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PRIME MINISTER'S *pl. done letter to*
PERSONAL MESSAGE *File. - 11-10*
SERIAL No. T 74183 *a ref. A.L.C. 31.5*

MIPT: WILLIAMSBURG: CENTRAL AMERICA AND THE CONTADORA GROUP
BEGINS

cc Ops
Master
Subject
Colombia Relations
March 82

I HAVE THE HONOUR TO ADDRESS YOU ON THE OCCASION OF YOUR MEETING WITH OTHER DISTINGUISHED CHIEFS OF STATE FOR THE PURPOSE OF PRESENTING THEM IN A CONSTRUCTIVE SPIRIT WITH SOME REFLECTIONS ON THE WORLD ECONOMY AND SOCIAL SITUATION AND IN PARTICULAR THAT OF LATIN AMERICA AND THE CARIBBEAN.

THE ECONOMY AND SOCIAL WELFARE OF THE 375 MILLION INHABITANTS OF THIS REGION DEPENDS IN GREAT MEASURE ON THE MACROECONOMIC POLICIES OF THE STATES WHICH YOU REPRESENT. - THIS WAS ONE OF THE REASONS WHICH MOVED PRESIDENT OSVALDO HURTADO OF ECUADOR TO STIMULATE A LATIN AMERICAN SUMMIT OF HIGH LEVEL EXPERTS FROM THE MAJORITY OF THE LATIN AMERICAN AND CARIBBEAN COUNTRIES TO DISCUSS THE CHOICES BEFORE THE CONTINENT IN THE INTERNATIONAL SITUATION.

AT THIS MEETING WHICH TOOK PLACE IN BOGOTA LAST WEEK, ORGANISED BY ECLA AND THE LATIN AMERICAN ECONOMIC SYSTEM (SELA) THERE WAS AN ANALYSIS OF THE CAUSES OF THE WORLD RECESSION AND THE WAY IN WHICH THE DOWNWARD SPIRAL HAS BEEN TRANSMITTED TO THE DEVELOPING COUNTRIES. ECLA, SELA AND OTHERS PARTICIPATING SUGGESTED TO THE PRESIDENT OF COLOMBIA THAT HE SHOULD RESUME IN A MESSAGE TO THE MEETING AT WILLIAMSBURG THE CONCLUSIONS THEY HAD ADOPTED WHICH EXPRESSED THE GENERAL STATE OF MIND IN LATIN AMERICA AND THE CARIBBEAN.

I HAVE AGREED TO SEND IN MY PERSONAL CAPACITY THESE REFLECTIONS - FOLLOWING FROM THOSE WHICH SOME MONTHS AGO I PRESENTED TO PRESIDENT MITTERAND, WHEN HE SPOKE FOR THE FIRST TIME ABOUT THE WILLIAMSBURG MEETING - BECAUSE EVERY DAY OUR PROBLEMS ARE SO INTERDEPENDANT, AND THAT THE RECESSION, UNEMPLOYMENT AND INFLATION ON THE INTERNATIONAL LEVEL ARE THE CONSEQUENCES OF THE DIS-EQUILIBRIUM BETWEEN PRIMARY AND INDUSTRIAL PRODUCTION ON THE WORLD SCALE. IN THE PAST TEN YEARS WE HAVE EXPERIENCED FLUCTUATIONS IN THE MARKET FOR PRIMARY PRODUCTS WHICH HAVE AFFECTED THE GROWTH OF THE WORLD ECONOMY, IN WHICH THE EXPORTS OF LATIN AMERICA AND THE CARIBBEAN HAVE BEEN AFFECTED BY CYCLES OF OVER PRODUCTION AND FIGURES OF INSTABILITY. THE LACK OF COORDINATION IN THE STRATEGIES OF THE NORTH AND SOUTH ARE OBVIOUS, CONDITIONS WHICH HAVE HAD A HIGH COST FOR ALL.

/LATIN

LATIN AMERICA AND THE CARIBBEAN ARE PASSING THROUGH ONE OF THE MOST DIFFICULT PERIODS OF THE LAST 30 YEARS. THE DETERIORATION OF THE TERMS OF TRADE, THE STRENGTHENING OF PROTECTIONISM, THE RISE IN REAL INTERNATIONAL RATES OF INTEREST, THE TIGHTENING OF THE PERIOD FOR AMORTIZING FOREIGN DEBT AND THE APPLICATION OF EXCESSIVELY RIGID ECONOMIC IDEAS HAVE CAUSED DEFICITS IN THE BALANCE OF PAYMENTS AND IN PUBLIC FINANCE AND REDUCED THE EXPANSION OF THE REGIONAL ECONOMIES THUS INCREASING UNEMPLOYMENT AND INFLATIONARY PRESSURES.

