVAL TEXTS WERE TABLED AND CONFUSION REIGNED. EVENTUALLY GENSCHER PERSUADED THE AMERICANS TO ACCEPT THE TEXT ULTIMATELY USED IN THE CHAIRMEN'S SUMMARY. THIS WAS MUCH SHORTER AND SIMPLER THAN THE CANADIAN LANGUAGE AND TRUDEAU - WHO PLAYED NO ROLE IN THE FINAL BARGAINING - CLEARLY THOUGHT IT MUCH INFERIOR.

8. DURING THESE INFORMAL EXCHANGES, THE PRIME MINISTER WAS ABLE TO POINT OUT TO ALGERIA, VENEZUELA AND OTHERS THE SERIOUS DAMAGE THAT DEVELOPING COUNTRIES WOULD INCUR IF GLOBAL NEGOTIATIONS WERE USED TO UNDERMINE THE IMF AND WORLD BANK. SHE WITH GENSCHER'S SUPPORT INSISTED THAT THE CHAIRMEN'S TEXT SHOULD REFER TO THE IMPORTANCE OF PROTECTING THE COMPETENCE OF THE SPECIALISED AGENCIES, THOUGH THERE WAS NOT COMPLETE AGREEMENT ON THIS AND THE US WERE PREPARED NOT TO PRESS IT.

9. LOPEZ PORTILLO AND TRUDEAU THEN GAVE THEIR SUMMARY TO THE PRESS. THE TEXT (BEING TELEGRAPHED SEPARATELY) WAS DRAFTED BY THE CANADIANS BUT - APART FROM THE GLOBAL NEGOTIATIONS PASSAGE - WAS NOT DISCUSSED WITH OTHERS IN ADVANCE. IN ANSWERING QUESTIONS TRUDEAU TOOK THE VIEW THAT THE TREATMENT OF GLOBAL NEGOTIATIONS "BEGGED THE QUESTION" OF FUTURE ACTION. IT REFLECTED THE INABILITY OF THE SUMMIT TO BRING TOGETHER THOSE THAT WANTED TO GO TO THE UN NOW AND THOSE WHO WANTED TO START AFRESH. BUT HE ADDED THAT THE SUMMIT COULD SERVE TO MOVE GLOBAL NEGOTIATIONS FORWARD AND THAT THE AMERICAN POSITION HAD SHIFTED. LOPEZ PORTILLO TOOK A MORE SANGUINE AND UPBEAT LINE, SAYING THAT THE MEETING WOULD GO DOWN IN HISTORY BECAUSE OF THE EMERGENCE OF THE SPIRIT OF CANCUN, A SPIRIT OF CONCILIATION, SOLIDARITY AND HARMONY.

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FROM UKDEL CANCUN

CANCUN SUMMIT: CO-CHAIRMEN'S SUMMARY.

1. FOLLOWING IS OFFICIAL TEXT OF SUMMARY GIVEN BY PRESIDENT
LOPEZ PORTILLO AND MR TRUDEAU AT THE END
OF THE CANCUN SUMMIT ON 23 OCTOBER.

BEGINS:-

WE, THE CO-CHAIRMEN, HAD THE GREAT HONOUR TO PRESIDE OVER A
MEETING OF HEADS OF STATE AND GOVERNMENT DESIGNED TO FOCUS ON
RELATIONSHIPS BETWEEN NORTH AND SOUTH, PARTICULARLY THE SERIOUS
ECONOMIC PROBLEMS CONFRONTING THE INTERNATIONAL COMMUNITY.
THE UNITED NATIONS SECRETARY-GENERAL ATTENDED AS A SPECIAL GUEST.

WE STRONGLY BELIEVE THAT THE VERY FACT THAT 22 LEADERS FROM

WE STRONGLY BELIEVE THAT THE VERY FACT THAT 22 LEADERS FROM SOME OF THE WORLD'S MOST INFLUENTIAL YET DIVERSE COUNTRIES WERE PREPARED TO COME TO CANCUN AND DISCUSS THESE ISSUES CLEARLY DEMONSTRATED THE IMPORTANCE AND GRAVITY THAT THEY ATTACHED TO THEM. THE NORTH/SOUTH RELATIONSHIP WAS SEEN AS ONE OF THE MOST SERIOUS CHALLENGES TO BE FACED IN THE COMING DECADE, RANKING WITH AND LINKED TO THE MAINTENANCE OF WORLD PEACE, AS A PRIORITY FOR THE ATTENTION OF ALL GOVERNMENTS.

THE SPIRIT WHICH PREVAILED AMONG US AS WE ADDRESSSED THESE FUNDAMENTAL ISSUES WAS EXTREMELY CONSTRUCTIVE AND POSITIVE. IT WAS CLEAR FROM THE OUTSET THAT WE WERE NOT HERE - INDEED WE COULD NOT BE HERE - TO TAKE DECISIONS ON BEHALF OF THE REST OF THE WORLD. OUR TASK WAS RATHER TO BRING OUR VOICES TO BEAR AT THE HIGHEST LEVEL ON THE FUNDAMENTAL ISSUES, TO IDENTIFY THE MAJOR PROBLEMS AND TO TRY TO EVALUATE AND PROMOTE POSSIBLE SOLUTIONS. WITH THIS END IN MIND WE SPOKE OPENLY AND FRANKLY TO ONE ANOTHER AND DID NOT TRY TO EVADE THE HARD ISSUES. NOR DID WE INDULGE IN RECRIMINATION OR CASTING OF BLAME ON OTHERS. WE WERE NOT BOUND BY TRADITIONAL BUREAUCRATIC ENTANGLEMENTS NOR DID WE ALLOW OURSELVES TO BE SHACKLED BY POSTURING OR RHETORIC. THE ATMOSPHERE THROUGHOUT WAS RECEPTIVE TO NEW IDEAS AND APPROACHES AND A WILLINGNESS TO LISTEN AND UNDERSTAND. WE BELIEVE THAT TOGETHER WE SUCCEEDED IN CREATING A SPIRIT OF GENUINE CONFIDENCE AND TRUST AMONGST OURSELVES.

OUR TASK NOW WILL BE TO ENSURE THAT WE BUILD UPON THIS TRUST AND UNDERSTANDING, CARRY THIS MEMENTUM FORWARD INTO THE FUTURE AND TRANSLATE THOUGHT INTO ACTION AND PROGRESS WITH THE AIM OF REVITALIZING THE WORLD ECONOMY AND ACCELERATING THE DEVELOPMENT OF DEVELOPING COUNTRIES. IT IS IN THIS LIGHT THAT HEADS OF STATE AND GOVERNMENT WERE CLEARLY DETERMINED TO ATTACK THE PROBLEMS ON AN URGENT BASIS IN THE INTERNATIONAL INSTITUTIONS EXISTING FOR THIS PURPOSE, AND TO CONTINUE TO GIVE THEIR PERSONAL ATTENTION TO THIS PROCESS.

OBVIOUSLY THERE WERE DIFFERENCES OF VIEW EXPRESSED. AMONG 22 VERY DIVERSE NATIONS IT COULD NOT BE EXPECTED THAT INTERESTS WOULD BE IDENTICAL OR APPROACHES NECESSARILY THE SAME. BUT WHAT STRUCK US MOST FORCEFULLY WERE THE MANY AREAS OF SHARED PRIORITIES AND OF COMMON GROUND. THUS, WHILE VARIOUS ROADS WERE SUGGESTED TO SOLVE THE PROBLEMS FACING US, IN VIRTUALLY EVERY CASE THE BASIC OBJECTIVES WERE SHARED BY ALL OF US.

ALL PARTICIPANTS RECOGNIZED THE IMPORTANCE OF INTER-DEPENDENCE IN TERMS OF THE FUNCTIONING OF THEIR ECONOMIES, REFLECTED IN THE FACT THAT THE ECONOMIC PROSPERITY OF ANY COUNTRY OR GROUP OF COUNTRIES INCREASINGLY DEPENDS ON THE EXISTENCE OF CONDITIONS FOR GROWTH AND STABILITY IN OTHER NATIONS. THEY ALL APPRECIATED THAT MANY OF THE ECONOMIC PROBLEMS WHICH BESET THEM INDIVIDUALLY COULD ONLY BE SOLVED THROUGH JOINT ACTION AMONG STATES AND THAT IN THIS SENSE THERE WAS A HIGH DEGREE OF MUTUAL SELF-INTEREST INVOLVED IN PROMOTING CLOSER INTERNATIONAL COOPERATION. THERE WAS A STRONGLY SHARED VIEW THAT IN THE GLOBAL COMMUNITY THE PROBLEMS OF ECONOMIC DISPARITIES AMONG NATIONS NEEDED TO BE SEEN AS THE RESPONSIBILITY OF ALL AND THEREFORE REQUIRED CONCERTED ACTION. THE VIEW WAS EXPRESSED THAT, IN AN INCREASINGLY INTEGRATED WORLD ECONOMY, NO COUNTRY OR GROUP OF COUNTRIES CAN EVADE THEIR RESPONSIBILITIES. IN THIS RESPECT, REGRET WAS VOICED ABOUT THE ABSENCE OF THE SOVIET UNION FROM THE MEETING.

AT THE SAME TIME THE IMPORTANCE OF STRENGTHENING AND INCREASING THE EFFECTIVENESS OF COOPERATION AMONG DEVELOPING COUNTRIES WAS SEEN AS AN ELEMENT OF GROWING SIGNIFICANCE IN INTERNATIONAL RELATIONS. MANY PARTICIPANTS REGRETTED THE AMOUNT OF RESOURCES DEVOTED TO ARMAMENTS WHICH COULD BE BETTER EMPLOYED FOR DEVELOPMENTAL PURPOSES.

IT WAS RECOGNIZED THAT MANY OF THE PROBLEMS WERE DEEP AND COMPLEX AND NOT SUBJECT TO QUICK OR SIMPLISTIC SOLUTIONS. WITH A LONG AND DIFFICULT PERIOD AHEAD, LEADERS COMMITTED THEMSELVES TO WORKING TOGETHER TO TRY TO BUILD AN INTERNATIONAL ECONOMIC ORDER IN WHICH ALL STATES WOULD BE ABLE TO REALIZE THEIR POTENTIAL WITH EQUAL OPPORTUNITIES, AND THE DEVELOPING COUNTRIES IN PARTICULAR WOULD BE ABLE TO GROW AND DEVELOP ACCORDING TO THEIR OWN VALUES.

THE HEADS OF STATE AND GOVERNMENT CONFIRMED THE DESIRABILITY OF SUPPORTING AT THE UNITED NATIONS, WITH A SENSE OF URGENCY, A CONSENSUS TO LAUNCH GLOBAL NEGOTIATIONS ON A BASIS TO BE MUTUALLY AGREED AND IN CIRCUMSTANCES OFFERING THE PROSPECT OF MEANINGFUL PROGRESS. SOME COUNTRIES INSISTED THAT THE COMPETENCE OF THE SPECIALIZED AGENCIES SHOULD NOT BE AFFECTED.

WITH RESPECT TO SUBSTANCE WE FOCUSED ON WHAT WE VIEWED AS THE MAJOR ISSUES AND THE CHALLENGES FACING THE WORLD ECONOMY UNDER THE HEADINGS OF: FOOD SECURITY AND AGRICULTURAL DEVELOPMENT, COMMODITIES, TRADE AND INDUSTRIALISATION,

WITH RESPECT TO SUBSTANCE WE FOCUSED ON WHAT WE VIEWED AS THE MAJOR ISSUES AND THE CHALLENGES FACING THE WORLD ECONOMY UNDER THE HEADINGS OF: FOOD SECURITY AND AGRICULTURAL DEVELOPMENT; COMMODITIES, TRADE AND INDUSTRIALISATION, ENERGY; AND MONETARY AND FINANCIAL ISSUES. THROUGHOUT THE MEETING THE DISCUSSION WAS PRAGMATIC AND DIRECT, TOUCHING BOTH ON BROAD APPROACHES AND FREQUENTLY ON SPECIFIC DETAILS. THESE DISCUSSIONS MADE CLEAR THE POLITICAL WILL OF ALL PARTICIPANTS AT CANCUN TO MOVE FORWARD AND TO TAKE ACTION.

FOOD SECURITY AND AGRICULTURAL DEVELOPMENT

DISCUSSIONS ON THIS TOPIC INDICATED SEVERAL GENERAL AREAS OF UNDERSTANDING AND SHARED VIEWPOINTS REGARDING THE FOLLOWING PRINCIPAL QUESTIONS:

- PERSISTENT AND WIDESPREAD MANIFESTATIONS OF HUNGER ARE ENTIRELY INCOMPATIBLE WITH THE LEVEL OF DEVELOPMENT ATTAINED BY THE WORLD ECONOMY AND, IN PARTICULAR, WITH EXISTING FOOD PRODUCTION CAPACITY. WITHIN AS BRIEF A PERIOD AS POSSIBLE, HUNGER MUST BE ERADICATED. THIS OBJECTIVE IS CLEARLY AN OBLIGATION OF THE INTERNATIONAL COMMUNITY AND CONSTITUTES A FIRST PRIORITY BOTH AT THE NATIONAL LEVEL AND IN THE FIELD OF INTERNATIONAL COOPERATION.

- SUSTAINED AND LONG-TERM INTERNAL EFFORT ON THE PART OF THE DEVELOPING COUNTRIES TO ATTAIN INCREASING SELF-SUFFICIENCY IN FOOD PRODUCTION IS THE BASIC ELEMENT IN OBTAINING A REAL ANSWER TO THE PROBLEM OF HUNGER. NEVERTHELESS, THIS EFFORT REQUIRES TIMELY AND SUFFICIENT INTERNATIONAL TECHNICAL AND FINANCIAL SUPPORT IN COORDINATION WITH INTERNAL POLICIES AND STRATEGIES.

- FIRST, DEVELOPING COUNTRIES SHOULD DEFINE AND PUT INTO OPERATION, WITH THE AID OF AMPLE AND EFFECTIVE INTERNATIONAL SUPPORT, NATIONAL FOOD STRATEGIES COVERING THE ENTIRE CYCLE OF FOOD PRODUCTION, PRODUCTIVITY, DISTRIBUTION AND CONSUMPTION, THAT INCLUDE EFFECTIVE ACTION FOR RURAL DEVELOPMENT, BY MEANS OF INCREASING INCOMES OF FOOD PRODUCERS, WHICH, PARADOXICALLY, ARE THE ONES MOST AFFECTED BY HUNGER.

- FOOD AID SHOULD BE SEEN AS A TEMPORARY TOOL IN EMERGENCY SITUATIONS. SUCH SITUATIONS COULD WELL CONTINUE TO EXIST - PERHAPS UNFORTUNATELY AT AN EVEN HIGHER SCALE - OVER THE NEXT YEARS; BUT FOOD AID SHOULD NOT BE USED AS A PERMANENT REPLACEMENT FOR THE NECESSARY

NOT BE USED AS A PERMANENT REPLACEMENT FOR THE NECESSARY DEVELOPMENT OF THE REQUIRED FOOD PRODUCTION IN DEVELOPING COUNTRIES THEMSELVES.

- THE RATE OF POPULATION GROWTH IN SOME COUNTRIES LEADS TO INCREASES IN FOOD DEMAND THAT ARE DIFFICULT TO MEET.

THE EXPERIENCE OF A CERTAIN NUMBER OF COUNTRIES HAS SHOWN THAT DEVELOPMENT OF A POPULATION POLICY AIDS IN SOLVING SOME OF THE MOST ACUTE ASPECTS OF THE FOOD PROBLEM.

- THE WORKINGS OF INTERNATIONAL AGRICULTURAL AND FOOD ORGANISATIONS OPERATING WITHIN THE FRAMEWORK OF THE UNITED NATIONS NEED TO BE REVIEWED IN ORDER TO AVOID DUPLICATION OF WORK, TO USE AVAILABLE RESOURCES MORE EFFECTIVELY AND TO IMPROVE THEIR GENERAL EFFICIENCY.

A NUMBER OF OTHER POINTS WERE MENTIONED DURING THE COURSE OF THE DEBATE. AMONG THE MORE IMPORTANT WERE THE FOLLOWING:-

- A LONG-TERM PROGRAM GEARED TO THE ERADICATION OF HUNGER BY THE YEAR 2000 SHOULD BE PREPARED, INCLUDING ELEMENTS OF BOTH INTERNAL EFFORT AND INTERNATIONAL COOPERATION.

- A NUMBER OF STEPS COULD BE TAKEN TO IMPROVE THE EFFECTIVENESS OF FOOD SECURITY MECHANISMS. AMONG THESE ARE THE NEGOTIATION OF A NEW INTERNATIONAL GRAINS AGREEMENT; COORDINATION OF NATIONAL FOOD RESERVES; EXPANSION OF THE INTERNATIONAL EMERGENCY FOOD RESERVE, INCREASING THE PREDICTABILITY AND CONTINUITY OF CONTRIBUTIONS TO IT; ESTABLISHMENT OF RESERVES SUFFICIENT TO COVER THE FOOD SECURITY NEEDS OF DEVELOPING COUNTRIES, ESPECIALLY THE LEAST DEVELOPED.

- TASK FORCES COULD BE SENT FROM DEVELOPED TO DEVELOPING COUNTRIES, IN ORDER TO ASSIST THE LATTER IN DEVELOPING AND IMPLEMENTING AGRICULTURAL PROGRAMS AND EFFECTIVELY DISSEMINATING HIGH-PRODUCTIVITY AGRICULTURAL TECHNIQUES.

