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NOTE OF THE THIRD SESSION OF THE INTERNATIONAL CONFERENCE AT  
PUERTO RICO ON MONDAY 28 JUNE AT 1.40 P.M.

North/South Relationships (continued)

The Canadian Foreign Minister said that he would like to open with some comments on CIEC, which was the immediate forum for a North/South dialogue until the end of this year. He recalled that this had been launched in Paris at President Giscard's initiative in December last year. Since then, the dialogue had been continued through the four Commissions. Next week, the 27 members would meet again under the Chairmanship of Perez Guerrero and himself to review their work and to take decisions on how to move from the analytical phase of their work to what he called an "action-orientated" phase. They would also consider what areas to concentrate on, and on the future agenda for the Commissions. The constructive atmosphere of the CIEC, and the privacy in which its meetings had been held, represented a unique opportunity to make progress.

Mr. McEachen said that there were three points to consider. The first related to credibility. The developing countries were not yet certain whether the industrialised countries were really serious about carrying forward the dialogue. Secondly, more co-ordination and harmonisation was required between the industrialised countries themselves. This should be possible, as Chancellor Schmidt had suggested; but we needed to decide the points on which we could co-ordinate. Thirdly, could we produce new proposals? So far, the industrialised world had been reacting negatively and defensively to events, such as the Manila Declaration. It was true that some ideas had been put forward; there was the idea of an Investment Bank put forward at Nairobi; and there were M. Fourcade's ideas on the Central Fund. But we should identify further areas for progress before the end of the year. It was also worth bearing in mind the impact which this Puerto Rico meeting could have on the North/South dialogue.

/The Japanese

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The Japanese Prime Minister recalled that the Rambouillet Conference had agreed on the interdependence, and need for co-operation, between North and South. Since then, both CIEC and UNCTAD had recorded some progress. But he agreed with Mr. McEachan on the need for some practical programmes. We were likely to be faced with increasing difficulties as we approached the "action-orientated phase", but there was a continuing need for dialogue and co-operation.

Mr. Miki expressed his respect for Dr. Kissinger's proposals for an Investment Bank; but it was a fact that even excellent proposals like this had failed to achieve the necessary understanding in the past. Perhaps the industrialised countries should do more to put their heads together in advance.

On the Common Fund, Mr. Miki understood the ambitions of the developing nations but said that he had some reservations about its likely success. There was still likely to be some disruption for primary commodities and he thought that we would have to deal with commodities on a commodity by commodity basis.

There was a need also to step up our aid activities, especially for the non-oil producing ldc's; there should be more emphasis on development and on the increased production of food, even though he understood why the ldc's put so much emphasis on industrialisation. Japan would do what she could, and he asked his partners to give their support to the Asian Development Bank.

In conclusion, Mr. Miki said that if there was a consensus, following the two Conferences at Rambouillet and Puerto Rico, that there should be another meeting, the Japanese Government would like to host it. He was not asking for an answer now; but he asked his colleagues to bear this in mind.

### Energy

The Canadian Prime Minister said that there was plenty of discussion on energy going on in such organisations as the IEA, the CIEC and the London Suppliers Club. It was obvious that



the oil crisis in 1973 had shown the industrialised world's vulnerability to economic pressures on their resources, even though the outcome had not in fact turned out to be as bad as everyone had forecast. It had perhaps been useful to discover how resilient the industrialised world was, just as the OPEC countries had discovered their own vulnerability and had realised that they could not spend their resources without our co-operation. Both points had emphasised our interdependence, and the fact that there had been no increase in oil prices at the recent meeting in Bali, or indeed since 1973/74 (except adjustment for inflation) showed that the oil producers realised the limits to which they could push the industrialised countries.

The need for co-operation was therefore understood by everyone, on both the economic and political levels. Nevertheless, a Middle East crisis could put us once again into the position of hostages, and this itself underlined the importance of peace in the Middle East and the growing realisation of the need for what he preferred to call self-reliance, rather than self-sufficiency or independence. It also underlined the need to look at alternative sources of energy and to invest in non-conventional sources. He therefore supported the United States proposal for an International Energy Institute.

Mr. Trudeau added two points. The first related to conservation. This was an area in which Governments were probably ahead of their electorates. Both the United States and Canada had tried various severe methods of taxation as a means of conserving energy, but people were still buying large cars. The extent of wastefulness was still not properly understood.

