

FO/LUS006/02

OO LUSAKA

GRS 920

CONFIDENTIAL

FM FCO 011900Z AUGUST 79

TO IMMEDIATE LUSAKA

TELEGRAM NUMBER 596 OF 1 AUGUST

AND TO UKDEL IMF/IBRD WASHINGTON

INFO UKMIS GENEVA

SAVING TO FOR INFO UKDEL OECD, UKMIS NEW YORK, UKREP BRUSSELS

FOR THOMAS: YOUR TEL NO 801 (NOT TO ALL) CHGM:

POSSIBLE WORKING GROUP ON MARSHALL PLAN FOR DEVELOPING COUNTRIES

1. WE AGREE THAT THIS IS A MOST UNATTRACTIVE IDEA, BUT THAT IT MAY BE DIFFICULT TO HEAD OFF. TACTICALLY THE RIGHT APPROACH MAY BE TO ARGUE FIRST THAT SUCH A STUDY IS SUPERFLUOUS (AT LEAST AT THIS STAGE) AND SECOND TO CAST DOUBT ON THE ECONOMIC VALIDITY OF THE PARALLEL WITH THE ORIGINAL MARSHALL PLAN CONCEPT. IF WE HAVE TO ACCEPT A WORKING GROUP, THEN WE SHOULD WISH TO QUOTE PRECEDENTS TO STEER TOWARDS A STUDY OF THE KIND YOU SUGGEST (YOUR PARAGRAPH 6) WITH MEMBERS SPEAKING FOR THEMSELVES NOT THEIR GOVERNMENTS. IN PRACTICE IT WOULD PROBABLY BE DIFFICULT TO AVOID COLLECTIVE CONSIDERATION OF THE REPORT AT SOME POINT, THOUGH THERE MAY BE SCOPE FOR ARGUING THAT SENIOR OFFICIALS SHOULD DO THIS SINCE THE COMMONWEALTH FINANCE MINISTERS MEETING IN 1980 IS TOO LATE IF THE REPORT IS TO BE RELEVANT TO, FOR EXAMPLE, WORK ON THE IDS.

CURRENT WORK ELSEWHERE

2. THE UN SECRETARY GENERAL WAS CALLED UPON BY THE GENERAL ASSEMBLY IN RESOLUTION 33/136 ON THE ACCELERATION OF THE TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES TO -

'UNDERTAKE CONSULTATIONS WITH A VIEW TO APPRAISING THE CONCEPT OF A SUBSTANTIALLY INCREASED TRANSFER OF RESOURCES, INCLUDING POTENTIAL MECHANISMS FOR SUCH TRANSFERS, AND TO REPORT THEREON TO THE GENERAL ASSEMBLY AT ITS THIRTY-FOURTH SESSION, TAKING FULLY INTO ACCOUNT THE RESULTS OF NEGOTIATIONS TO BE HELD BY THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT AT ITS FIFTH SESSION, AS WELL AS ANY FURTHER NEGOTIATIONS ON THE SUBJECT IN THE COMMITTEE OF THE WHOLE'.

RESOLUTION 129(V) OF UNCTAD DREW ATTENTION TO THIS WORK.

3. THE DEVELOPMENT COMMITTEE IS TO MEET ON 30 SEPTEMBER AND CONSIDER FIRST THE QUESTION OF FINANCIAL FLOWS TO DEVELOPING COUNTRIES AND THE ADJUSTMENT PROCESS. THE FUND BOARD HAS ALREADY MET ON 18 AND 25 JULY TO DISCUSS A JOINT IMF/WORLD BANK STAFF STUDY ON THIS QUESTION, AND A FINAL DISCUSSION WAS SCHEDULED FOR TODAY, 1 AUGUST. THOUGH THERE WAS INITIALLY WIDESPREAD CRITICISM OF THE FORM OF THE REPORT WITH A GENERAL FEELING THAT THE ROLE OF THE COMMERCIAL BANKS WAS UNDERPLAYED, THE STUDY DOES COVER THE WHOLE FIELD IN GREAT DETAIL. WE SUGGEST THAT UKDEL IMF/IBRD COULD NOW TELEGRAPH BRIEF REPORTS ON THESE MOST RECENT MEETINGS TO YOU AS WELL AS TO THE FCO.

4. THE UNCTAD V RESOLUTION ON AID, PRIVATE FLOWS AND THE MASSIVE TRANSFER OF RESOURCES ASKED THE UN SECRETARY-GENERAL TO EXAMINE THE RANGE OF POSSIBLE IDEAS FOR INCREASING FINANCIAL FLOWS TO THE THIRD WORLD, DRAWING LARGELY ON PRIVATE CAPITAL MARKETS.