- INTERNATIONAL TRADE CONDITIONS ALSO EXERT A CONSIDERABLE INFLUENCE ON THE AGRICULTURAL AND FOOD SITUATION OF DEVELOPING COUNTRIES. TRADE BARRIERS RAISED AGAINST AGRICULTURAL PRODUCTS HINDER THE GROWTH OF AGRICULTURAL ACTIVITY AND THE ACHIEVEMENT OF FOOD SECURITY OBJECTIVES.

- THE RECENT SETTING UP OF A "FOOD FACILITY"

- THE RECENT SETTING UP OF A "FOOD FACILITY" WITHIN THE COMPENSATORY FINANCING SCHEME IN THE INTERNATIONAL MONETARY FUND CONSTITUTES AN IMPORTANT STEP. IN THE FUTURE, HOWEVER, IT WOULD BE NECESSARY FOR THE RESOURCES ALLOCATED AND THE TERMS OF ACCESS TO THOSE RESOURCES TO BE MORE COMPATIBLE WITH THE NEEDS OF FOOD-IMPORTING DEVELOPING COUNTRIES.

- THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD) REQUIRES PROMPT REPLENISHMENT OF ITS RESOURCES SO THAT IT MAY CONTINUE ITS OPERATIONS WITHOUT INTERRUPTION.

COMMODITIES, TRADE AND INDUSTRIALIZATION

PARTICIPANTS ADDRESSED A RANGE OF PROBLEMS UNDER THIS ITEM.

- NOTING THE SLOW PROGRESS IN IMPLEMENTING THE UNCTAD INTEGRATED PROGRAM FOR COMMODITIES, PARTICULARLY IN THE NEGOTIATION OF NEW COMMODITY AGREEMENTS, THEY AGREED ON THE NEED TO COMPLETE PROCEDURES FOR BRINGING THE COMMON FUND INTO OPERATION. BECAUSE EARNINGS FROM COMMODITY EXPORTS ARE OF FUNDAMENTAL IMPORTANCE TO THE ECONOMIC GROWTH AND STABILITY OF DEVELOPING COUNTRIES, A RANGE OF POSSIBLE APPROACHES WAS SUGGESTED INCLUDING MORE INTENSIVE EFFORTS TO NEGOTIATE EFFECTIVE INTERNATIONAL AGREEMENTS TO STABILIZE COMMODITY PRICES, AND OTHER MEASURES AIMED AT STABILIZING DEVELOPING COUNTRY EARNINGS FROM COMMODITY EXPORTS.

- THE NEED TO IMPROVE THE GENERALIZED SYSTEM OF PREFERENCES FOR DEVELOPING COUNTRIES WAS ALSO RECOGNIZED, AS WELL AS THE NEED FOR CONTINUED EFFORTS ON THE PART OF GOVERNMENTS TO RESIST PROTECTIONIST PRESSURES.

- SEVERAL PARTICIPANTS NOTED THE CONTRIBUTION WHICH THE PROPOSED GATT MINISTERIAL MEETING IN 1982 COULD MAKE TO ADDRESSING TRADE PROBLEMS OF DEVELOPING COUNTRIES, INCLUDING BARRIERS TO TRADE IN AGRICULTURE AND OBSTACLES TO THE FURTHER PROCESSING OF THEIR RAW MATERIAL EXPORTS.

- A NUMBER OF PARTICIPANTS REFERRED TO THE IMPORTANCE OF INDUSTRIALIZATION OF DEVELOPING COUNTRIES AND THE CONTRIBUTION WHICH INCREASED TRADE COULD MAKE TO THIS OBJECTIVE. RESTRUCTURING OF DEVELOPED COUNTRY INDUSTRIES WAS IDENTIFIED AS BEING RELEVANT TO THIS OBJECTIVE, AS WAS A POSITIVE RESULT FROM THE RENEGOTIATION OF THE

WAS A POSITIVE RESULT FROM THE RENEGOTIATION OF THE MULTIFIBRE ARRANGEMENT.

- THE NEED TO HELP DEVELOPING COUNTRIES IMPROVE THEIR INFRASTRUCTURES, INCLUDING TRANSPORTATION AND STORAGE FACILITIES, WAS ALSO RAISED AND A PROPOSAL FOR MOBILIZING RESOURCES TO THIS END WAS PRESENTED.

ENERGY

- IT WAS RECOGNIZED THAT ENERGY IS ONE OF THE KEY PROBLEM AREAS OF THE 1980'S THAT MUST BE TACKLED SERIOUSLY AND URGENTLY. THE PROBLEM WAS CHARACTERIZED MORE AS A GLOBAL ONE THAN AS PURELY A NORTH-SOUTH ISSUE.

- IN ORDER TO ENSURE AN ORDERLY TRANSITION FROM THE ERA OF HYDRO-CARBONS TO THE ERA OF DIVERSIFIED ENERGY SOURCES, THE PROPOSAL FOR A WORLD ENERGY PLAN AS A FRAMEWORK PROVIDING AN OVERALL APPROACH COVERING THIS COMPLEX PROCESS WAS RECALLED AND INTEREST EXPRESSED IN IT.

- THE POTENTIAL CONTRIBUTION OF REGIONAL ENERGY COOPERATION SCHEMES WAS ALSO POINTED OUT IN THE DISCUSSION.

- IT WAS ALSO RECOGNIZED THAT ENERGY CONSERVATION MUST BE PURSUED BY MAJOR OIL-CONSUMING COUNTRIES. DEVELOPMENT OF NEW AND RENEWABLE SOURCES OF ENERGY ALSO REQUIRED EMPHASIS, AS WAS AGREED AT THE RECENT NAIROBI CONFERENCE.

- EMPHASIZED IN THE DISCUSSION WAS THE SERIOUS PROBLEM DEVELOPING COUNTRIES FACE IN MEETING THEIR LARGE ENERGY IMPORT BILLS WHICH FOR MANY REPRESENT A GOOD PART OF THEIR LIMITED FOREIGN EXCHANGE EARNINGS.

- THE NEED FOR INCREASED ENERGY INVESTMENT, FROM BOTH PRIVATE AND OFFICIAL SOURCES, IN DEVELOPING COUNTRIES WAS STRESSED. SUPPORT WAS EXPRESSED BY MANY PARTICIPANTS FOR EXPANDED ENERGY LENDING IN DEVELOPING COUNTRIES BY THE WORLD BANK AND, IN THIS RESPECT, THE ESTABLISHMENT OF AN ENERGY AFFILIATE WAS ADVOCATED.

- SOME PARTICIPANTS SUGGESTED THE NEED FOR BETTER EXCHANGE OF INFORMATION BETWEEN ENERGY PRODUCING AND CONSUMING COUNTRIES IN ORDER TO FACILITATE LONG-TERM ENERGY PLANNING.

COUNTRIES IN ORDER TO FACILITATE LONG-TERM ENERGY
PLANNING.

MONETARY AND FINANCIAL ISSUES

- PARTICIPANTS REVIEWED THE FINANCIAL DIFFICULTIES BEING EXPERIENCED BY DEVELOPING COUNTRIES WITH REGARD TO THEIR BALANCE OF PAYMENTS DEFICITS, THEIR DEBT SERVICE BURDEN AND THEIR DEVELOPMENT FINANCING NEEDS.

- THEY DISCUSSED CONDITIONS OF ACCESS BY DEVELOPING COUNTRIES TO THE VARIOUS SOURCES OF FINANCING AND THE ROLE OF THE RELEVANT MULTILATERAL INSTITUTIONS, IN PARTICULAR THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK, IN THE LIGHT OF THE CURRENT ECONOMIC AND FINANCIAL PROBLEMS FACING DEVELOPING COUNTRIES.

- POINTS RAISED BY SOME PARTICIPANTS IN THE DISCUSSION INCLUDED THE IMPACT OF HIGH INTEREST RATES, THE CREATION AND DISTRIBUTION OF LIQUIDITY AND ROLE OF THE SDR AS A MAIN RESERVE ASSET AND IN FINANCING DEVELOPMENT. IMF CONDITIONALITY, THE DECISION MAKING PROCESS TO CAPITAL MARKETS AND THE RESPECTIVE ROLE OF PRIVATE AND OFFICIAL SOURCES OF EXTERNAL CAPITAL IN DEVELOPMENT FINANCING.

- SEVERAL SUGGESTIONS WERE NOTED FOR IMPROVED INTERNATIONAL FINANCIAL COOPERATION.

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CONFIDENTIAL [FRAME DEVELOPMENT]

FM UKMIS NEW YORK 292321Z OCT 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 1136 OF 29 OCTOBER 1981

AND TO IMMEDIATE UKREP BRUSSELS (FOR EVANS), PRIORITY WASHINGTON,
UKMIS GENEVA

AND SAVING TO EC POSTS, UKDEL OECD.

UKREP BRUSSELS TELNO 3832: GLOBAL NEGOTIATIONS

1. THE NEXT STEP, ONCE AGAIN, IS FOR THE AMERICANS. CONSIDERABLE CONFUSION REIGNS IN NEW YORK. IT IS NOT CLEAR WHETHER THE US MISSION HAVE YET FULLY UNDERSTOOD KITTANI OR VICE VERSA.
2. IN DISCUSSION WITH MRS KIRKPATRICK YESTERDAY, KITTANI SEEMS TO HAVE SPOKEN ON FAMILIAR LINES (MY TELNO 1061). HE INDICATED TO THE AMERICANS THAT HE WANTED A "SHORT AND SIMPLE" RESOLUTION ADOPTED BEFORE THE END OF THIS GENERAL ASSEMBLY AND THE START OF SUBSTANTIVE DISCUSSION ON GN'S EARLY NEXT YEAR.
3. MEANWHILE (AND NOTWITHSTANDING SIR N HERNERSON'S HELPFUL TELNO 3233), NO-ONE HERE IS SURE WHAT POSITION THE US WILL FINALLY TAKE ON RESOLUTION 34/138. THE CONFUSION MATCHES THE VARIETY OF BACKGROUND BRIEFING GIVEN BY THE US DELEGATION IN CANCUN. KITTANI DID NOT MAKE HIMSELF ENTIRELY CLEAR TO MRS KIRKPATRICK ON THE RELATIONSHIP HE SAW BETWEEN THIS RESOLUTION AND HIS OWN SHORT ONE, ALTHOUGH HE SAID THAT 138 MUST BE ACCEPTED AS AN HISTORICAL FACT. HE SOUGHT HOWEVER TO REASSURE HER ON THE INDEPENDENT CHARACTER OF THE SPECIALISED AGENCIES AND THE PROTECTION OFFERED TO AMERICAN POSITIONS BY THE CONSENSUS REQUIREMENT.
4. MRS KIRKPATRICK TOLD HIM THAT, PROTECTION OR NOT, THE US DID NOT WISH TO BE PLACED IN ISOLATION. BUT HIS IDEAS WOULD BE EXAMINED CLOSELY IN WASHINGTON. (WE UNDERSTAND THAT SHE WAS IN WASHINGTON FOR THIS PURPOSE TODAY.) IT IS NOT CERTAIN THAT PLENARY DISCUSSION WILL TAKE PLACE NEXT WEEK. KITTANI IS ANXIOUS TO PREVENT POLITICAL GRANDSTANDING. HIS STAFF TELL US THAT HE INTENDS TO CONTINUE BILATERAL DISCUSSION OF THE US PRE-CONDITIONS IF NECESSARY UNTIL LATE NOVEMBER. HE DOES NOT AIM TO START SUBSTANTIVE DISCUSSION OF THE GN'S (LET ALONE LAUNCH THEM) UNTIL THE CONDITIONS ARE SETTLED. NBUT THERENREMAINS A RISK THAT IF HE BOGS DOWN HE MAY TRY TO SHORT-CIRCUIT : OR THAT THE ATMOSPHERE WILL DETERIORATE.

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/ 5. THE G77

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5. THE G77 HAVE THEIR OWN PROBLEMS. SINCE HIS RETURN FROM CANCUN BEDJAOUI HAS SOUNDED VERY POSITIVE. HE HAS ASKED TO ADDRESS THE TEN, PROBABLY NEXT WEEK. THE ALGERIAN MISSION HAVE TOLD US THAT HE DID EVERYTHING HE COULD TO CONVEY THE CONSTRUCTIVE ATMOSPHERE OF CANCUN TO THE G77, BUT GOT A MIXED RESPONSE AND FROM SOME AT LEAST THE VIEW THAT THE FORMULA ON GN'S WAS A DEFEAT: AND THAT THEY MUST FIGHT AT ALL COSTS TO PRESERVE RESOLUTION 138. THE ALGERIANS HAVE BEEN TAKING THE LINE WITH US THAT IT IS NOW UP TO ALL MODERATES INCLUDING THE TEN TO KEEP THE SHOW ON THE ROAD.
6. THERE IS SOMETHING IN THIS. I AM DUE TO SEE KITTANI AND BEDJAOUI ON MONDAY. MRS KIRKPATRICK ALSO WANTS TO ADDRESS THE TEN NEXT WEEK. IT WILL HELP TO HAVE AN EARLY ACCOUNT OF THE NORTH/SOUTH GROUP MEETING AS A BASIS FOR OUR OWN RESPONSE AS A COMMUNITY.
7. FCO PASS SAVING EC POSTS AND UKDEL OECD.

PARSONS

[REPEATED AS REQUESTED]

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ADDITIONAL DISTRIBUTION

NORTH/SOUTH

SUBJECT

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 1508/81

T 1508/81

EMBAJADA DE MEXICO

MEXICO CITY 29 OCTOBER 1981

DEAR MADAM PRIME MINISTER,

AT THE CONCLUSION OF THE INTERNATIONAL MEETING ON CO-OPERATION AND DEVELOPMENT, I WOULD LIKE TO EXPRESS TO YOU MY HIGHEST RECOGNITION FOR YOUR PRESENCE AND OUTSTANDING CONTRIBUTION TO THE MEETING AT CANCUN. THE SUCCESSFUL ACHIEVEMENT WAS THE RESULT OF INDIVIDUAL CONTRIBUTIONS MADE BY EACH ONE OF THE ATTENDANTS TO THE EXAMINATION IN DEPTH OF THE TOPICS AND TO THE ATMOSPHERE OF OUTSTANDING CORDIALITY WHICH PREVAILED AT ALL TIME.

AT THE SAME TIME IT IS MY PLEASURE TO DELIVER UPON YOUR HANDS THE CO-CHAIRMEN'S RESUMÉ WHICH MR. PIERRE ELLIOT TRUDEAU, PRIME MINISTER OF CANADA, AND MYSELF ISSUED AT THE TERMINATION OF THE SAID MEETING.

I AM SURE THAT THIS RESUMÉ WITTEN UNDER THE CO-CHAIRMEN'S RESPONSIBILITY SHOWS IN EARNEST THE GENERAL TREND OF THE DEBATES, ALTHOUGH, CERTAINLY NOT ALL ITS COMPLEXITY AND ABUNDANCE, IT COLLECTS AND UNDERLINES THE CONVERGENCIES OF THE POINTS OF VIEW WHICH WERE EXPRESSED ALONG THE DISCUSSION. HOWEVER, GIVEN ITS LIMITED LENGTH, IT DOES NOT REFLECT THE EXTENDED ARGUMENTATION ON WHICH THEY WERE BASED. IT ALSO REFLECTS THOSE QUESTIONS ON WHICH DISSENTING APPROACHES WERE NOTICEABLE AND ACKNOWLEDGES THAT THEY WERE EXPRESSED IN AN OPEN AND CORDIAL MANNER. FINALLY, IT ENUMERATES THE POLITICAL ORIENTATIONS FOR FUTURE ENDEAVOURS OF CO-OPERATION WHICH EMERGED FROM THE DEBATES, AS WELL AS IMPORTANT PROPOSALS WHICH SOME ATTENDANTS BROUGHT OUT IN ORDER FOR THEM TO BE ANALYSED WITHIN THE APPROPRIATE FORA.

WHEN REFERRING TO THE GLOBAL NEGOTIATIONS THE RESUMÉ REPRODUCES THE TEXT AGREED BY ALL THE ATTENDANTS AT THE LAST SESSION OF THE MEETING. IN THIS REGARD THIS PARAGRAPH IS THE ONLY ONE IN THE RESUMÉ WHICH CONSTITUTES THE FORMAL EXPRESSION, IN NEGOTIATED LANGUAGE, OF THE CONSENSUS OF THE TWENTY-TWO ATTENDANTS. FOR THIS REASON, I EMBRACE THE

CONVICTION

- 2 -

CONVICTION THAT THE CONCEPTS UPON WHICH WE AGREED WILL FACILITATE THE NECESSARY AGREEMENTS, IN THE UNITED NATIONS, FOR A PROMPT START OF THE VARIOUS GLOBAL NEGOTIATIONS.

THE RESUMÉ MENTIONS THE MOST POSITIVE AND CONSTRUCTIVE SPIRIT WHICH PREVAILED ALL DURING THE MEETING. I THINK THAT THE ESTABLISHMENT OF THIS "SPIRIT OF CANCUN" IS OUR MAIN CONTRIBUTION. IN ORDER FOR IT TO BE LASTING, HOWEVER, IT MUST CONTINUE TO LINGER ON IN THE OTHER INSTANCES, MORE FORMAL, IN WHICH WE OURSELVES OR OUR REPRESENTATIVE DELEGATES WILL DEAL WITH THE SAME COMPLEX PROBLEMS OF INTERNATIONAL CO-OPERATION FOR DEVELOPMENT AND THE REACTIVATION OF THE WORLD ECONOMY.