His second point related to nuclear energy, where Governments were perhaps behind their electorates. Nevertheless, if we had not had this alternative source of supply, the Middle East oil crisis could have turned out to be much more dangerous than it had been. But it would be useful if Governments heeded their electorates' cries of alarm on the dangers of nuclear energy in four areas: nuclear war, proliferation, accidental mishaps and the use of nuclear technology by terrorists.



The London Suppliers Conference had shown that Governments had some awareness of these dangers, but it was nevertheless a field in which public opinion was probably still ahead. We needed to respond to this awareness as Canadian experience had shown over the Indians' use of their technology for nuclear explosions. One should also recognise that the concern which we expressed at the nuclear suppliers conference was not shared by the ldc's who saw it as an expression of selfishness. His recurrent theme was that, as democracies, we could only move as far or as fast as public opinion, and he believed that there was a need to use this sort of gathering to gain support for our ideas.

Mr. Miki said that the problem of energy in Japan was a very serious one. They depended heavily on imported oil even though their dependency on OPEC countries had reduced since it reached its peak in 1973. But worldwide economic recovery had again raised oil consumption in Japan this year, and for this reason the Japanese Government was particularly concerned at the situation in the Middle East. The possibility of a squeeze on oil supplies and a further rise in oil prices could not be excluded. There was therefore a need for caution and care, and to continue the dialogue in a way which could exercise some check on OPEC's oil prices. This could not be solved by confrontation or force; there was a need for more co-ordination among the industrialised countries, e.g. in the International Energy Agency, and to find more alternative sources of fuel. The Japanese welcomed more international collaboration on such matters as the development of uranium mining, the disposal of nuclear fuels, the elaboration of nuclear safety procedures and general energy research and development.

/Mr. Moro



Mr. Moro said that the stability of oil prices was transitory and related to the recession. As the recovery got under way, prices were likely to rise and the volume of energy imports would also increase. There were large differences between countries, but for those dependent on imports, crude oil would be a heavy burden on their balance of payments. Policy towards the Third World should be based on avoiding confrontation and reducing friction. Our object should therefore be to persuade the OPEC countries that their own interests would be damaged if they behaved in a monopolistic way. The developing countries had an interest in two things: avoiding wasteful use of oil and increasing the effort to find and produce alternative sources of energy. If possible they should also work out a concerted approach on prices in the CIEC discussions. They should also make the most of the advantage that lower oil prices would give to those developing countries which had no oil of their own.

Mr. Callaghan thought that the developed countries had made some progress and were now in a better position to face a crisis, but there was a lot still to be done, especially on conservation. On the short-term political side, he agreed with Mr. Trudeau that it would be important to push for a new settlement in the Middle East next year. In the longer-term, now that they were all aware that fossil fields had a limited life, they must devote more resources to looking for sources of energy other than oil. In the field of nuclear power, he thought it was wrong that Europe was holding up progress on the Torus idea, simply because they could not decide whether the site should be in Germany, Italy or the United Kingdom. He hoped they would be able to reach agreement soon.

Mr. Callaghan said that he would say a little on the parochial subject of the United Kingdom economy. So far, oil development was on target and about 20 million tonnes of oil would be produced this year, some of which was being exported to Germany. By 1980, production should rise to about 100 million tonnes and the United Kingdom would be self-sufficient.



President Ford said that he was still apprehensive about the energy situation. In the United States they had made little progress in saving energy: oil production was falling, the remaining reserves were low, and imports had risen from 31 to 41 per cent of consumption. Industry has managed to reduce its energy consumption per unit of output, but there was little support from the public for conservation. He had hoped to raise the number of nuclear power stations from 55 to 250 by 1985. But they had run into problems of the kind Mr. Trudeau had mentioned, produced by the opposition of environmentalists. They were now making great efforts to increase the reliability and safety of nuclear power and putting in an extensive research and development effort into other sources of energy such as solar, geo-thermal and wind power. The Research and Development programme was well funded and although it would not produce immediate progress, it should produce some useful results by 1980. He thought that although an oil embargo did not look likely, there was still a strong case for doing more in such fields as joint R & D, and safety-net financing arrangements.

At this point President Ford turned to the Communiqué and various amendments were agreed which were embodied in the final version (at Annex).

President Ford then thanked the members of the Conference for attending and for helping to produce its constructive outcome. He wished them all a safe trip home. President Giscard in reply, thanked the President for his hospitality and for the spirit in which he had chaired the meeting and sought for positions which were satisfactory to all.

The meeting adjourned for a Press Conference at 3.00 p.m.

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