5. THE BRANDT COMMISSION WILL REPORT AT THE BEGINNING OF NEXT YEAR AND WILL DOUBTLESS HAVE RECOMMENDATIONS IN THIS GENERAL AREA.

6. IT IS REASONABLE TO SUGGEST THAN ANY COMMONWEALTH CONTRIBUTION TO THIS GENERAL AREA SHOULD AT LEAST WAIT UPON THE OUTCOME OF THESE DISCUSSIONS AND REPORTS AND POSSIBLY TOO UPON THE GENERAL ASSEMBLY'S OWN CONSIDERATION OF THE SECRETARY-GENERAL'S REPORT.

PM has seen

Prime Minister

SM
3/8

7. AS REGARDS INTERNAL WESTERN WORK IN THIS AREA, YOU COULD POINT OUT TO THE AUSTRALIANS IN PARTICULAR, BUT NOT TO DEVELOPING COUNTRY COMMONWEALTH MEMBERS, THAT THE OECD SECRETARIAT HAVE A PROGRAMME OF WORK FOR DAC WHICH AMOUNTS TO A SURVEY OF THE WHOLE RESOURCE TRANSFERS FIELD. A SPECIAL MEETING OF DAC IS PLANNED FOR 26 SEPTEMBER JUST BEFORE THE DEVELOPMENT COMMITTEE MEETING.

ECONOMIC DIFFICULTIES
8. THE FUNDAMENTAL ASSUMPTION MUST BE THAT THERE ARE UNUSED FINANCIAL RESOURCES, PRIMARILY IN THE WEST, WHICH SHOULD BE TRANSFERRED TO THE DEVELOPING COUNTRIES. IN FACT, IN PRESENT ECONOMIC CIRCUMSTANCES SUCH RESOURCES ARE MAINLY CONFINED TO THE SURPLUS COUNTRIES WHICH, IN THE NEXT FEW YEARS, CONSIST VERY LARGELY OF MEMBERS OF OPEC. THE BANKS HAVE PROVIDED THE MAJOR MECHANISM FOR RECYCLING OPEC SURPLUSES, BUT CONCERN IS INCREASINGLY BEING EXPRESSED AT THE EXTENT OF COMMERCIAL BANKING EXPOSURE IN DEVELOPING COUNTRIES. STEPPED-UP CO-FINANCING OFFERS SOME ENCOURAGEMENT FOR ADDITIONAL INVESTMENT IN LDCS BUT THERE ARE LIMITS TO THE POSSIBLE RATES OF INCREASE. WE SUSPECT THAT A NUMBER OF DEVELOPING COUNTRY REPRESENTATIVES MAY THEMSELVES BE PRIVATELY UNCONVINCED OF THE ARGUMENTS THAT INVESTMENT IN DEVELOPING COUNTRIES COULD BE USEFULLY COUNTER-CYCLICAL. THIS IS CERTAINLY TRUE OF JAYWARDENE HIMSELF.

PRECEDENTS

9. THE KINGSTON CHGM IN MAY 1975 INVITED A GROUP OF TEN EXPERTS FROM MEMBER COUNTRIES TO PROPOSE PRACTICAL MEASURES DIRECTED AT CLOSING THE GAP BETWEEN RICH AND POOR COUNTRIES. THE INTERIM REPORT 'TOWARDS A NEW INTERNATIONAL ECONOMIC ORDER' PREPARED UNDER THE CHAIRMANSHIP OF MR MCINTYRE WAS GIVEN GENERAL ENDORSEMENT BY COMMONWEALTH FINANCE MINISTERS IN GEORGETOWN IN AUGUST 1975 AND WAS THEN MADE AVAILABLE TO THE INTERNATIONAL COMMUNITY IN THE CONTEXT OF THE SEVENTH SPECIAL SESSION OF THE GENERAL ASSEMBLY. IT WAS EMPHASISED THAT THE REPORT WAS PREPARED BY MEMBERS IN THEIR PERSONAL CAPACITIES, AND THAT IT DID NOT IMPLY THAT IT NECESSARILY REPRESENTED THE VIEWS OF COMMONWEALTH GOVERNMENTS OR COMMIT THEM INDIVIDUALLY OR COLLECTIVELY TO ITS RECOMMENDATIONS.

10. THE REPORT OF THE COMMONWEALTH TEAM OF INDUSTRIAL SPECIALISTS, ESTABLISHED IN NOVEMBER 1976 UNDER THE CHAIRMANSHIP OF MR JHA, WAS SIMILARLY PREPARED BY THE MEMBERS IN THEIR PERSONAL CAPACITIES AND DID NOT COMMIT GOVERNMENTS IN ANY WAY. IT WAS SUBSEQUENTLY GIVEN A MINISTERIAL STAMP AT THE MEETING IN BANGALORE.

CARRINGTON