MORE CONCRETELY I WOULD LIKE TO CONVEY TO YOU MY CONVICTION THAT, AS WE SHALL DISCUSS AT THE ESTABLISHED FORA THE VARIOUS QUESTIONS WHICH WERE BROUGHT OUT AT CANCUN, THE ATTITUDE OF OUR DELEGATIONS WILL BE LED AND ORIENTED BY SUCH SPIRIT, AND BY THE MORE CONCRETE STATEMENTS INCLUDED IN THE TEXT OF THE CO-CHAIRMEN'S RESUMÉ. THIS LOYALTY TO THE SPIRIT AND THE INFORMAL UNDERSTANDINGS AT CANCUN WILL, OF COURSE, BE PUT ON TRIAL IN A MORE CONCRETE AND IMMEDIATE BASIS WHEN THE DISCUSSION ON THE PREPARATIONS FOR THE GLOBAL NEGOTIATION RESUMES AT THE UNITED NATIONS.

WE HAVE ALSO AGREED TO CONTINUE GIVING OUR PERSONAL ATTENTION TO THOSE QUESTIONS THAT TOGETHER WE DEBATED AT CANCUN. I WOULD BEG YOU TO FEEL FREE TO ADDRESS ME PERSONALLY WHENEVER YOU CONSIDER THAT ANY OF THESE QUESTIONS REQUIRES OUR PERSONAL CONSIDERATION AND DECISION. I, UNDOUBTEDLY, WILL DO IT WHENEVER I FEEL IT TO BE NECESSARY.

IT IS IN THIS INFORMAL AND DIRECT CONTACT BETWEEN US THAT THE SPIRIT WHICH TOGETHER WE WERE ABLE TO DEVELOP DURING OUR TWO-WORKING

DAYS



EMBAJADA DE MEXICO

- 3 -

DAYS AT CANCUN, WILL BE ABLE TO MATERIALIZE AND BECOME EFFECTIVE.

ONCE MORE I WOULD LIKE TO EXPRESS TO YOU, MADAM PRIME MINISTER, WHAT A HIGH PRIVILEGE IT WAS FOR ME TO RECEIVE YOU PERSONALLY IN CANCUN, AND HOW I HAVE APPRECIATED YOUR OUTSTANDING CONTRIBUTION TO THIS MEETING.

PLEASE ACCEPT MY FRIENDLY AND CORDIAL REGARDS,

JOSE LOPEZ PORTILLO
PRESIDENT OF MEXICO



México, D. F., 30 de octubre de 1981.

Señora Primera Ministro:

Al término de la Reunión Internacional sobre Cooperación y Desarrollo, deseo manifestar a usted mi más vivo reconocimiento por su presencia y destacada contribución a la Reunión de Cancún. El exitoso resultado conseguido no fue sino la suma de las aportaciones de cada uno de los participantes, tanto al examen de los temas de fondo cuanto al ambiente de extraordinaria cordialidad que privó en todo momento.

Al mismo tiempo, hago llegar a sus manos el texto del Resumen de los Copresidentes, que el señor Pierre Elliot Trudeau, Primer Ministro del Canadá, y el suscrito dimos a conocer al término de la Reunión.

Estoy cierto que este Resumen, redactado bajo la responsabilidad de los Copresidentes, refleja correctamente la orientación general de los debates, aunque, desde luego, no en toda su complejidad y riqueza; recoge y subraya las convergencias de puntos de vista que se manifestaron a lo largo de la discusión, si bien, por su limitada extensión, no reproduce la amplia argumentación en que se apoyaron; apunta las cuestiones en que se advirtieron enfoques divergentes, y reconoce que los mismos se expusieron de manera franca y cordial; enumera, finalmente, las orientaciones políticas para acciones futuras de cooperación que se desprendieron de los debates, así como las importantes propuestas que algunos participantes llevaron a la mesa, a fin de que las mismas sean examinadas en los foros adecuados.

Al referirse a las negociaciones globales, el Resumen reproduce el texto que fue convenido entre todos los participantes en la sesión última de la Reunión. En este sentido, este párrafo es el único, dentro del Resumen, que constituye la expresión formal, en lenguaje negociado, del consenso de los veintidós participantes. Por esta razón, abrigo la convicción de que los conceptos en que convinimos facilitarán los acuerdos necesarios, en las Naciones Unidas, para un pronto inicio de la Serie de Negociaciones Globales.

El Resumen menciona el espíritu en extremo positivo y constructivo que prevaleció a lo largo de la Reunión. Pienso que es el establecimiento de este "espíritu de Cancún" la principal de nuestras contribuciones. Para que su expresión sea duradera, el mismo deberá seguirse manifestando en las otras instancias, más formales, en que nosotros o nuestros delegados aborden los mismos complejos problemas de la cooperación internacional para el desarrollo y la reactivación de la economía mundial.

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Más concretamente, deseo hacer llegar a usted mi convicción de que, al discutir en los foros establecidos las diversas cuestiones que abordamos en Cancún, la actitud de nuestras delegaciones se guiará y orientará por ese espíritu y por las expresiones más concretas del mismo relativas a los diversos temas, recogidas en el texto del Resumen de los Copresidentes. Esta fidelidad al espíritu y los entendimientos informales de Cancún será, desde luego, puesta a prueba de manera más concreta e inmediata cuando, en las Naciones Unidas, se reanude la discusión sobre los preparativos para la negociación global.

Hemos convenido también en seguir prestando atención personal a las cuestiones que juntos debatimos en Cancún. Ruego a usted sentirse libre de dirigirse personalmente a mí siempre que considere que alguna de estas cuestiones reclama la consideración y decisión de nosotros mismos. Yo lo haré, sin duda, siempre que lo estime necesario.

Es en este contacto informal y directo entre nosotros en el que podrá materializarse y tornarse efectivo el espíritu que, juntos, fuimos capaces de desarrollar en nuestros dos días de trabajos en Cancún.

Una vez más, deseo manifestar a usted, Señora Primera Ministro, cuán elevado privilegio significó el recibirla personalmente en Cancún y cuánto he apreciado su significativa contribución a los trabajos de la Reunión.

Reciba un saludo cordial y amistoso.

Lic. José López Portillo,
~~Presidente Constitucional de los Estados Unidos Mexicanos.~~

A la Excelentísima Señora
Margaret Thatcher MP,
Primera Ministro del Reino
Unido de la Gran Bretaña.



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

CONCUN 1981

IMCD/DOC. 2
ORIGINAL: ENGLISH
October 23, 1981

SUMMARY BY THE CO-CHAIRMEN OF THE INTERNATIONAL
MEETING ON COOPERATION AND DEVELOPMENT

SUMMARY BY THE CO-CHAIRMEN OF THE INTERNATIONAL
MEETING ON COOPERATION AND DEVELOPMENT

We, the Co-Chairmen, had the great honour to preside over a meeting of Heads of State and Government designed to focus on relationships between North and South, particularly the serious economic problems confronting the international community. The United Nations Secretary-General attended as a special guest.

We strongly believe that the very fact that 22 leaders from some of the world's most influential yet diverse countries were prepared to come to Cancun and discuss these issues clearly demonstrated the importance and gravity that they attached to them. The North/South relationship was seen as one of the most serious challenges to be faced in the coming decade, ranking with and linked to the maintenance of world peace, as a priority for the attention of all governments.

The spirit which prevailed among us as we addressed these fundamental issues was extremely constructive and positive. It was clear from the outset that we were not here - indeed we could not be here - to take decisions on behalf of the rest of the world. Our task was rather to bring our voices to bear at the highest level on the fundamental issues, to identify the major problems and to try to evaluate and promote possible solutions. With this end in mind we spoke openly and frankly to one another and did not try to evade the hard issues. Nor did we indulge in recrimination or casting of blame on others. We were not bound by traditional bureaucratic entanglements nor did we allow ourselves to be shackled by posturing or rhetoric. The atmosphere throughout was receptive to new ideas and approaches and a willingness to listen and understand. We believe that together we succeeded in creating a spirit of genuine confidence and trust amongst ourselves.

Our task now will be to ensure that we build upon this trust and understanding, carry this momentum forward into the future and translate thought into action and progress with the aim of revitalizing the world economy and accelerating the development of developing countries. It is in this light that Heads of State and Government were clearly determined to attack

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the problems on an urgent basis in the international institutions existing for this purpose, and to continue to give their personal attention to this process.

Obviously there were differences of view expressed. Among 22 very diverse nations it could not be expected that interests would be identical or approaches necessarily the same. But what struck us most forcefully were the many areas of shared priorities and of common ground. Thus, while various roads were suggested to solve the problems facing us, in virtually every case the basic objectives were shared by all of us.

All participants recognized the importance of interdependence in terms of the functioning of their economies, reflected in the fact that the economic prosperity of any country or group of countries increasingly depends on the existence of conditions for growth and stability in other nations. They all appreciated that many of the economic problems which beset them individually could only be solved through joint action among states and that in this sense there was a high degree of mutual self-interest involved in promoting closer international cooperation. There was a strongly shared view that in the global community the problems of economic disparities among nations needed to be seen as the responsibility of all and therefore required concerted action. The view was expressed that, in an increasingly integrated world economy, no country or group of countries can evade their responsibilities. In this respect, regret was voiced about the absence of the Soviet Union from the Meeting.

At the same time the importance of strengthening and increasing the effectiveness of cooperation among developing countries was seen as an element of growing significance in international relations. Many participants regretted the amount of resources devoted to armaments which could be better employed for developmental purposes.

It was recognized that many of the problems were deep and complex and not subject to quick or simplistic solutions. With a long and difficult period ahead, leaders committed themselves to working together to try to build an international economic order in which all states would be able to realize their potential with equal opportunities, and the developing countries in particular would be able to grow and develop according to their own values.

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The Heads of State and Government confirmed the desirability of supporting at the United Nations, with a sense of urgency, a consensus to launch Global Negotiations on a basis to be mutually agreed and in circumstances offering the prospect of meaningful progress. Some countries insisted that the competence of the specialized agencies should not be affected.

With respect to substance we focussed on what we viewed as the major issues and the challenges facing the world economy under the headings of: food security and agricultural development; commodities, trade and industrialization, energy; and monetary and financial issues. Throughout the Meeting the discussion was pragmatic and direct, touching both on broad approaches and frequently on specific details. These discussions made clear the political will of all participants at Cancun to move forward and to take action.

Food Security and Agricultural Development

Discussions on this topic indicated several general areas of understanding and shared viewpoints regarding the following principal questions:

- Persistent and widespread manifestations of hunger are entirely incompatible with the level of development attained by the world economy and, in particular, with existing food production capacity. Within as brief a period as possible, hunger must be eradicated. This objective is clearly an obligation of the international community and constitutes a first priority both at the national level and in the field of international cooperation.
- Sustained and long-term internal effort on the part of the developing countries to attain increasing self-sufficiency in food production is the basic element in obtaining a real answer to the problem of hunger. Nevertheless, this effort requires timely and sufficient international technical and financial support in coordination with internal policies and strategies.
- First, developing countries should define and put into operation, with the aid of ample and effective international support, national food strategies covering the entire cycle of food production, productivity,

distribution and consumption, that include effective action for rural development, by means of increasing incomes of food producers, which, paradoxically, are the ones most affected by hunger.

- Food aid should be seen as a temporary tool in emergency situations. Such situations could well continue to exist -perhaps unfortunately at an even higher scale- over the next years; but food aid should not be used as a permanent replacement for the necessary development of the required food production in developing countries themselves.
- The rate of population growth in some countries leads to increases in food demand that are difficult to meet.
The experience of a certain number of countries has shown that development of a population policy aids in solving some of the most acute aspects of the food problem.
- The workings of international agricultural and food organizations operating within the framework of the United Nations need to be reviewed in order to avoid duplication of work, to use available resources more effectively and to improve their general efficiency.

A number of other points were mentioned during the course of the debate. Among the more important were the following:

- A long-term program geared to the eradication of hunger by the year 2000 should be prepared, including elements of both internal effort and international cooperation.
- A number of steps could be taken to improve the effectiveness of food security mechanisms. Among these are the negotiation of a new international grains agreement; coordination of national food reserves; expansion of the International Emergency Food Reserve, increasing the predictability and continuity of contributions to it; establishment of reserves sufficient to cover the food security needs of developing countries, especially the least developed.

. . .

- Task forces could be sent from developed to developing countries, in order to assist the latter in developing and implementing agricultural programs and effectively disseminating high-productivity agricultural techniques.
- International trade conditions also exert a considerable influence on the agricultural and food situation of developing countries. Trade barriers raised against agricultural products hinder the growth of agricultural activity and the achievement of food security objectives.
- The recent setting up of a "food facility" within the compensatory financing scheme in the International Monetary Fund constitutes an important step. In the future, however, it would be necessary for the resources allocated and the terms of access to those resources to be more compatible with the needs of food-importing developing countries.
- The International Fund for Agricultural Development (IFAD) requires prompt replenishment of its resources so that it may continue its operations without interruption.

Commodities, Trade and Industrialization

Participants addressed a range of problems under this item.

- Noting the slow progress in implementing the UNCTAD Integrated Program for Commodities, particularly in the negotiation of new commodity agreements, they agreed on the need to complete procedures for bringing the Common Fund into operation. Because earnings from commodity exports are of fundamental importance to the economic growth and stability of developing countries, a range of possible approaches was suggested including more intensive efforts to negotiate effective international agreements to stabilize commodity prices, and other measures aimed at stabilizing developing country earnings from commodity exports.

- The need to improve the Generalized System of Preferences for developing countries was also recognized, as well as the need for continued efforts on the part of governments to resist protectionist pressures.
- Several participants noted the contribution which the proposed GATT Ministerial Meeting in 1982 could make to addressing trade problems of developing countries, including barriers to trade in agriculture and obstacles to the further processing of their raw material exports.
- A number of participants referred to the importance of industrialization of developing countries and the contribution which increased trade could make to this objective. Restructuring of developed country industries was identified as being relevant to this objective, as was a positive result from the renegotiation of the Multifibre Arrangement.
- The need to help developing countries improve their infrastructures, including transportation and storage facilities, was also raised and a proposal for mobilizing resources to this end was presented.

Energy

- It was recognized that energy is one of the key problem areas of the 1980s that must be tackled seriously and urgently. The problem was characterized more as a global one than as purely a North-South issue.
- In order to ensure an orderly transition from the era of hydro-carbons to the era of diversified energy sources, the proposal for a World Energy Plan as a framework providing an overall approach covering this complex process was recalled and interest expressed in it.
- The potential contribution of regional energy cooperation schemes was also pointed out in the discussion.
- It was also recognized that energy conservation must be pursued by major oil-consuming countries. Development of new and renewable sources of energy also required emphasis, as was agreed at the recent Nairobi Conference.

- Emphasized in the discussion was the serious problem developing countries face in meeting their large energy import bills which for many represent a good part of their limited foreign exchange earnings.
- The need for increased energy investment, from both private and official sources, in developing countries was stressed. Support was expressed by many participants for expanded energy lending in developing countries by the World Bank and, in this respect, the establishment of an Energy Affiliate was advocated.
- Some participants suggested the need for better exchange of information between energy producing and consuming countries in order to facilitate long-term energy planning.

Monetary and Financial Issues

- Participants reviewed the financial difficulties being experienced by developing countries with regard to their balance of payments deficits, their debt service burden and their development financing needs.
- They discussed conditions of access⁸ by developing countries to the various sources of financing and the role of the relevant multilateral institutions, in particular the International Monetary Fund and the World Bank, in the light of the current economic and financial problems facing developing countries.
- Points raised by some participants in the discussion included the impact of high interest rates, the creation and distribution of liquidity and role of the SDR as a main reserve asset and in financing development, IMF conditionality, the decision-making process in the international financial institutions, access to capital markets and the respective role of private and official sources of external capital in development financing.
- Several suggestions were noted for improved international financial cooperation.

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DESKBY 230830Z

FROM UKDEL CANCUN 230550Z OCT 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 30 OF 23 OCTOBER 1981.

INFO PRIORITY UKMIS NEW YORK WASHINGTON UKREP BRUSSELS ROUTINE
PARIS BONN UKMIS GENEVA UKDEL OECD.

CANCUN SUMMIT: FIRST DAY.

