

15 September 1981

CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

RELATIONS WITH DEVELOPING COUNTRIES

Memorandum by the Secretary of State for  
Foreign and Commonwealth Affairs

Introduction

1. This paper reviews recent developments and assesses the outlook for the Commonwealth Heads of Government Meeting in late September and the Cancun Summit on 22/23 October.

Recent Developments

(a) Ottawa Summit

2. Discussion at Ottawa revealed broad agreement on the political and economic interest of the West in helping developing countries, on the importance of trade and investment, and on the poorest countries' need for aid. However, the Americans were unwilling to commit themselves to the concept of Global Negotiations although they made some movement towards them. Like us, they were unable to make commitments about increases in aid volume. It nevertheless proved possible to agree on communiqué language that was suitably positive in tone.

(b) The Cancun Preparatory Meeting

3. The atmosphere at the preparatory meeting of Foreign

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Ministers held at Cancun in early August was considerably improved by the favourable reception given to the Ottawa Summit communiqué. Discussion was confined to procedural matters and we agreed that 'the meeting will be political in character, conducted in an open and informal atmosphere, not engaging in negotiations but providing an opportunity for an exchange of views on major issues of international co-operation for development'. There will be no special documentation although participants may submit national papers if they wish. (We do not at present intend to do so.) There will be no communiqué but the co-chairmen (Chancellor Kreisky and President Lopez Portillo) will give a summing-up on their own responsibility. We agreed also that there should be no formal agenda. Instead there will be a framework for discussions. This will be:

'The future of international co-operation for development and the reactivation of the world economy, including areas such as food security and agricultural development; commodities, trade and industrialisation; energy; monetary and financial issues.'

As regards the Global Negotiations, we agreed to stick to the language of the Summit invitation, namely that 'a main objective' of the meeting should be to 'facilitate agreement' on these negotiations.

The Outlook for CHOGM (30 September - 7 October)

4. Preparatory work confirms that relations with developing countries will be a major theme of the Conference.

Mr Fraser has shown the Prime Minister a draft 'Melbourne

Declaration', a rhetorical document designed to demonstrate concern for the problems of developing countries. This can be expected to set the tone of what will be a difficult meeting for us. Mr Fraser will be aware that none of the other developed countries share our approach to the developing world. Most other participants including particularly the Secretary General and of course the Canadians, will favour his views. He is known to have some Australian initiatives in preparation and he is considering a number of Commonwealth initiatives. He is clearly determined to use the Conference to establish a distinctive and favourable image of Australia in the Third World. There is a risk that we will seem to be unsympathetic to the difficulties of developing countries. In particular, we must expect criticism of our decision to increase overseas students fees which has been ill received both in the Commonwealth and in Britain.

The Outlook for Cancun

5. The informal nature of the meeting will help us considerably. We shall not have to subscribe to agreed communiqué language, although the Co-chairmen's summary (on their own responsibility) will be important. Nor shall we have to concur in taking any decisions. It is now generally recognised that any substantive negotiations will have to be conducted in the United Nations where all can participate. This, however, will inevitably lead to the Global Negotiations becoming the focus of attention. It is increasingly clear that the developing countries will regard significant progress on this issue as a touchstone of the Summit's success. For our part, we have subscribed to the European Council's support for the Global Negotiations and the Summit will

take place during our Presidency. We shall, of course, wish to ensure that, if they take place, the procedures adopted are such as to avoid damaging the IMF/IBRD and the GATT. The Americans have still taken no decision on their attitude to the Global Negotiations. Opinion in Washington is generally very sceptical but this may change in response to the pressures generated by the Summit.

6. In spite of the satisfactory procedural arrangements envisaged for the Mexico Summit, there is no doubt that it also will be a difficult meeting for us. Our aid programme is substantial and of good quality, and our contribution to trade and private flows is considerable. However our performance will inevitably be compared to that of other leading industrial countries. Ours is the only aid programme that is declining; even the Americans will take credit for proposing to Congress a 16 % cash increase this year. We can expect other developed country participants to make announcements at Cancun designed to underline their aid efforts. Much as we would like to broaden the context in which development problems are considered, aid performance remains for developing countries an important (perhaps the most important) test of our attitudes to them. Whatever efforts we make to present our policies, developing countries will regard our declining aid performance as evidence that we are among the least sympathetic to their problems. Indeed on commodities, trade issues, industrialisation, and monetary and financial issues we often take a firmer line than some of our partners and will have little to offer at Cancun. On present plans small initiatives on water, sanitation and renewable energy sources (both already announced) would be found within our declining aid programme.

7. There is also a domestic angle. There is considerable public interest in this meeting which is by no means confined to the development lobby. There is close interest among the press, television, and in Parliament. Six hundred press representatives are expected at Cancun. In Britain several television programmes are currently in preparation. The Foreign Affairs Committee of the House of Commons has produced a series of recommendations and we can expect further pressure when the House resumes, immediately before Cancun. All this has contributed to an inflated level of expectations which we must work cautiously to reduce. Nevertheless there remains, on present policies, a serious risk that our performance will be judged by an influential section of the public as having fallen short of what is required. There is also a risk that, if the Conference as a whole fails to meet expectations, we and the Americans will be blamed.

POLICY OPTIONS

8. Sir Robert Armstrong's minute of 14 July to the Prime Minister outlined (in paragraph 8) a number of possible policy modifications which had emerged from official discussions. Taking these in turn:

(i) Energy

The Americans have now made it clear in public that they do not wish to pursue the idea of an Energy Affiliate for the IBRD: the Saudis remain sceptical. Nevertheless, I see merit in the proposal. It addresses a vital need of the developing countries. It would not be too expensive for us (and contributions would not be required

for some years). And it puts the onus on OPEC to help. President Mitterrand has recently come out strongly in favour and I see political advantage in our striking a positive note without in any way seeking to lead the pack.

(ii) Finance

All three suggestions have their merits. But they are rather technical to make an impact at a meeting of this kind. There might also be disadvantages in drawing the Cancun Meeting into too close a discussion of the affairs of the IMF/IBRD.

(iii) Global Negotiations

The position we have already taken in the Community and at Ottawa gives us a sufficient basis to avoid undue pressure at Cancun.

(iv) Student Fees

Any significant action here would require an increase in the aid vote.

9. The scope for modifications in our policies that would have the desirable public impact is thus rather limited. We must clearly make every effort to present our policies in a favourable light. But our words will be judged against our actions and the fact that ours is the only major aid programme that is declining is a very vulnerable aspect of our case. Action in this field would make a major difference to our public posture and could have a substantial impact on opinion in Parliament and the country at large. It would also help to further our political and commercial interests in a number of fields. It could make possible

expanded assistance for students from developing countries (particularly from the Commonwealth). It might be possible to expand the resources available for the Aid Trade Provision. There are also a number of potential claims involving British interests (for example, in Turkey, Pakistan and Southern Africa) which will be very difficult to meet within the presently planned programme.

10. I should like my colleagues to be aware both of these wider considerations and of the difficulties we shall face at these two meetings. I do not think that we need commit ourselves now to any decisions on the aid programme, not least because of the economic constraints that we face. But we shall have to watch carefully how matters develop at Melbourne and Cancun, both internationally and domestically, and we may have to look again in the light of that at what we may be able to do. Meanwhile, I invite my colleagues to agree that we should be prepared to support the idea of an IBRD Energy Affiliate.

Foreign and Commonwealth Office

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