1. OVER DINNER ON 21 OCTOBER TRUDEAU WAS CHOSEN AS CO-CHAIRMAN TO REPLACE THE ABSENT KREISKY.
2. THE FIRST SESSION ON 22 OCTOBER WAS DEVOTED TO A GENERAL DEBATE, COMPOSED OF A SERIES OF PREPARED STATEMENTS. THIS WAS PROLONGED TILL 3 PM, SO AS TO COMPLETE THE GENERAL DEBATE IN ONE SESSION.
3. THE GENERAL DEBATE WAS ON PREDICTABLE LINES, THOUGH SPEAKERS TRIED TO AVOID CONFRONTATION, AND THERE WAS NO HOSTILITY. ALGERIA, FOR EXAMPLE, FOLLOWED THE TRADITIONAL G77 APPROACH IN ADVOCATING STRUCTURAL CHANGES WHILE BRAZIL AND INDIA ADOPTED A MORE MODERATE AND PRACTICAL APPROACH. ALL SPEAKERS (EXCEPT THE UNITED STATES - SEE BELOW) SUPPORTED GLOBAL NEGOTIATIONS AND WANTED THE SUMMIT TO HELP IN LAUNCHING THEM.
4. PRESIDENT REAGAN GAVE A SYMPATHETIC PRESENTATION OF THE LINE SET OUT IN HIS PHILADELPHIA SPEECH, ARGUING FOR ECONOMIC FREEDOM AND OPEN MARKETS. THE UNITED STATES STOOD BY THE FORMULA IN THE OTTAWA DECLARATION ON GLOBAL NEGOTIATIONS. THEY WERE NOW READY TO ENGAGE IN NEW PREPARATORY TALKS TO SEE WHAT COULD EMERGE AND THOUGHT IT MIGHT BE USEFUL IF OFFICIALS COULD MEET TO EXPLORE THIS WAY FORWARD IN THE COMING MONTHS.
5. THE AMERICANS HAVE EXPLAINED TO US PRIVATELY THAT THEY ENVISAGE A LIMITED GROUP OF OFFICIALS (NOT NECESSARILY FROM THE CANCUN COUNTRIES) MEETING TO DEFINE A PROGRAMME OF WORK WHICH WOULD BE PURSUED IN THE COMPETENT SPECIALIST BODIES. THERE WOULD, IN PRACTICE, BE NO ROLE FOR THE UN GENERAL ASSEMBLY. NO OTHER DELEGATION HAS YET RESPONDED TO THIS SUGGESTION IN PRESIDENT REAGAN'S STATEMENT FOR A FOLLOW-UP TO CANCUN.
6. THE PRIME MINISTER MADE CLEAR THAT WE WERE VERY MUCH AWARE OF THE PROBLEMS FACING DEVELOPING COUNTRIES AND WANTED TO HELP AS MUCH AS WE COULD. IT WAS NECESSARY TO HELP COUNTRIES TO DEVELOP THEIR POTENTIAL: WE BELIEVED THAT THOSE WHO ADOPTED OPEN SYSTEMS HAD DONE BEST. ON GLOBAL NEGOTIATIONS, SHE SUGGESTED THAT ALL COULD AGREE THAT WE NEEDED GLOBAL DISCUSSIONS AND GLOBAL UNDERSTANDINGS, COVERING ALL SUBJECTS IN THE ORIGINAL UN RESOLUTION. WE WERE READY TO ENTER A NEW ROUND OF PREPARATIONS WHICH COULD BE A POSITIVE PRACTICAL LEAD EMERGING FROM THIS MEETING.

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7. THE SECOND SESSION WAS DEVOTED TO FOOD, WHERE SKILFUL CHAIRMANSHIP BY TRUDEAU STIMULATED SOME GENIUNE DEBATE.

8 THE MAIN POINTS WERE:-

(A) THE PROMOTION OF LOCAL FOOD PRODUCTION SHOULD HAVE FIRST PRIORITY. FOOD AID, THOUGH IMPORTANT AT TIMES, WAS A SECONDARY ISSUE.

(B) FINANCIAL INCENTIVES FOR FARMERS WERE IMPORTANT WHILE CONSUMER SUBSIDIES COULD BE UNHELPFUL.

(C) TECHNICAL TRAINING AND TECHNICAL ASSISTANCE MADE A VITAL CONTRIBUTION.

(D) PRESIDENT REAGAN OFFERED TASK FORCES OF VOLUNTEER FARMERS TO HELP IN PREPARING FOOD STRATEGIES. WALDHEIM POINTED OUT THAT THE U N WAS ALREADY DEEPLY ENGAGED IN THIS, BUT LACKED FUNDS.

(E) THE MANY INTERNATIONAL AGENCIES DEALING WITH FOOD QUESTIONS SHOULD BE RATIONALISED.

9. THIS DEBATE WELL REFLECTED POINTS MADE ON FOOD BY THE PRIME MINISTER IN HER OPENING STATEMENT. SHE ALSO MADE CLEAR THAT WE WERE READY TO DEVOTE A GREATER SHARE OF OUR AID TO AGRICULTURE TO COUNTIRES WHICH WANTED THIS.

10. DEBATE WILL RESUME TOMORROW ON TRADE, ENERGY AND FINANCE.

FCO PSE PASS TO ALL

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FM F C O 231020Z OCT 81
TO IMMEDIATE UKDEL CANCUN
TELEGRAM NUMBER 72 OF 23 OCTOBER 1981

FOR PATTISON.

U S PRIVATE FLOWS TO DEVELOPING COUNTRIES.

1. THE FIGURE FOR U S PRIVATE FLOWS IN THE TABLE PRODUCED FOR CHOGM (WHICH WE REPRODUCED AT THE REQUEST OF YOUR DUTY CLERK) SHOULD BE U S DOLLARS 4.3 BILLION (REPEAT U S DOLLARS 4.3 BILLION) AS ORIGINALLY SET OUT AND NOT (REPEAT NOT) THE FIGURE GIVEN BY TELEPHONE YESTERDAY.

2. WHEN THE TABLE WAS ORIGINALLY PRODUCED IN MID-SEPTEMBER, WE QUESTIONED THE LOW U S FIGURE WITH THE OECD DEVELOPMENT ASSISTANCE COMMITTEE (DAC) SECRETARIAT WHO ARE THE SOURCE OF THE STATISTICS USED. THEY CONFIRMED THAT THE U S FIGURE WAS U S DOLLARS 4.3 BILLION. FOLLOWING YOUR ENQUIRY YESTERDAY, WE CHECKED THE U S FIGURE WITH THE LATEST DAC PAPER ON PRIVATE FLOWS WHICH WAS RECEIVED ON 8 OCTOBER. IN THIS DOCUMENT, THE U S TOTAL FOR BILATERAL PORTFOLIO LENDING HAD BEEN INCREASED BY SOME U S DOLLARS 10 BILLION GIVING A TOTAL FOR U S PRIVATE FLOWS OF U S DOLLARS 14.5 BILLION. THIS WAS THE FIGURE PASSED TO YOU YESTERDAY. WE HAVE SINCE CHECKED BACK WITH THE DAC SOURCES IN PARIS. THEY TELL US THAT THE FIGURE FOR U S BILATERAL PORTFOLIO LENDING IN THE MOST RECENT DOCUMENT WAS A MISPRINT BY THE DAC SECRETARIAT (THE DECIMAL POINT HAD SLIPPED TWO PLACES) AND THAT THE ORIGINAL FIGURE FOR TOTAL U S FLOWS WAS IN FACT CORRECT. THE DAC SECRETARIAT OFFER THEIR APOLOGIES, TO WHICH WE ADD OURS, FOR THE INCONVENIENCE CAUSED. IN EITHER CASE THE U S REMAINS IN BOTTOM PLACE AMONG DAC COUNTRIES IN GNP PERCENTAGE TERMS, BUT THE DAC APPRECIATE THE EMBARRASSMENT CAUSED BY THEIR UNCERTAINTY OVER THE USA'S STANDING IN GROSS TERMS.

CARRINGTON

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✓. master set.

SUBJECT.

NOTE ON A DISCUSSION IN THE PRIME MINISTER'S ROOM AT
CANCUN ON 23 OCTOBER AT 1630

Present:

Prime Minister	President Mitterrand
Mr. Alexander	M. Cheysson
	Herr Genscher
	Herr Lautenschlager

/Much of the discussion was purely social but
one or two points of substance were made.7

The Prime Minister said that M. Mitterrand,
Herr Genscher and herself had all been relatively quiet
during the Conference discussion. This was a good thing
because it encouraged the developing countries to express
their views. It was clear that all the participants wanted
to agree on an outcome which would be acceptable to all or,
at least, not embarrassing for them. Failing an agreement
of some kind the press would brand the meeting a failure.
Clearly it was important for President Lopez Portillo and
Chancellor Kreisky that this should not happen.
M. Mitterrand and Herr Genscher agreed.

The Prime Minister, M. Mitterrand and Herr Genscher
then went through a Canadian text on global negotiations
for inclusion in the co-chairmen's statement. All agreed
that the Canadian text was acceptable.

M. Mitterrand said President Reagan's statement of
the previous day and the American position in general
struck him as surprisingly inflexible. He thought that
the Prime Minister's intervention had been most helpful.

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/He agreed

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He agreed with the priority attached by the Prime Minister to the finding of sensible methods of making progress. The Prime Minister commented that she thought some of the real problems facing the participants had shown up in that morning's discussions. It was clear that the developing countries wanted, and indeed needed, more aid. What was not acceptable was the constant effort on their part to turn sound financial institutions into unsound ones.

The Prime Minister asked M. Mitterrand for his assessment of the consequences which would flow from the Greek election result. M. Mitterrand said that he doubted whether Mr. Papandreou would seek an early withdrawal from the European Community. After all he had said nothing about withdrawal during his election campaign. Herr Genscher expressed his personal confidence that M. Papandreou would decide not to leave.

The Prime Minister asked whether Mr. Papandreou would be difficult to deal with. M. Mitterrand said that Mr. Papandreou was a proud man whose family had suffered at the hands of a previous regime. Nor had he ever forgiven the United States for supporting the Colonels in Greece. That said Mr. Papandreou was in fact a man with whom one could get on and do business. The Prime Minister asked about his attitude to NATO. (Mr. Mitterrand said that this was not of great concern to him. (He did not, however, demur when the Prime Minister expressed considerable surprise at this statement.) President Mitterrand said subsequently that he thought that the question of the new Greek Government's links with NATO was likely to give rise to more trouble than the links with the EEC.

The discussion ended at 1650.

23 October 1981

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✓ Mr. Nyerere ok.

SUBJECT.

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND
THE PRESIDENT OF TANZANIA? PRESIDENT JULIUS NYERERE, AT
CANCUN on 23 OCTOBER AT 1530

Present:

Prime Minister President Nyerere
Mr. Alexander

Tanzanian Economy

After an exchange of courtesies, the Prime Minister asked President Nyerere about the present state of his country's economy. President Nyerere said that up until 1977 matters had been going relatively well. However the combination of military hostilities and floods in 1978 followed by two years of drought and the oil price rise had seriously undermined the economy. Tanzania was now in trouble. The country's already small consumption of oil had had to be cut back. Even so 60 per cent of Tanzania's overseas earnings were being spent on oil. It was not easy to see what to do. In 1981, for instance, the weather had been kinder but none-the-less it would not be possible to import the fertiliser that was required. A country which had once been an exporter of food had last year imported 475,000 tonnes of grain and this year would require 260,000 tonnes. It was a mess!

The Prime Minister asked about the negotiations between the Tanzanian Government and the IMF. President Nyerere said that he understood the rationale which underlay the IMF package. But if he was to implement it there would be riots in the streets of Dar-es-Salam. He was not against devaluation in principle. Indeed he had devalued the shilling twice in the last decade. He was willing to do so again. But to suggest that a primary producing country like Tanzania should devalue by 50 or 60 per cent was ridiculous. Such a devaluation would not enable Tanzania to sell anything extra

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but it would radically increase the cost of imports. The suggestion that Tanzania should introduce a 30 per cent interest rate was similarly absurd. The suggestion that imports should be liberalised ignored the reality that Tanzania could only afford to import necessities. To drop price controls and remove subsidies would cause major trouble. The price of maize, for instance, had been doubled in the last year. The IMF now wanted to treble it.

President Nyerere said that if devaluation would produce the money he needed, he might be prepared to envisage it. The difficulty was that devaluation was a once for all operation but the IMF proposed to produce the money little by little. Tanzania desperately needed help from the IMF (President Nyerere mentioned a figure of \$1.3b. over the next three years) but the proposed conditions were too hard. The Prime Minister said that she was glad President Nyerere had spoken so frankly. It was important to gain an understanding of other people's problems. She sympathised deeply with Tanzania's position. As regards borrowing from the IMF, this amounted, of course, to borrowing from a bank. The IMF, as a bank, had to look at the terms on which it lent money. It was important to be careful not to force sound institutions to act in an unsound way. [This was clearly related more to the discussions in train at the Conference than to the problems of the Tanzanian economy.] President Nyerere said that he did not expect the IMF simply to write him a cheque. But some of the things that they were asking for were not practical. So long as they insisted on unrealistic conditions, Tanzania could get neither their money nor other people's. He would accept some conditions but it had to be recognised that people would take so much and no more.

/Cancun

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Cancun

In the course of a brief discussion of the prospects for the Conference, the Prime Minister said that she assumed there would be no communique. None-the-less something would have to be said by the co-chairmen about the global negotiations. President Nyerere agreed. He also agreed with the Prime Minister that the co-chairmen should summarise the proceedings on their own responsibilities. The participants at Cancun could not negotiate on behalf of others or commit non-participants.

The conversation ended at 1550.

Ant

23 October 1981

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PRIME MINISTER

PRESS CONFERENCE

You are to hold a Press Conference in the Media Centre at 8 a.m. for a maximum of 45 minutes. You will then go immediately to the Airport en route for Mexico City.

After your radio and TV interviews last evening, which were covered by Press Association for British Newspapers, the occasion will be very much one for the foreign journalists. As a result, it may well be difficult to keep it on Cancun rails, especially in view of the weight of Middle East journalists who have descended on this place.

I hope you will agree that I should preside and select questions and close the Conference promptly at 8.40 a.m. It is easier for me to stop silly questions and to apply the axe than it is for you.

Objective

This minute is being written without knowledge of the way the conclusion of the Conference has been received back home. But what is significant is that the Conference has ended on a positive, upbeat note in spite of predictions, whether implicit, in the British Press of today (Saturday) - see Annex I.

This means, I fear, that journalists will try to explore why the USA suddenly came on board and the extent to which you had a hand in it.

In these circumstances, I think it important that you underline your positive, practical approach to Cancun and how that has been rewarded because those taking part - notwithstanding all sorts of speculation - genuinely wanted it to succeed.

I attach a draft speaking note (Annex II) which I hope you will use by way of opening. It is deliberately brief and to the point: it is this which will be used by most journalists.

/I also

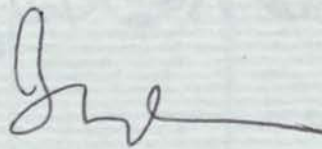
I also attach for reference the following Annexes:

Annex III - the draft statement by the co-chairmen,
opening at Page 4 with the insertion on global
negotiations;

Annex IV - your contribution to the opening Cancun
discussion, marked up in your own hand;

Annex V - your 1980 Lord Mayor's Banquet speech (open
at a passage dealing with relations with the developing
world) to demonstrate your consistency;

Annex VI - a rough note on the Sicartsa II platemill
contract which has been written specifically to
meet the sort of questions we have been getting
from the Press.



BERNARD INGHAM

23 October 1981

ANNEX I

The leading page one story in The Times is headlined "Third World Dismayed at Reagan's Hardline". This says leaders at the [redacted] North/South Summit at Cancun met for the second and final day amid murmurings of dismay among third world countries over the refusal of the United States to compromise on global negotiations. It adds that the American stance is taken as a sign that the Reagan Administration does not intend to make any far-reaching gestures to third world countries demanding a better deal from the North. The story says that Mrs. Thatcher, in her statement, added little to the known British position, adding that, under pressure from other European Community States, Britain has become more flexible towards the developing world. It says Mrs. Thatcher said again Britain would support the global negotiations, and although her Government attached some conditions to this, they are less tough than those of the US. The story concludes with Mrs. Thatcher extending her visit to Mexico by one day to fly to the capital for the signing of a steel mill contract won by Davy International. The Daily Mail has a long page seven piece by Andrew Alexander headlined "Why The Rich Get All The Aid And the Poor Sell T-shirts". The tone of the story is perhaps caught in the third paragraph: "For those who are cynical about the whole 'overseas aid' industry the Cancun Conference has been rich with ironical symbolism." "Reagan odd man out as Thatcher says aid continues" is the headline on a page five story in the Daily Telegraph, which is similar to that in The Times. A photo of Mrs. Thatcher appears alongside the story.

DRAFT SPEAKING NOTE

This has been a very successful conference - more successful, I think, than many of you expected it would be, but not significantly more successful than I expected.

I fully expected Cancun to be a success because I believe each and every one of the nations attending wanted it to succeed, whatever their approach to problems. They came determined to make it a success and to demonstrate that North and South, rich and poor, developed and developing or more developed and less developed could talk and plan constructively together.

That leads me to suggest that the two watchwords for this Conference were, as it happens, exactly those which were in my mind on my way to Cancun: positive, practical.

I believe that all of us here have been positive and we have been practical - that is we have demonstrated a will to advance co-operation between different countries of widely differing circumstances and resources while, at the same time, looking for practical ways of doing so and keeping our feet firmly on the ground.

I think we have achieved at least three things:

- we have greatly extended our understanding of each other's problems - a very healthy thing to have done;

/second

- second, I think as a result of this meeting we have actually come to know and like each other, notwithstanding our different points of view; that in itself is a major step forward;

- third, we have found a way of regenerating the concept of global negotiations and finding a way of moving them forward; we think we have found a way, through an energy affiliate of the World Bank, of making more resources available to help those countries which have few or undiscovered energy resources to improve their position - a way through that will tap additional funds in the form of income from the oil producers.

That, by any standards, is not a bad two days' work.

But we must be wary of expecting too much too quickly. What this Conference has done is to generate a greater political will to tackle the problems confronting the people of developing countries.

That in itself is enormously important - especially as I believe the developing countries recognise the very difficult political and economic circumstances now confronting the major industrialised nations. They know, for example, that they too stand to gain enormously from the industrialised countries getting - and keeping - inflation under control.

I would therefore like to conclude my opening remarks before I take questions by paying due tribute to the co-chairmen:

Pierre Trudeau, who stepped into the breach at the last minute because of Chancellor Kreisky's unfortunate illness; his very skilled chairmanship contributed enormously to the success of the Conference and the quality of its debate; and not least to

President Lopez Portillo who has done a magnificent job in organising and leading a most successful Conference. I very much admire the way in which he and his Mexican people have hosted the Conference. And I must take this public opportunity of thanking him for all that he has done to bring a wide cross-section of nations much closer together, of course, to generate a greater sense of urgency about poverty and hunger in the world.

Thank you for coming along at this early hour. I will now try to answer your questions.

COMMERCIAL RELATIONS AND EXPORTS DIVISION 1

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Telephone Direct Line 01-215 5458
Switchboard 01-215 7877



Kevin O'Sullivan Esq
ERD
Foreign & Commonwealth Office
Room G60G
Great George Street
London SW1

22 October 1981

Dear Kevin

CANCUN BRIEFING

The Prime Minister's party asked for supplementary material on Canada to complement that attached to Robin Gray's letter of 20 October to Peter Preston (copied to Richard Evans).

I leave the final choice of priority to you, but the deadline set was 221500Z. Can you also please attend to distribution if necessary?

Yours sincerely

Jan Meadway

R J MEADWAY

cc Duty Clerk,
10 Downing Street

DEPARTMENTS OF TRADE, INDUSTRY AND PRICES
and CONSUMER PROTECTION

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FOR PRIME MINISTER'S PARTY

CANCUN: SUPPLEMENTARY TRADE BRIEFING

CANADIAN TRADE POLICY

Saving to:-

Canadian tariffs on industrial goods are slightly higher than the CCT. Examples are: 13½% on machinery, 24½% on footwear (also restricted by quotas under safeguard action), 17½-25% on textiles and 22½-27½% on clothing. Preferential rates for developing countries are usually lower, but not zero. Preferential tariffs for British exports are being phased out. The Canadians do not use non-tariff barriers on any wide scale, although there are some troublesome practices in particular sectors,

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NOTHING TO BE WRITTEN IN THIS MARGIN

*P/a
Cameron files*

MR EVANS

cc Sir K. Couzens
Sir P. Preston
Mr. Bayne

Financial Flows

The FCO have told us this morning that:-

- 1) The US figure - \$4.3b. - was the published DAC figure available in September, when the table was originally offered to the PM;
- 2) In the last few days, the US figure has been revised to take account of certain portfolio lending, and should now read \$14.5b. This removes the UK into second place in the table, but still leaves the US bottom of the second table.

MAJ.

22 October 1981

MIKE PATTISON

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✓ ce. master set.

SUBJECT.

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND
THE PRESIDENT OF YUGOSLAVIA, MR KRAIGHER, IN CANCUN ON
THURSDAY 22 OCTOBER at 1600 HOURS

Present:

Prime Minister
Mr Alexander

Mr. Kraigher

The Conference

After an exchange of courtesies, President Kraigher said that he had been greatly interested by the Melbourne Declaration. It marked a significant step forward compared with the Communique issued after the Ottawa Summit. He thought the Declaration would assist in bridging the gap between developing and developed countries and thus to facilitate the efforts in the United Nations to reach agreement between the two groups of countries. It would be helpful to him if the Prime Minister could explain how the evolution in the position of the British Government had come about.

The Prime Minister said there was a difference between the Ottawa and the Melbourne documents. That issued in Ottawa had been short and precise. It had been agreed word by word by all the participants and recorded a position to which each of the participants could agree in every respect. The Melbourne document on the other hand was much more rhetorical. It expressed what the participants felt but was not a practical document. It was easy to make speeches. The difficulties began when one had to be precise. The significance of the discussions which had taken place earlier in the day was that they had shown the participants to be much closer to each other than one might have expected. The Prime Minister recalled that in Melbourne, the seven Commonwealth countries due to participate in the Cancun meeting had discussed together the likely course of events there. In the course of this discussion, it had become clear that the phrase "global negotiations" meant very different things to different people.

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/It was

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It was a piece of jargon. The Prime Minister said that she had therefore sought in her own statement to the Conference to set out what she thought might be the widest measure of agreement on the meaning of the phrase and thereby to make it possible to discern the most practical ways to make further progress. She had also sought to further the growing realisation that one could not achieve in a very large forum the specific and precise agreements which were necessary. For these one had to turn to the specialised agencies.

Mr. Kraigher said that the latter point had been acknowledged in the UN Resolution on global negotiations. There should be a political conference to achieve consensus on the broad objectives to be pursued. It would be for the specialised agencies to follow this up. Every member of the UN had their own views and their own interests. What was needed was a sensible political approach leading to gradual understanding among nations and thence to specific solutions. The approach set out by the Prime Minister in her statement had been very interesting because it provided the basis for further progress. President Reagan's intervention had also been helpful, particularly because in it he had repeated the line taken at the Ottawa meeting rather than the line he had taken in his recent speech in Philadelphia.

The Prime Minister asked President Kraigher which of the subjects being discussed in the Conference interested his Government most. President Kraigher said that Yugoslavia's own experience meant that they were most interested in matters relating to improvements in production and the spread of technology. Yugoslavia had diversified her economy in recent years. This had enabled the Yugoslavs to develop economic relations with many new countries. Concentration on these aspects of development had enabled Yugoslavia to resolve many problems. Although their progress had suffered a major setback as a result of the oil price rise and recent inflationary trends, their experience in the struggle to achieve self-reliance was something on which

/other

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-3-

other nations could draw. Only when a nation had achieved a degree of self-reliance could it join in the international division of labour. Yugoslavia had made one major mistake in its economic strategy: the importance of agriculture had been underestimated. As a result Yugoslavia which once had been an exporter of food now had to import food. Balance of payments problems had resulted.

In this connection President Kraigher mentioned that the Yugoslav Government greatly appreciated the contribution which the British Government had made to their stabilisation programme. The Prime Minister expressed appreciation of President Kraigher's remarks. HMG took a close interest in the situation in Yugoslavia and wished the Yugoslav Government well in its efforts.

Southern Africa

President Kraigher said that his Government took a keen interest in the situation in Southern Africa. They were keenly aware of the concern which many felt about the presence of Cubans in Angola and elsewhere. They believed that an early solution to the situation in Namibia would rapidly be followed by a solution to the question of the Cuban presence. How did the Prime Minister see the situation?

The Prime Minister said that the United States Administration now saw a better prospect than before that the South African Government would be prepared to move more quickly in Namibia. This had enabled the Five to achieve a greater degree of agreement in their approach to the problem. As well as holding discussions with the Front Line States the contact group would be seeing the South African Government, the internal parties and SWAPO. It was reasonable to hope that these discussions would be completed within a reasonably short period. Assuming they went well the contact group

/nations

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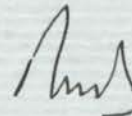
nations would go on to consider the issue of how to achieve fair elections in Namibia. It was possible that the entire independence process would be completed by the end of 1982. However one had to be prepared to envisage the possibility of delay.

The question of the Cuban presence in Angola could not be linked directly to that of Namibian independence. But it was of course also a factor. Like President Kraigher, the Prime Minister thought that the Cubans would leave Angola after Namibian independence had been achieved. This after all was what the Angolans wanted.

The Prime Minister said, in conclusion, that she was more hopeful than a few months ago that progress could be achieved. The South Africans had believe in the period after President Reagan's election that the US Administration would be more completely behind South Africa than had turned out to be the case. The Prime Minister herself had always been confident that the United States would in the event come round to the view of the other members of the contact group that Namibia would have to be brought to independence on the basis of the UN Resolution. This had in fact occurred. It was of course also true that the United States wanted to see the Cubans leave Angola.

At the end of the discussion, the Prime Minister told President Kraigher that she much admired what the Yugoslav Government was trying to do and that she followed their efforts closely.

The discussion ended at 1630.



22 October 1981

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CANCUN SUMMIT
22-23 OCTOBER 1981

1. Steering Briefing
2. Format and Procedures
3. Notes for Opening Statement
4. Economic Prospects for Developing Countries
5. Global Negotiations
6. Food Security and Agricultural Development
7. Trade
8. Energy
9. Monetary and Financial Issues
10. United Kingdom Aid Programme
11. ~~BILATERAL MEETINGS~~
12. Background Political and Economic Briefing on Mexico
13. Personality Notes
14. Documents circulated by other participants
15. NEW INTERNATIONAL ECONOMIC ORDER (NIEO) AND THE GLOBAL NEGOTIATIONS.

Briefs PMVQ(81) 1-14
are to be found in
CAB 133/519: this set
destroyed.
Brief 15 is attached
to Wayland, 17/5/11

THE NEW INTERNATIONAL ECONOMIC ORDER (NIEO) AND THE GLOBAL NEGOTIATIONS

A. The NIEO

1. The basic ideas of the New International Economic Order are:-

- (a) The world economic system is unfair to developing countries and needs fundamental structural change.
- (b) The problems of developing countries will be solved through international negotiations, rather than by their own efforts.
- (c) Developed countries should make massive transfers of resources to developing countries and should change their policies regarding trade, industrial adjustment, technology transfer and overseas investment so as to benefit developing countries.
- (d) International organisations should be re-organised to give more power to developing countries. (This means chiefly the IMF and IBRD.)

2. The NIEO is enshrined in UN documents dating from 1974. It was forced through by the developing countries (the G77), relying on the new bargaining power of OPEC. Developed countries went along reluctantly with the consensus, making reservations.

3. A small group of developing countries regard themselves as guardians of the NIEO and normally act as G77 spokesmen. They include Algeria, Venezuela, Tanzania and Yugoslavia. Others go along with varying enthusiasm, but none have broken G77 solidarity in public.

B. The Global Negotiations

4. The road to Global Negotiations began with UN General Assembly Resolution 34/138 of late 1979. In this Resolution the General Assembly decided

'To launch at its Special Session in 1980 a round of global and sustained negotiations on international economic co-operation for development!'

The negotiations should take place within the UN system with the participation of all states; should include major issues in raw materials, energy, trade, development, money and finance; and should be handled simultaneously, to ensure 'a coherent and integrated approach'. They are called 'Global' Negotiations both because the subjects are linked together and because all can take part.

5. The idea for Global Negotiations came from Algeria, who saw them as a means to promote the NIEO while frustrating separate discussion on energy, which would have focussed pressure on OPEC. The United States acquiesced at an early stage.

/The

The UK held out against them until isolated in the Community; but our partners favoured them either out of sympathy for the developing countries or as the only possible route to international discussion of energy.

6. Procedures for Global Negotiations were worked out as follows:-

- (a) A UN conference would meet in New York to set objectives and to remit subjects to specialised bodies, like IMF, FAO etc. Where no competent body existed (as for energy) ad hoc groups could be created.
- (b) The specialised bodies and groups would pursue detailed work and report back to the Conference.
- (c) The Conference would bring together all the results received into a 'package' agreement.

7. The G77 made two demands in the context of these procedures which caused great difficulty. They were:-

- (a) The Global Negotiations should result in legally binding commitments.
- (b) The UN Conference could give instructions to specialised bodies and, if necessary, alter and override the results of their work.

8. The developed countries were concerned that these procedures would undermine the integrity of the specialised bodies, especially the IMF, IBRD and GATT. Most developed countries (and most EC members) thought that adopting results by consensus would give adequate protection against this danger. The United States disagreed and insisted that the competence and powers of the specialised bodies should be explicitly protected. The UK and Germany supported the United States. In consequence, no agreement was reached on procedures at UN Special Session in September 1980 - and the agenda for Global Negotiations was barely discussed.

9. Discussion resumed on the margins of the General Assembly later in 1980. Baron von Wechmar, the West German President of the General Assembly, took an active role, independent of all instructions from Bonn. In mid December 1980 he produced texts for procedures, which contained some protection for specialised bodies, and a detailed agenda. But neither document was accepted in full by the United States or the G77. The Community also had reservations, especially about energy in the agenda.

10. Since the arrival of President Reagan's Administration there has been no further movement. The current position is as follows:-

/(a)



- (a) The Americans have made clear that they will not decide their position in advance of the Cancun Summit. While the Carter Administration had accepted the principle of the Global Negotiations, the Reagan Administration has so far only accepted it in a very qualified form, as in the Ottawa Declaration:

} 'a mutually acceptable process of global negotiations in circumstances offering the prospects of meaningful progress'.

- (b) The G77 have postponed their hopes for Global Negotiations, but have not abandoned them. In New York, the new Algerian spokesman for the G77 has restated their demands in uncompromising terms.
- (c) The Community (including the UK) have made clear on occasion their support for the principle of Global Negotiations. We remain as concerned as ever about protecting the integrity of the IMF, IBRD and GATT.
- (d) The new President of the General Assembly (Mr Kittani of Iraq) is preparing to reopen discussion of Global Negotiations once the results of Cancun are known. His own approach is very pragmatic. But he foresees difficulty with the G77.

Economic Relations Department

20 October 1981



20 JUL 1981

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DEPARTMENT OF TRADE
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TELEPHONE DIRECT LINE 01 215
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Sir Peter Preston KCB
Permanent Secretary
Overseas Development Administration
Eland House
Stag Place
London SW1E 5DH

20 October 1981

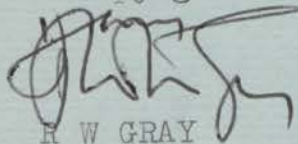
Dear Peter

CANCUN BRIEFING

At the briefing meeting on Monday, the Prime Minister asked us to put together a few trade-related "nuggets" on which she might draw if necessary in discussions at Cancun.

I am sending you under cover of this letter a note which deals fairly briefly with the points which were suggested. They are "nuggets", not rocks to be slung indiscriminately. It would be unwise generally to mention particular developing countries by name - anonymous examples are better.

A copy goes to Richard Evans.


H W GRAY

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CANCUN SUMMIT - TRADE NUGGETS

I. PROTECTIONISM BY NEWLY INDUSTRIALISING COUNTRIES (NICs)

In Brazil most items require an import licence though about 600 are subject to temporary prohibition or import licence suspensions. Under the 'Law of National Similarity' import licences are refused for any goods which can be manufactured in Brazil. Customs duties are among the highest in Latin America, ranging up to 205% for some goods which include textiles and footwear. Plus a severe import deposit requirement under which a deposit of 100% is necessary to open a letter of credit.

In Mexico import licensing applies to one-third of the items in its General Import Tariff (and most items of export interest to the UK). Official prices for customs valuation are fixed.

India operates a strict and complex import control system with licensing the main instrument. Import duties are mainly in the range of 40-110% though some exceed 200%.

In Venezuela tariffs range up to 350%.

II. MEXICO AND GATT

The Mexicans negotiated tariff concessions which would have enabled them to join the GATT at the end of 1979. But in March 1980 Lopez Portillo announced that the Government had decided not to proceed to membership. We regret that Mexico thus remains outside the GATT.

III. UK/EEC TRADE WITH DEVELOPING COUNTRIES

(i) Advanced industrial countries provide markets for 70% (by value) of developing countries' exports. The EC takes some 30% of their exports.

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(ii) The European Community is the world's biggest importer of agricultural produce. In 1979 the EC took about 40% of world imports of agricultural products; North America took some 10%; and the USSR about 6%.

(iii) As a result of the European Community's Generalised Scheme of Preferences (GSP) and other arrangements, about two-thirds of EC imports from developing countries are free of duty and most products come in without quantitative restriction (textiles is a difficult exception). In 1980 the UK imported under the GSP goods worth over £750 million.

MRA
76-80.

(iv) Textile and clothing account for a quarter of the UK's imports of manufactures and one-twelfth of all imports from developing countries. Over the period, the share of the UK market taken by developing country textiles grew from 18% to 28% by volume.



IV STRUCTURAL ADJUSTMENT - JOB LOSSES

Structural adjustment is a continuous process, not decided in UK by Government.

||

Over the past decade, employment in the UK textile and clothing industries has fallen from around 1 million to well under 600,000. In 1980 alone, job losses totalled some 118,000 (17% of the workforce) and a further 30,000 jobs were lost in the first half of 1981. UK Government have to consider the pace of adjustment.

In the UK employment in the automobile industry fell by 70,000; in iron and steel by 52,000; and in mechanical engineering by 93,000. So we know quite a lot about structural adjustment.



H M Treasury

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Sir Kenneth Couzens, KCB
Second Permanent Secretary
Overseas Finance

20 October 1981

M O D B Alexander Esq
Private Secretary
10 Downing Street
LONDON SW1

Dear Michael

CANCUN BRIEFING

The Prime Minister asked yesterday for particulars of the IMF quotas and World Bank shareholdings (that is, voting rights) of the countries which will be represented at Cancun. I attach a table.

Bank shareholdings are normally related to IMF quotas. The relationship is however not a precise one because the timing of IMF quota changes and of changes in Bank shareholding are not the same and historical factors can produce discrepancies. The most notable differences shown in the table are however those for a number of LDCs': Mexico, Venezuela, Algeria, Nigeria, Ivory Coast, Saudi Arabia and Yugoslavia. With the exception of Saudi Arabia, these countries have in the past been slow in subscribing or deliberately sought a lower Bank shareholding in order to save expenditure. 10% of a shareholding has to be "paid up", with 1% out of the 10% paid in dollars. Some of these countries are now seeking to increase their Bank shareholding. So is Saudi Arabia which very recently secured a large increase in IMF quota.

At the other extreme, India has always taken up its Bank shares promptly and in full. It is a major Bank and IDA beneficiary.

A copy of this goes to Peter Preston (ODA) and to Tom Bridges (FCO).

Yours ever

Ken

K E COUZENS

enc

CANCUN PARTICIPANTS: VOTING POWER AT IMF AND WORLD BANK

(Expressed as percentage of total votes)

<u>DEVELOPED COUNTRIES</u>	<u>IMF</u>	<u>World Bank</u>
United States	19.68	20.84
Japan	3.92	5.04
West Germany	5.08	5.06
France	4.52	5.05
United Kingdom	6.87	7.44
Canada	3.21	3.22
Sweden	1.09	1.11
Austria	0.81	0.83
	<u>45.18</u>	<u>48.59</u>
 <u>DEVELOPING COUNTRIES</u>		
<u>Latin America</u>		
Mexico	1.29	0.72
Brazil	1.59	1.60
Venezuela	1.58	0.63
Guyana	0.10	0.12
<u>Africa</u>		
Algeria	0.70	0.39
Nigeria	0.88	0.40
Ivory Coast	0.22	0.16
Tanzania	0.17	0.17
<u>Asia</u>		
China	2.84	3.47
Saudi Arabia	3.31	1.46
India	2.71	3.28
Bangladesh	0.39	0.42
Philippines	0.53	0.56
<u>Europe</u>		
Yugoslavia	0.69	0.40
	<u>17.00</u>	<u>13.78</u>

20 OCT 1987





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= 180000
- 180000
= 180000

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Japan

- ① Present into locally available resources of energy.
- ② To facilitate technologies for energy conservation.
- ③ To co-ordinate int. energy activities.

~~by~~

India.

- Take some measures to help the developing countries who cannot pay for their oil.
- India needs help in developing infrastructure.

Myanmar

Dev. countries consume 10% of world energy.

Expanding world trade.

Need to resist protectionist pressures.

Encouraging commodity exports.

As GATT adequate.

1982 - How to make conference more effective

Turkey, Uruguay.

Brazil.

Quota

2 principles

Only open trading system

can have world trade

Price stabilization for basic commodities
required.

Common Fund - we intend to reify.

Energy Donors

Foreign Investment

Sanctions - Energy subsidies
with sanctions.

World Bank # 13, b.c.

To support recovery of world Bank operations.

Priority to LICs

Multi-lateral Coops

Other projects such as food products
infrastructure.

To continue to participate in discussions
for every official day with other
industrialized countries.

Lesson 2

Paris Trudon in Chemi.

Food.

- Internal Policies . ① - Prices of food?
Do they encourage prodⁿ.
② Enough investment in rural areas.
③ Population.

Kindred Environment.

- Role of free market
Protectionism in food - should
help or hinder food prodⁿ.
Kindred aid.
Role of transnational in food?
Role of food reserves.

President Sogoin.

Oct 16th - World Food Day.
26 African countries in food crisis.
Afr. Africa 10% less food than 10 years ago.
Africa's food bill = oil bill.
Ag. output 70% most important determinant
of economic growth.

Added aid of \$10 bi

- On the debt of the poorer countries, the U.K. has converted past loans into grants in many cases for ¹⁷/₂ countries in that group

Ph. 6

① Peasant farmer - owner.

② Ag. ~~ext~~ extension advice
Technical aid

③ Wheat ~~farm~~ - special lands.

④ Other research - multi-cropping.

Grain production: \int 500 m now 1.7 for hour

⑤ Ag. still only 70% irrigated.

Short of fertilizer
Price for inputs.

Farmers likely very powerful.
Price support policy.

39% people less. than if, no poplⁿ program.
- where foodⁿ edⁿ - smaller families

Now self-sufficient.

Regan.

World Food Prodⁿ

$\frac{2}{3}$ world supplied in farming.

Subsidy. - based on consumer.

37

30% eggs.
31% vegetables
61% potatoes.

Turkey.

→ ① Security
② Defense
of South.

→ ③ Evacuation stations
Evacuation Protocols

New emphasis in dev. policy.
Nicholas Kristof - priority on rural dev.

Food Aid - let food for development

Food Aid - For some countries THE priority
A

China. - Raised Ag. prodⁿ - collectively.

France. -

● Pierre Trudeau.

Risks involved in calling a conference.
Only know tomorrow whether we have
won or lost.

Here to give voice to aspirations
of humanity.
130 empty seats.

1987 - a central year in N/S dialogue.

Worthy of the best of humanity.

Saudi Arabia

Prince Faisal.

Has high expectations of this conference

Development & stability requires co-operation based on mutual interests.

Developed countries can't grow unless underdeveloped countries can too.

Support for global negotiations.

S.A. has tried to co-operate with rest of world.

Not a demand by one group on another but endeavor to achieve mutual benefit.

Algeria. A. Chelbi.

As far as developing countries are concerned.

Support for colonialism.

Now suffer from Int. Ec. Order.

Fate of all nations is one.

Reconsider Int. Ec. Order.

Common Responsibility.

Criticism prevents economic order.

What to do?

Consider all problems as a whole.

Exploitation of resources of

developing countries now included.

Been some improvement.

No progress on agreements 74-75.

Trade problems in United Nations.

Australia. The Pacific.

Start with fresh mind, a new chapter.

Not new initiatives

But existing ones.

Overall responsibility of United Nations.

Propose immediate measures to improve conditions in developing countries
Help countries to help themselves.

Improve infrastructure to make use of resources.

Provide investment necessary.

Bangladesh

Disparity between developed & underdeveloped increases.

Global co-operation.

Went that implemented.

Prohibit A. developed countries from not ~~prohibit~~ disrupt social fabric of underdeveloped.

Use production potential.

Brazil - Concerned with future of
world economy.

- Protection measures depress
developing countries.

- Structural difficulties -

Take to see.

- ① Convergence in general concepts.
Broad agreement to overcome obstacles
which have stopped global development.
- ② Stability, credibility of institutions must
continue.

Ivory Coast - J. Aké.

Ec. crisis has deepened.

Concern has raised hopes.

Internal economic - attracted to.

Law of supply & demand suspended
between dev. countries.

Liberalism not possible without equality.

Competition - full scale.

World economy not dominated by law of
strength

New system based on justice, equality, liberty.

Free markets - markets for - prices.

Disorder in exchange rates distorts transactions

Developing countries must develop themselves

China. Reversion of power.

Promotion of development.

Developing countries - significant
focus on international level.

Working level of work. Growth
deficits.

Trade Protectionism:-

Monopolistic control of, Banking,
technology etc.

Economies which in developed countries
- dependent of them own.

Their prosperity built on colonial system.

Restrictions of international economic
relations.

Don't make these countries more dependent.

A global + integrated approach should
be adopted.

- ① Give advice support to developing countries
to promote ec. dev^{tion}
- ② Restructure int. ec. order.
- ③ ?
- ④ Developing countries entitled to adopt
development strategies.
- ⑤ Promote NIS agreements

Launch Global Negotiations - enable them

to make substantial progress.

Start before end of year.

U.S.A. Rank

People look to us for help & hope.

Words are cheap.

Co-operative action need now.

Govt. overpaid, over taxed, over regulated.
Our corrective measures will succeed even
possibly ahead.

To correct our problems will help developing
countries.

Poorer countries: more food - energy,
infrastructure required.
Credits needed.

Oil price shock of 1973:

High interest rates accumulate problems.

Richer nations approach respects own benefits.

Politically interdependent. Individually responsible.

Seem to build on what we know will work.

Economic facts. Work, save, invest -
succeed.

Trade that can build,

Can contribute effective co-operation on that
basis.

Int. Dev. Institutions have done much
to help.

1950 - 1980 - in 60 middle income
countries increased from 10% to 20%
as in West.

GATT - new trading opportunities.

World Bank has increased resources

Why is not do weaker the very system

that has served us so well.

U.S.A. makes up

\$ 57 bil. in decade.

India \$ 43 billion.

Food situation excellent.

There is much more to be done.

Trade - key to development.

About 1/2 of goods exported to
developed world.

Trade & export markets - open - among
most open in the world.

Developing development by recognizing
every alternative here.

Identify social needs to development.

How to listen to the poor.

Carry out O_2 & H_2 experiment.
- Wholely
in presence of O_2 .

Participate in preparation.

Future talks.

- ① Predicted conditions - can be used to
test.
- ② Talks should report a process.
Members needed by these agencies
are found.
- ③ Do not try to make new institutions.
- ④ Talks in co-operative spirit
not polemical.

if their underlying objectives
- are not conflicting.

Focus on methods of substance

for preparation of education

Should be with. Work by giving up
members.

Food strategy - provide capital for
member's investment.

Participate - more forward.

Will elaborate on members
No provisions - but

fundamentals with best record of success
President works. In successful countries today
as it was 200 years ago.

Philippines - Issues proposed - 200 pages.

France - N. Rotterdam.

Conclusions of interviews set up which emerge.

Final results on U.N. resolution on
global negotiations.

Method - meaning of words

of negotiations. What role will
friendship play?

What role will we play?

New initiatives.

All cards on the table

What is to multiply humanistic initiatives?

What do we mean by energy programme?

World Bank - 5 possible solutions.

Choose between spontaneous development of world
organized approach?

Production of Raw Materials - countries which

produce only one - are in difficulty.

France - greater unity to our world.

Greater presence in the distance

● Anyone. By listening I may be able to learn.

India. Round - Substance.

Development can't be imported
nor can it conform to a
particular pattern.

Affected adversely by outside world.

Political system for early resumption
of negotiations on a global basis after
due preparations.

Trade & tourism free.

Income disparities between within
countries are widening.

Level of poverty characterised peace & stability.

Developed countries have problems.

Stagnation in developed countries because
the help they can give to
underdeveloped countries

Food security programme.
- storage reserves essential.

Impoverished countries.

Oil prices - have seriously worsened
L.P. position.

New energy resources - Additional resources
needed.

Need increased financial flows.

Private capital flows.

- heavily likely to provide
- resources for long term development.

Rich countries policy do private investment
or entitled to respect.

Not sufficient on central banks.

New Int. E. - O. dev. - based on
justice & equality.

Development of poorer countries along with
prosperity of developed countries.

Fragility in all beginnings.
New imp. needed.

Japan. - Constructive dialogue between N & South.

- Some advance - Taylor

Common Fund for Commodities

- Potential significance of G-77 & N-77.

- Technology transfer.

- Expanded official development assistance.

Japan increasing budget to aid

official loans

.. capital credits to int. inst.

Flowers - den countries, $\frac{2}{3}$ of employment.

Energy - etc.

Promotion of labour intensive methods +
small size firms.

Hold down protectionist pressures.

Tyres: trade with developing countries.
- 50% of trade.

Imports for 10x that in 1970's.

Country's own development to succeed.

e.g. Tyres. Small is even
best in related economies.
but reserves, education, but to
grow.

High quality human resources
availability of Tyres people

Development to be self-reliant.

North South issue - all countries should

Ther - disarmed. grapple with.
- 2 most important
issues.

Reserves for - currencies -> whites for
development purposes.

● Nigeria - President Shagari.

Don't expect solutions

but must generate momentum.

Not prisoners of old ideas.

Food, Ag. B.P. Library, Trade.
Technology transfer.

Did not disappear.

Problems hatched in framework of
global negotiations.

Green light to U.N. to resume global neg.

Welcome within - new representative process.

Should include view of government agencies
but not just authority.

Sweden

Tanzania

- A businessman hard to interested in
the prosperity of his potential customers.

B.P. deficits enormous. - because low
income reduced through terms of trade.
Relative price of exports distributed increasingly

Increasing involvement, results for
system of int. trade

Turnover - always sells cheap
- always buys dear
Rebinder - not temporary - see standard.

Poor - world - within a present system.

Int. Int. not

As of now, But all may change. U.S. can't want

1. Reagan

work have preparatory talks

in U.N or N.Y

failure
& isolation.

2. No way in which Cancun can be perpetuated

3. U.N must be involved. Global means "U.N"

Thus new preparatory body must be found

Can we?

① ask Trudeau & L.P. to call on Kitani ✓

② ask him to appoint representative body
to discuss preparations ad Ref to U.N.G.A

③ NOT meet in N.Y. But Vienna or ~~the~~ Geneva

if you can think of something better what is it?

EXTRACT FROM LORD CARRINGTON'S PRESS CONFERENCE

AT CANCUN

MIDDLE EAST.

Q. SINCE YOU ARE HAVING SO MANY BILATERAL MEETINGS. IN YOUR CAPACITY AS CHAIRMAN OF THE EC, AFTER THE MEETING IN LONDON LAST WEEK YOUR SPOKESMAN DECLARED THAT PRINCE FAHDS EIGHT POINT PLAN, THE 10 HAVE FOUND GOOD POINTS IN IT. WHAT ARE THE POINTS EXACTLY THAT YOU COULD SUPPORT WHICH I UNDERSTAND WILL BE DISCUSSED BETWEEN REAGAN AND FAHD ON FRIDAY?

A. I THINK THAT THE, IN ESSENCE THE FAHD PLAN INCORPORATES THE GUTS, OF THE VENICE DECLARATION AND THATS WHAT I THINK IS SO USEFUL ABOUT IT. I HOPE I SHALL BE GOING TO SAUDI ARABIA IN THE NEXT WEEK OR TWO AND SHALL BE ABLE TO HAVE A FURTHER TALK WITH PRINCE SAUD AND PRINCE FAHD ABOUT THIS PLAN AND DO IT ON BEHALF OF MY EUROPEAN COLLEAGUES.

Q. IN ANSWERING THE QUESTION ABOUT FAHDS 8 POINTS THAT IT EMBODIES THE GUTS OF THE VENICE DECLARATION, DO YOU MEAN SELF DETERMINATION, FOR THE PALESTINIAN PEOPLE?

A. I ACTUALLY MEANT BY WHAT I SAID THE RIGHT OF ALL STATES IN THE AREA TO LIVE IN PEACE AND I THINK THAT PROBABLY INCORPORATES SELF DETERMINATION.

Q. IN THE ARAB WORLD THEY WAIT TOO LONG FOR THE EUROPEAN PROPOSAL AND IT HAS BEEN PUT OFF FROM ONE STAGE TO ANOTHER. THE CAMP DAVID CAME TO A DEAD END AND YOU ARE ACCUSED BY MANY OF THE ARABS THAT THE EUROPEAN INITIATIVE IS A SAFETY NET FOR CAMP DAVID. IF SO CAMP DAVID IS OVER, IS IT ABOUT TIME THAT YOU WERE GOING TO MOVE WITH THIS INITIATIVE AND ARE YOU GOING TO COORDINATE IT WITH THE US? WHAT CAN YOU TELL US ABOUT THE US STAND ON THE ISSUE.

A. I THINK THAT IF YOU WERE EVER SUFFERING UNDER THE ILLUSION THAT THE EUROPEANS FELT THAT THEY THEMSELVES COULD SETTLE THE PROBLEM OF THE MIDDLE EAST, YOU ARE WRONG. WHAT WE ARE SEEKING TO DO IN EUROPE IS TO CONTRIBUTE TO A COMPREHENSIVE SETTLEMENT. THERE IS NO DOUBT IN MY MIND THAT IF YOU ARE GOING TO GET A SETTLEMENT IN THE MIDDLE EAST IT IS GOING TO BE ESSENTIAL FOR THE COUNTRIES IN THE AREA THEMSELVES TO NEGOTIATE TO GET A SETTLEMENT. THE ARAB COUNTRIES CONCERNED HAVE GOT TO DO IT AND ISRAEL HAS GOT TO DO IT, AND INDEED THE UNITED STATES HAS GOT TO BE CONCERNED WITH IT BECAUSE OF THE VERY CLOSE US CONNECTION WITH ISRAEL. SO WHAT WE HAVE BEEN SEEKING TO DO ALL ALONG AFTER THE VENICE DECLARATION WAS TO GET THE TWO PRINCIPALS OF VENICE ACCEPTED: THE FIRST ONE BEING THAT THE RIGHT OF ISRAEL TO LIVE WITHIN SECURE BOUNDARIES SHOULD BE ACCEPTED BY THE ARAB WORLD, AND SECONDLY THAT THE RIGHT OF THE PALESTINIANS FOR THEIR OWN LEGITIMATE STATE IN THE AREA, SHOULD BE RECOGNISED BY ISRAEL. THIS IS WHAT WE ARE TRYING TO DO AND WE ARE TRYING TO DO IT WITH OUR ARAB FRIENDS AND, ALTHOUGH WE DONT HAVE A VERY GREAT INFLUENCE ANY OF US WITH THE ISRAELIES, WE ARE TRYING AS MUCH AS WE CAN WITH THE ISRAELIS AND WITH THE AMERICANS TO TRY TO PERSUADE THE ISRAELIS THAT, IF THE ARABS ACCEPT THEIR CONDITIONAL RECOGNITION THEN THEY EQUALLY SHOULD DO IT THEMSELVES. THIS IS THE WAY WE ARE TRYING TO GO FORWARD. I DONT BELIEVE THERE IS ANY SORT OF PLAN WHICH IS GOING TO SOLVE THE SITUATION. WHAT YOU HAVE GOT TO DO IS TO GET THE TWO PARTIES TO A POSITION WHERE THEY CAN NEGOTIATE AND TALK TO EACH OTHER. THATS WHAT WE ARE TRYING TO DO.

FCO. SPOKESMAN

AMENDED TEXT AS AT 1 p.m. 26.10.81.

RESTRICTED

FROM UKDEL CANCUN 220335Z OCT 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 11 OF 22 OCTOBER

INFO IMMEDIATE WASHINGTON TEL AVIV CAIRO AMMAN JEDDA DAMASCUS
BAGHDAD BEIRUT COI AND NUMBER TEN PRESS OFFICE.

~~X~~
Copy all pl.
SMB
26/10/81
22/x.

FOLLOWING FOR WESTBROOK NEWS DEPARTMENT FROM FENN

MIPT (NOT TO ALL): CANCUN SUMMIT: MIDDLE EAST.

1. YOU WILL NOTE THAT, IN EXPOUNDING THE VENICE DECLARATION IN HIS LAST ANSWER ON THE MIDDLE EAST IN HIS PRESS CONFERENCE IN CANCUN TONIGHT, THE SECRETARY OF STATE FOR THE FIRST TIME REFERRED TO THE PALESTINIANS RIGHT TO QUOTE THEIR OWN LEGITIMATE STATE UNQUOTE. HE SAID THAT THE TWO PRINCIPLES OF VENICE WERE THAT THE RIGHT OF ISRAEL TO LIVE WITHIN SECURE BOUNDARIES SHOULD BE ACCEPTED BY THE ARAB WORLD AND SECONDLY THAT THE RIGHT OF THE PALESTINIANS FOR THEIR OWN LEGITIMATE STATE IN THE AREA SHOULD BE RECOGNISED BY ISRAEL.

2. I AM TAKING THE LINE THAT THIS REFLECTS NO CHANGE OF POLICY, LORD CARRINGTON WAS EXPOUNDING THE VENICE DECLARATION ON STANDARD LINES. THE TEN SUPPORT THE RIGHT OF THE PALESTINIAN PEOPLE TO SELF DETERMINATION. LOGICALLY, THIS INCLUDES THE POSSIBILITY (BUT NO MORE THAN THE POSSIBILITY) THAT SELF DETERMINATION WOULD RESULT IN A PALESTINIAN STATE. IF SUCH A STATE WERE TO RESULT IT WOULD OF COURSE BE LEGITIMATE.

FCO PASS IMMEDIATE TO ALL

TICKELL

END

Commodity Agreements (there are 3 or 4
tin, rubber, cocoa, coffee.)

can smooth price fluctuations but
cannot maintain artificial prices

States provides aid & compensate
for short term losses of earnings
on individual commodities &
long contracts

The IMF Commodity Finance Scheme
is very much bigger and covers
all LDCs - it deals with total
exports. We prefer because
that rather than States which
is expensive for OMC (we pay
18% of it).



Re. Mr Trudeau's point:-

Treasury Chambers
Parliament Street
London SW1P 3AG
Telephone 01-930 1234 ext

In considering financing we must be careful not to substitute public funds for flows which could be provided by the market. If we make that mistake the total funds available will be less. We must see that public funds mobilised internationally are additional, not a substitute.

That principle should be applied to concentrating aid on the poorest. It should also be applied to the work of the World Bank on energy. An Energy Affiliate ought to operate so as to supplement the efforts of the companies (as Mr Forbes Burnham said).

— Conditionality P10

Conditionality. Essential but must be sensitive.

Our mission — IMF has increasingly taken

this point. U.K. has had own experience.

But there must be change / adjustment to a
world of higher oil prices.



the poorest countries. Asking middle-income developing countries to go either to the markets, or to the IBRD and I.F.C. (International Finance Corporation within the World Bank Group) rather than IDA.

IMF financing.

Consideration is being given to how the IMF will finance itself after 1981:

- i the fifth Quota Review is due to be completed by end-1983. Preparations are beginning.
- ii what borrowing will the Fund undertake in the interim? From oil surplus countries? From industrial countries? If necessary, from markets?



World Bank and IMF financing.

Supplementing their resources and making funds provided by governments go further.

World Bank possibilities for consideration.

(at present
1:1)

- ✓ i. (a) more co-financing
- ii some use of guarantees instead of direct financing
- iii changing the gearing ratio between capital and ~~and~~ market borrowings if judged prudent.
- iv reducing the proportion of capital in capital increases which is called up from subscribing governments (at present $7\frac{1}{2}\%$)
- v concentrating IDA funds to a greater extent on

There are constraints

Play important role in encouraging
sound financial policies,
and thereby funds for investment.

Desire to afford consumption you can't
afford

SUBJECT.

Dr. Bruno KREISKY
Federal Chancellor of Austria

DER BUNDESKANZLER

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 148 B/81

✓ Margaret
opt.

Dear Mrs. Prime Minister,

I am deeply disappointed that for reasons of health I shall not be able to meet you in Cancun. Therefore I shall miss the opportunity to participate in the important discussions which you and other leading statesmen will have on North-South issues of global concern.

I trust you will understand, how difficult it was for me to take such a decision, considering not only the preparatory work for the meeting in Cancun, but also, and even more so, my personal commitment to the necessity of progress in questions of cooperation for development. In the attached paper I have expressed some of the ideas which I intended to contribute to your deliberations during this meeting.

May I take this opportunity to thank you for having accepted the invitation to attend the Cancun summit and to express my hope that this endeavour to find common understanding regarding issues of historic dimensions will succeed.

Yours sincerely



Her Excellency

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

Cancun - Mexico



الاجتماع الدولي للتعاون و التنمية

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

IMCD/INF. 9
ORIGINAL: ENGLISH
October 21, 1981

PROPOSAL FOR A
PROGRAMME FOR THE IMPROVEMENT OF INFRASTRUCTURE AND
BASIC ECONOMIC SECTORS IN DEVELOPING COUNTRIES

THIS DOCUMENT IS DISTRIBUTED AT THE REQUEST OF THE
GOVERNMENT OF AUSTRIA

A U S T R I A

P r o p o s a l

for a

Programme for the Improvement of Infrastructure and
Basic Economic Sectors in Developing Countries

Cancel. , Oct. 22, 1981

Even if the proposed dialogue between industrialised countries and developing countries on international economic issues of mutual concern gets into its stride soon, some time will pass before it leads to concrete measures in favor of the developing countries. It therefore seems desirable to launch a programme promising quick concrete results to help the poorest countries and those developing countries which have to confront special problems. The realisation of such a programme would also be a visible token of determination on the part of the industrialised countries to cooperate more closely with the developing countries, and a token of their goodwill to do more than in the past in order to increase the welfare of the populations of the poorer countries. Such a programme would also do much to improve the climate for future discussions between industrialised countries and developing countries.

It is frequently pointed out that something must be done soon to stimulate food production throughout the world, especially in developing countries, and to improve worldwide energy supply. These two sectors are among the most important constituents of the economic basis and infrastructure of every country. But their development also requires support from well-functioning systems in transport, telecommunications and other important sectors such as education, vocational training and health. All of these elements of material and human infrastructure are closely linked and mutually interdependent, and in due course enable a country to develop modern methods in agriculture, crafts, trade and industry.

II

1. The objective of the proposed programme is the financing and implementation of large projects to improve the infrastructure and growth potential of developing countries. The idea is to promote large-scale projects especially supply, irrigation and agriculture as well as capital investment in industrial and mining operations directly linked to the development of infrastructure. The aim of these projects is to bring about permanent improvements in the employment and supply situation in developing countries and to help to reduce their foreign imbalances, either by increasing exports or by import substitution, including energy imports.

2. Financing should primarily be by grants of the order of 100 billions US\$ distributed over 15 years. Hence about 7 billions US\$ would be available every year.

In order to raise this sum via contributions of the industrialised countries quotas should be fixed; this might be done along the lines of the present formula for the apportionment of OECD membership fees.

Funds from grants should be supplemented by soft loans adapted to the requirements of the country and project in question. It would be considered desirable that the oil-exporting countries contribute to the raising of lending capital to the same extent as the industrialised countries.

Assuming that grants and soft credits would be available on a roughly equal scale, the total programme would comprise US\$ 200 billion, of which US\$ 100 billion would come from donors and US\$ 100 billion from lenders, with one half of the latter amount being provided by the industrialised countries and the other half by the oil-exporting countries.

With a programme of this size and kind it should be feasible to achieve decisive improvements of the infrastructures and of the prospects for economic development primarily for the poorest but also for other developing countries.

Loans are included in the programme in addition to grants because they have the following effects:

- better adaptation of funding to the special requirements of each project and country;
- considerable increase in, in fact doubling of, the total assistance volume;
- with a view to project oriented cooperation, possibilities for the oil-exporting countries to participate;
- increased incentives to use funds efficiently;
- bridgebuilding effect towards private follow-up financing, especially in the directly productive sector.

3. The organisational framework should be kept as small as possible. The programme should be directed by a board which would select the projects, receive the project reports and audit the accounts of the agencies and organisations in charge of the projects; the board shall be assisted by a secretariat.

For each specific project, a project board should be set up responsible for the implementation of the project, and on which both recipient and donor countries participating in the respective venture should be represented. Both groups, donor and recipient countries, as a rule should have the same voting power.

within each group, votes should be divided according to each country's participation in the project and its funding.

Monitoring and control of individual projects should primarily be ensured by using the services of existing organisations (such as UNDP resident representatives or regional offices of the World Bank); where this is not possible, suitable services should be created.

4. As the aim is to finance projects, a central fund need not be set up. Instead, the countries and organisations providing capital should allocate their contributions directly to specific projects of their choice. Nevertheless, some provision should be made for the possibility of transferring funds from one project to another as well as for cooperation with existing international financial institutions.

Part of the local costs should also be financed in hard currencies so as to improve the foreign exchange position of the developing countries involved. Grants and long-term concessional loans should also be used by the recipient countries to set up counterpart funds with which to finance notably local or recurrent costs in the country concerned.

Close cooperation with international and regional financial institutions is sought in order to draw on their experience, broaden the programme's financial basis, and ensure economic efficiency in the best interests of the developing countries themselves.

5. Stimulating trade between all the countries involved is another objective of this large-scale development programme.

Participating countries therefore undertake to pursue trade policies based on the principle of open markets; especially, steps should be taken to ensure the removal of tariff barriers for those products of developing countries which become potential exports due to this programme.

This should also help to stimulate private capital investment in developing countries and to create a positive climate for private investment.

6. Joint ventures with third partners in developing countries whose industrialisation is already farther advanced could offer possibilities to

- speed up the growth of trade between developing countries,
- reduce the cost of projects, and
- create jobs and incomes in those developing countries which contribute goods and services to other developing countries against payment out of project funds.

Thus the programme should not only provide for cooperation between industrialised countries of the North and recipient countries but should also involve developing countries which have reached already higher levels of industrialisation.

III

We propose that all countries interested in the programme for immediate action outlined above - both those

represented here and other interested countries - should start discussions on the launching of the programme. Likewise, international financial and executive agencies should be invited to join in the preparatory work for this programme. Our aim should be to prepare the text of an open multilateral agreement to enter into effect when, through the participation of a sufficient number of countries, enough money can be raised to embark upon the implementation of noticeable projects.



الاجتماع الدولي للتعاون و التنمية

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

IMCD/INF. 18

ORIGINAL: ENGLISH

October 22, 1981

STATEMENT BY DR. BRUNO KREISKY

CHANCELLOR OF AUSTRIA

M E S S A G E

of Austrias Chancellor

D-r. B R U N O K R E I S K Y

to the Partizipants of the Cancun Summit

Our meeting takes place at a time of economic crisis and increasing political instability and tensions in many regions of the world. The grave problems of developing countries - hunger, malnutrition, acute poverty, serious balance of payments and debt problems, continuing erosion of terms of trade - are being compounded by continuing recession, growing unemployment and high inflation rates in industrialized countries. This is the stark reality of interdependence. The need for international consultation and concerted action is imperative.

Contrary to the increasing recognition of this reality, efforts to find constructive solutions for North-South-problems have, in recent years, yielded diminishing returns and the North-South-dialogue has almost come to what amounts to a standstill. In this situation, the Brandt Commission attempted an integrated and coherent approach to economic cooperation for development; the work and the report of the Brandt Commission opened new perspectives and ultimately motivated President LOPEZ PORTILLO and myself to propose this meeting.

The very fact of our meeting here in Cancun at the highest level shows the importance we attach to finding viable solutions for North-South relations. This, as well as the worldwide interest with which our meeting has met, is a source of optimism and

inspiration as well as responsibility. Unless we succeed in stemming the tide of events, peace and security in our world will be increasingly in danger.

The problems are manifold and extremely complex. In the broad areas of food security and agriculture, trade and industrialization, money and finance, energy and raw materials, linkages exist which make it necessary to find solutions by means of an integrated, global approach. The whole idea of global negotiations reflects the interdependence of nations and issues. What we need to consider here in Cancun is how to provide the political impetus which will set the existing international machinery in motion. We must also address the question how the experience of all nations as well as the input of universal, regional and specialised UN- and other institutions, like IMF and OPEC, can best be introduced and utilised in the further preparatory process of global negotiations.

There can be no doubt, that the concept of global negotiations causes a number of problems. Nevertheless it is being recognised that interrelated negotiations on all the problems mentioned above are required in view of their interdependence. This of course should not exclude the possibility of entering into separate negotiations on issues of particular priority. To this end it would appear necessary to determine in an

appropriate forum and in close cooperation with the existing agencies and institutions actively engaged in development matters, the scope, the priorities, as well as the working methods for all these negotiations. Let me add in this context, that whatever form the absolutely necessary revitalisation of the North-South dialogue should take, I consider the existing institutional framework to be adequate and do not, on the whole, see any need for new institutional mechanisms.

If we all agree on this line of thought, a suggestion from this meeting to the UN to work in this direction might allow us to resolve the present impasse and to start a new chapter in North-South relations.

Turning now to the substance of the problems related to cooperation and development, it is my personal conviction that urgent and concerted action would be possible and essential in the following areas:

- programmes and measures for food security, especially to raise production in highly food-deficient areas
- strengthening and further development of the open world trading system, with special consideration to the export interests of developing countries

./.

- comprehensive treatment of questions of finance, with a view to facilitate the growth of production and wealth in developing countries
- energy security for all countries, with particular reference to those which are in the process of establishing an industrial base.

Even with our best intentions we must expect that negotiations in these specific areas in the competent fora will take time and require patience. But especially the poorest and most seriously affected developing regions are in need of immediate measures.

We in Austria believe, therefore, that parallel to those efforts an immediate action programme for developing countries should be envisaged. Our thinking is, of course, influenced by our own experience in the extremely difficult situation of my country's reconstruction following the Second World War. At that time, the very generous EUROPEAN RECOVERY PROGRAMME, the so-called Marshall Plan, enabled us to rebuild our economy rapidly and efficiently. Let me add, that even today, the Austrian economy still profits from the counterpart funds created by the Marshall Plan. This very positive experience leads us to think that a

./.

large-scale, immediate action programme for developing countries would, through massive investments, rapidly assist developing countries in decisively improving the utilization of their own resources. It would be a symbol of the determination of industrialized countries to cooperate more closely with developing countries. It would go a long way in improving the atmosphere of North-South negotiations.

It is generally recognised and we share the opinion that food production, especially in developing countries, and world-wide energy supply must be expanded rapidly. Food and energy are most important for the economic infrastructure of all countries. However, their development requires support by well-functioning facilities in the fields of transport, telecommunications, education, etc.

The immediate action programme would be designed to provide these infrastructural facilities, to boost industrial activity in both developed and developing countries and to provide a link with measures which would become effective later as a consequence of international negotiations in various fora.

We are, therefore, circulating in a separate document our ideas concerning a large-scale programme

./.

for the accelerated development of the infrastructures of developing countries, and for the financing of such a programme in a manner corresponding to the needs of each country and programme.

I am, of course, aware of the great obstacles which these and other proposals face in the present political and economic situation in the world. But if we look back at the last forty years in our history, if we consider the way in which the world has risen out of the dark years of the Second World War, the way in which new nations have taken their rightful place in the international community, if we think of all the crises we have been able to bring under control, would it be too much to expect that this time, as well, we shall rise to the challenges facing us ?

I believe, in all sincerity, that this meeting may constitute a watershed in the history of the North-South relationship. The outcome of our deliberations in this small but representative circle will have its repercussions all over the globe. Let us seize this unique opportunity, let us meet the expectations of nations in the South and in the North and let us begin a new chapter in our relationship.

For only a courageous and imaginative new approach to our common problems will allow us to overcome the present global crisis.

BRUNO KREISKY

Private Secretary

cc Mr Fall

MEXICAN ENERGY PROPOSALS

1. At their bilateral meeting on 21 October, President Lopez Portillo spoke to the Prime Minister about Mexico's particular interest in energy problems, and indicated that this was an area in which he would have something to say at Cancún.
2. There is a considerable history to Mexican interest in a new approach towards world energy problems. A brief reference to them is made in paragraph 15 of the Department of Energy's brief on the subject of 13 October (PMVQ(81)8). But in case President Lopez Portillo goes into Mexican ideas in more detail, it may be useful to set out the background.
3. After a long and very public gestation period, President Lopez Portillo delivered a major speech on energy to the United Nations General Assembly on 27 September 1979. He then spoke of the need for a world energy plan and a global approach towards energy problems. If, he said, we had been able to establish an orderly structure for handling monetary problems at Bretton Woods, so we should now establish an orderly structure for handling energy within the United Nations. In his opening speech to the Cancún conference today, he clearly echoed the same theme.
4. The essentials of his world energy plan, as he explained it in 1979, were:-
 - (a) to guarantee the sovereignty of each country over its natural resources;
 - (b) to rationalise the exploration, production, distribution, consumption and conservation of energy, particularly hydro carbons;
 - (c) to increase exploitation of potential resources of all kinds, in particular those which had not yet been exploited through lack of financing or appropriate technology;
 - (d) to persuade individual countries to draw up their energy plans compatible with a world energy plan;
 - (e) to work out measures for the promotion in developing countries of auxiliary industries in the energy field;
 - (f) to establish short term arrangements for resolving the problems of oil-importing developing countries (in a way which would guarantee supply, honour contracts, stop speculation, provide for compensation for price increases, and ensure consideration on the part of the oil producers);

/(g)

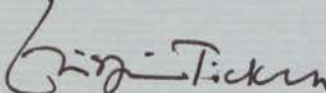
- (g) to set up financing and development funds to be made up of contributions from industrial consumers and oil producers so as to meet both the long-term objectives and short-term needs of oil-importing developing countries;
- (h) to institute a system for disseminating and transferring technology, and accompanying training facilities; and
- (i) to support the establishment of an International Energy Institute as proposed by the UN Secretary-General.

5. To achieve these purposes, President Lopez Portillo proposed the creation of a working group, to be composed of representatives of oil-producing countries, industrial countries and oil-importing developing countries, to work out specific proposals.

6. The most important elements in the Mexicans initiative were the idea of a collective approach to world energy problems; consideration of them separately from the global negotiations; creation of a mechanism for providing financing and development funds; and creation of an International Energy Institute. In the event the Mexican initiative did not receive a great deal of attention at the United Nations, but we, in common with other members of the International Energy Agency, told the Mexicans that we welcomed the President's intervention but preferred to do so on a confidential and bilateral basis (for fear that open support from industrial countries would be counter-productive). Opposition from both the OPEC countries and the Group of 77 was such that the Mexicans did not pursue their ideas with any vigour, and when the Group of 77 issued their text on global negotiations in November 1979, it was clear that the Mexicans had in effect given way to the other members of the Group.

7. But the Mexicans have not abandoned their ideas altogether. I understand that in the run up to Cancún, the President held a number of meetings with his advisers to see whether something might not be saved from his 1979 ideas. The fact that he spoke as he did to the Prime Minister indicates that he may well have something to say. From our point of view there is a good deal to be said for such ideas as the creation of a working group (composed of representatives of oil-producing countries, industrial countries and oil-importing countries), and a collective approach to energy problems untied to the other elements in the global negotiations. Less good are the ideas about creation of new institutions and the prospect of new financial commitments. But if President Lopez Portillo does produce some new energy package, it would at least be worth saying that we would look at it with sympathy. Mexico and Britain are both major oil producers outside OPEC, and the prospects for Anglo/Mexican cooperation in the energy field, are good. Recently BP and Shell have decided to buy substantial quantities of Mexican crude and British industry is selling PEMEX substantial quantities of equipment, with more to follow.

22 October 1981


Crispin Tickell

PRIME MINISTER

MEDIA

You have agreed that we should:

1. Turn down requests for interviews by USA correspondents.
2. Play the Mexicans by ear, subject to your views;
3. Meet the British Press at the end of the Conference; and
4. Give interviews to BBC radio and TV, ITN and IRN after your concluding Press Conference.

I would now like to take your mind afresh in the light of how we see the Conference developing and the very positive note ~~on~~ which we have started.

First, requests for interviews from different parts of the globe are now crowding in. I have no difficulty in turning them down. But you are clearly a Conference personality. We have portrayed ourselves at the outset as being positive but practical and, subject to developments, you have a chance to present yourself to the world in a positive light. (And back home to show a softer but none-the-less practical side of your Administration.)

For this reason I am inclined now to advise you to meet the world's Press gathered here in the Press Centre at 8-8.15 on Saturday morning for, say, 30 minutes and then to do short BBC radio and TV, ITN and IRN interviews.

If you were prepared to do that we could reasonably turn down other requests for interviews; these people would have the opportunity to record you at the Press Conference.

Content therefore to convert your end-of-the-meeting Press Conference into a general, open Press Conference?

/Two other

Two other issues remain outstanding:

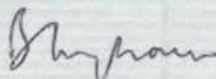
- i. the need to ensure that our point of view gets across to the world as rapidly as possible after the Conference and
- ii. a specific endorsement by President Lopez Portillo of a request by Mexican Channel 13 TV - in effect the Government control channel - to interview you for the purposes of a comprehensive Conference record; the interview would be networked throughout South America and we could control the questions (these people gave Lord Carrington a very fair crack of the whip in August).

On point i. we can safeguard our interests by your giving BBC World Service, with PA/Reuter present, an interview after the final session of the Conference on Friday evening. I would urge you to do this.

Content?

On point ii. above, you could give this brief interview to Mexican television again on Friday evening or (less desirable because of the rush) on Saturday morning.

Content for me to organise Mexican Channel 13 as convenient?



BERNARD INGHAM

22 October 1981

GRS 155
UNCLASSIFIED
FM VIENNA 211150Z OCT 81
TO IMMEDIATE FCO
TELEGRAM NUMBER 237 OF 21 OCTOBER
INFO IMMEDIATE MEXICO CITY AND WASHINGTON

MY TELNO 236: CANCUN SUMMIT

1. IN A PRESS INTERVIEW YESTERDAY CHANCELLOR KREISKY EXPRESSED OPTIMISM OVER THE SUMMIT. HE SAID THE MEETING COULD BE REGARDED ALREADY AS A SUCCESS BY THE FACT ALONE THAT SO MANY HEADS OF GOVERNMENT WOULD BE ATTENDING THE TALKS TO DISCUSS THEIR IDEAS FOR A SOLUTION OF THE GLOBAL ECONOMIC IMBALANCE. HE MUCH REGRETTED THAT FOR MEDICAL REASONS HE COULD NOT ATTEND. "IT IS A SORT OF CATASTROPHE THAT I, SO NEAR TO THE GOAL, CANNOT BE THERE".

2. THE CHANCELLOR SAID THAT HE HAD WRITTEN PERSONALLY TO PRESIDENT REAGAN TO APOLOGISE FOR HIS ABSCENCE FROM THE TALKS "BECAUSE I INVITED PRESIDENT REAGAN". HE SAID AT THE SAME TIME HE HAD APPEALED TO THE PRESIDENT TO TAKE ADVANTAGE OF THIS "UNIQUE OPPORTUNITY"
50 PR

TO PRODUCE A PLAN FOR AMERICAN AID WITH WHICH ALL THE INDUSTRIALISED STATES SHOULD BE ASSOCIATED. THE USA AS THE LEADING WESTERN POWER HAD A SPECIAL CHANCE AT CANCUN BECAUSE THE SOVIET UNION "IN AN IMPRUDENT WAY" WOULD NOT BE AT THE TALKS AND COULD PROVIDE NO HARRASSMENT THERE. A SOLUTION OF NORTH/SOUTH PROBLEMS IMPLIED A CLOSING OF THE GAP BETWEEN INDUSTRIALISED STATES AND DEVELOPING COUNTRIES WHICH WAS THE ONLY WAY TO RESOLVE THE WORLD ECONOMIC CRISIS.

CCN FIRST PARA LAST LINE SHOULD READ:-

OF CATASTROPHE THAT I, SO NEAR TO THE GOAL, CANNOT BE THERE".

LUSH

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UND	MR BULLARD
SPD	LORD BRIDGES
LEGAL ADVISERS	MR BRAITHWAITE
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FROM UKDEL CANCUN 212346Z OCT 81.
TO IMMEDIATE F C O
TELEGRAM NUMBER 7 OF 21 OCTOBER.

No 10 DS.

FOLLOWING MESSAGE FOR WHITMORE, PRIME MINISTER'S OFFICE,
10 DOWNING STREET, FROM PATTISON, UK DELEGATION, CANCUN

BEGINS:-

THE PRIME MINISTER HAS SEEN FCO TELEGRAM NUMBER 28 TO CANCUN.
SHE IS CONTENT WITH ROBERT ARMSTRONG'S PROPOSALS IN PARAGRAPHS
SIX AND SEVEN.

ENDS.

TICKELL

NNNN
SENT AT 22/0039Z TWW

Duty Clerk.

I have told Mr Winger
that the Prime Minister has
approved Sir Robert Armstrong's
proposals, but I am sure that
he will take copies of these two
telegrams for his papers. Can you
please send them to him.

JH
22.x.

SUBJECT.

CONFIDENTIAL

CE. K. 10/21/68

NOTE OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE
PRESIDENT OF MEXICO, PRESIDENT LOPEZ PORTILLO, AT CANCUN ON
21 OCTOBER AT 2000 HOURS

Present:

Prime Minister
His Excellency Mr C Tickell,
MVO
Mr. Alexander
President Lopez Portillo

Chairmanship of the Conference

President Lopez Portillo, who had been talking to Mr. Trudeau when the Prime Minister arrived, said that he had been trying to persuade the Canadian Prime Minister to take on the co-chairmanship of the Conference. Mr. Trudeau appeared somewhat reluctant to take on the task. The French and the Swedes had both expressed an interest. Mr. Trudeau would prefer to be the unanimous choice of the meeting. The Prime Minister said she thought Mr. Trudeau would make a very good Chairman. He would certainly be the choice of the majority of the participants, if not of everyone. She undertook to try to persuade Mr. Trudeau at supper later that evening to take up President Lopez Portillo's invitation.

Belize

The Prime Minister thanked President Lopez Portillo warmly for the help which the Mexican Government had given to HMG over Belize - particularly in the United Nations. The task of bringing Belize to independence could not have been completed so rapidly without Mexico's help. The fact that Mexico had been willing to give up its territorial claim on Belize had been particularly appreciated. President Lopez Portillo said that the Prime Minister had been very generous. From the Mexico point of view two conflicting principles had been involved in Belize. On the one hand Mexico had territorial rights of a historic nature in the country. On

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the other hand Mexico believed strongly in the principle of non-intervention. In the event the Mexican Government had decided to give priority to the second principle. However there were still problems with Guatemala and if Guatemala were to insist on its claims against Belize Mexico would have to do the same. The expulsion of Mexican students from Guatemala was symptomatic of the continuing difficulties. However Belize was effectively the only problem marring relations between Mexico and Guatemala. A good start towards a solution had been made. HMG's actions had therefore been of assistance to Mexico.

Sicartsa II

The Prime Minister expressed her delight at the outcome of the negotiations about Sicartsa II. She asked the President when it would be convenient for the signing of the Memorandum of Understanding to take place. After a brief discussion it was agreed that the signing should take place at 1030 am on Sunday 25 October in Mexico City.

Arrangements for the Conference

The Prime Minister asked whether there was any help she could offer President Lopez Portillo with the running of the Conference in the next two days. She hoped that the number of formal speeches would be limited. The more debate and discussion there was, the better. President Lopez Portillo said that he intended to deliver a speech of welcome the following morning. This would last about ten minutes. It would be followed by the interventions of other Heads of Government. He had hoped that it would be possible to alternate between the speeches of representatives of North and of South. However it now appeared that it would be necessary to draw lots to determine the order of speaking. The formal speeches would probably take up the whole of the first morning. The next three sessions would, he hoped, be taken up with discussion and debate. He would

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- 3 -

be looking for consensus among the participants but not for an agreement. At the end of the meeting there would be a brief resume from the co-chairmen. They would also hold a press conference. On Friday evening, the representatives of the co-chairmen would draw up, on their own responsibility, a summary document. Other participants would of course be free to hold press conferences. But they would only speak informally and on behalf of their own countries.

As regards the substance of the exchanges, the main objective would be to discuss the nature of the North/South problem and, assuming there was some measure of agreement, to analyse together possible solutions. The major areas of specific discussion would be food, energy, finance, commerce and the transfer of technology. Japan wanted to speak about the problems of food production, Mexico about energy.

President Lopez Portillo said that, following a discussion with President Reagan, he had the impression that the Americans discerned some possibilities for progress in relation to some of the problems on the agenda.

President Lopez Portillo said that he did not think the outcome of the Conference would shake the world. The Prime Minister said that this might be so but that the Conference should make possible an improved understanding among the participants. Perhaps nothing would actually be solved. But the effort to find solutions where one could had to be made. She wanted the Conference to be a great success. President Lopez Portillo said that he thought that everyone wanted the meeting to be a success. He sensed a general desire to avoid confrontation. There was no doubt that the meeting was going to prove instructive for all those involved.

The discussion ended at 2020.

Rmd

22 October 1981

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

21 October 1981

Dear Michael,

Letter from Tim Fortescue to the Prime Minister

Thank you for your letter of 13 October.

Mr Fortescue calls on the Prime Minister to propose at Cancun the creation of an 'International Foundation' to help solve one or more of the priority problems identified by Brandt. He suggests that the Foundation should be financed by voluntary pledges from the profits of transnational corporations.

This is a private initiative which Mr Fortescue has been promoting for some months. He came to see Mr Hurd in April to discuss the idea. Mr Hurd's reaction was that the suggestion was consistent with the Government's emphasis on the role of the private sector in development. The idea seemed worth pursuing, although it would obviously be more appropriate for the private sector rather than the Government to make the running. He suggested that any such foundation might best tackle research projects rather than the public works which Mr Fortescue had originally envisaged. He suggested that the ODA might be a useful source of expertise on suitable areas for research. However, Mr Fortescue does not appear to have taken up this suggestion.

Mr Fortescue had a letter published in the Times outlining his proposal but we do not know of the progress he has made in canvassing his idea among industrialists.

I enclose a suggested draft reply.

Yours ever
Rodric Lyne

(R M J Lyne)
Private Secretary

M Pattison Esq
10 Downing Street

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Reference

Prime Minister

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Tim Fortescue MP

34 Stanford Road

London W8

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter of 8 October about the forthcoming Summit meeting in Mexico.

CAVEAT.....

I share your view that the private sector can make a very important contribution to development. Your suggestion for a privately funded international foundation is interesting and imaginative. It fits in well with our own approach to these issues. I think, however, it would be preferable for such a proposal to develop as a purely private sector ^{idea} initiative rather than be the subject of a governmental initiative.

As far as the Mexico Summit is concerned, the intention is that there should be a wide ranging and informal exchange of views. The meeting is not likely to discuss specific proposals.

Enclosures—flag(s).....

PA

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(This is table we couldn't find)

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DESKEY 212300Z OCT 81

FM FCO 211739Z OCT 81

TO IMMEDIATE UKDEL CANCUN

TELEGRAM NUMBER 21 OF 21 OCT

FOR PATTISON FROM LYNE

1. I UNDERSTAND THAT YOU WANTED TO REMINDED OF FIGURES ON PRIVATE FLOWS WHICH WE SUPPLIED IN SEPTEMBER. EVANS OR BAYNE MAY HAVE THE FULL CHART.

THE KEY POINTS WERE:

A) IN 1980 BRITAIN CAME FIRST IN ABSOLUTE TERMS, BUT THE FIGURE SHOULD BE USED WITH CARE AS APPROXIMATELY 60 PERCENT OF FLOWS FROM BRITAIN WERE THE RESULT OF RECYCLING OPEC SURPLUSES:

B) ABSOLUTE FIGURES IN RANK ORDER:

(IN BILLION DOLLARS)

1) UK	11.1	
2) FRANCE	6.7 APPROX	
3) FRG	6.0	
4) USA	4.3	
5) SWITZERLAND	4.2	<i>Handwritten signature</i>
6) ITALY	2.8	
7) BELGIUM	2.1	
8) JAPAN	2.0	
9) CANADA	1.0	
10) SWEDEN	0.9	

C) GNP PERCENTAGE:

1) SWITZERLAND	4.0 PERCENT
2) UK	2.1
3) BELGIUM	1.7
4) FRANCE	1.0
5) GERMANY	0.7
6) ITALY	0.7

RESTRICTED

33070 - 1

7) SWEDEN	0.7
8) NORWAY	0.6
9) NETHERLANDS	0.4
10) CANADA	0.4
(12) JAPAN	0.2
17) USA	0.004)

D) UK FLOWS IN 1980 COMPRISED:

I) EXPORT CREDITS	2.8 BILLION DOLLARS
II) DIRECT INVESTMENT:	1.0 BILLION DOLLARS
III) FOREIGN CURRENCY:	6.5 BILLION DOLLARS
IV) OTHER:	0.7 BILLION DOLLARS

CARRINGTON

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NNNN

DISTR
MINIMAL
ERD
PS

Mr Alexander

Meeting with the Chinese Premier

I told the Chinese Chief of Protocol that Mrs Thatcher would prefer not to commit herself now to a meeting with the Chinese Premier after the final session on 23 October, because of the uncertainties. I suggested that they might have a word at the breakfast which the Chinese Premier is giving on 23 October, to arrange a further meeting if they needed one. He agreed.

The Chinese Premier's breakfast will be at 8 am on 23 October - place to be announced. In addition to Mrs Thatcher, the guests will be Mr Trudeau, Mr Falldin (Sweden), Herr Genscher and Herr Pahr (Austria).

N. P. Bayne

(N P Bayne)

21 October 1981

cc: Mr Fall

PART 3 ends:-

Mexico city tel : 504 of 20/10/87.

PART 4 begins:-

FCO (N.P. Bayar) to MODBA of 21/10/87.