LATIN AMERICA AND THE CARIBBEAN ARE NOT BANKRUPT. OUR HUMAN AND NATURAL RESOURCES AND OUR CAPITAL FORMATION AMOUNT TO A CREDIT SEVERAL TIMES GREATER THAN THE DOLLARS 300,000 WHICH THE REGION NEEDS. WHAT IS NEEDED IS (FOLLOWING UNDERLINED) TO WIDEN THEIR ACCESS TO THE MARKETS OF TECHNOLOGY, CAPITAL AND GOODS, STRENGTHEN THE AGREEMENTS ON BASIC PRODUCTS, ACCELERATE THE RELOCATION OF MULTILATERAL RESOURCES OF CREDIT AND SYNCHRONIZE THE FLOWS OF FUNDS. (END UNDERLINING.) THIS POINT IS FUNDAMENTAL IN THAT IN 1970 AROUND 20 PER CENT OF LATIN AMERICAN AND CARIBBEAN DEBT WAS CONTRACTED ON MORE THAN FIVE YEARS, BUT TODAY LITTLE MORE THAN 4 PER CENT IS LONG TERM AS A CONSEQUENCE OF THE WEAKENING OF THE INTERNATIONAL BANKING SYSTEM FOR DEVELOPMENT.

FOR THIS REASON IT IS NECESSARY TO MODIFY THE INTERNATIONAL ECONOMIC ORDER, THE DIVISION OF WORK REQUIRES A CHANGE OF COURSE SINCE THE DEVELOPING COUNTRIES HAVE THE CAPACITY TO COMPETE IN VARIOUS FIELDS OF MANUFACTURING INDUSTRY, FOR WHICH REASON IT DOES NOT MAKE SENSE TO PROTECT INDUSTRIES OF MEDIUM LEVEL TECHNOLOGY WHICH ARE OPERATING IN THE COUNTRIES OF THE NORTH AT LOW LEVELS OF EFFICIENCY. TO MAKE PROGRESS IN THIS INTERNATIONAL DIVISION OF LABOUR IT WOULD BE APPROPRIATE TO CONVENE A NEW ROUND OF GATT NEGOTIATIONS WHICH WOULD HELP THE PROGRESS OF THE EXPORTING POTENTIAL OF THE DEVELOPING COUNTRIES. ONE COULD ARGUE THAT IN THE TOKYO ROUND SOME PROGRESS WAS MADE IN THIS DIRECTION, UNFORTUNATELY THE DEVELOPING COUNTRIES DID NOT SUCCEED IN MEETING THEIR ASPIRATIONS IN THESE NEGOTIATIONS AND WHAT HAS OCCURRED IS A REVIVAL OF PROTECTIONISM.

AS REGARDS LIQUIDITY THERE IS A NEED TO PROVIDE THE INTERNATIONAL ECONOMY WITH GREATER RESOURCES FOR THE BENEFIT OF THE DEVELOPING COUNTRIES WHICH AFTER ALL REPRESENT MORE THAN 75 PER CENT OF THE WORLD POPULATION; FOR EXAMPLE BETWEEN 1970 AND 1974 INTERNATIONAL RESERVES WERE CREATED AT MORE THAN DOLLARS 100,000 AND OF THIS HUGE SUM THE POOR COUNTRIES RECEIVED LESS THAN 4 PER CENT.

(BEGIN UNDERLINING) ONE MECHANISM TO BE STUDIED WOULD BE THAT THE MULTILATERAL CREDIT ORGANISATIONS SHOULD ISSUE RECONSTRUCTION AND DEVELOPMENT BONDS IN THE INTERNATIONAL MARKET AND THAT THE COUNTRIES OF THE NORTH SHOULD UNDERTAKE TO PURCHASE THEM IN PROPORTION TO THEIR WEALTH(UNDERLINING ENDS).

/PERSONALITIES

PERSONALITIES SUCH AS DR KISSINGER OF THE UNITED STATES AND DR SCHMIDT OF THE FRG HAVE RECOGNISED THAT REACTIVATING THE DEVELOPING COUNTRIES WOULD HAVE A HEALTHY EFFECT ON THE ECONOMY OF THE NORTH; IN 1982 LATIN AMERICA ALONE ACHIEVED IMPORTS OF MORE THAN DOLLARS 85,000M, THE GREATER PART COMING FROM THE US AND EC. THEREFORE IF WE DO NOT FIND MECHANISMS WHICH WILL HELP THE DEBT SERVICE OF THESE COUNTRIES, THIS FLOW WILL DIMINISH CAUSING LOSSES FOR ALL THE MEMBERS OF THE INTERNATIONAL ECONOMIC SYSTEM. FOR THIS REASON (BEGIN UNDERLINING) WE NEED TO CREATE AN INTERNATIONAL EMERGENCY FUND OF AT LEAST DOLLARS 40,000M (ADDITIONAL TO THOSE OF THE IMF), WHICH WILL COMPENSATE FOR THE FALL OF EXPORT INCOMES AND WILL ALLOW THAT PART OF THE RATE OF INTEREST WHICH EXCEEDED NORMAL LEVELS TO BE COVERED. (END UNDERLINING).

MADAM PRIME MINISTER

THE MOMENT HAS COME TO PUT IN HAND A DEVELOPMENT STRATEGY WHICH CANNOT EXCLUDE EITHER THE ARAB OR SOCIALIST COUNTRIES. IN THE CASE OF THE ENERGY MARKET FOR EXAMPLE A WIDE AGREEMENT ON INTERNATIONAL COOPERATION COULD BE OF INTEREST, BECAUSE WE ARE AWARE THAT PETROLEUM IS A SCARCE AND VALUABLE RESOURCE WHICH SHOULD BE USED EFFICIENTLY; IT WOULD BE HIGHLY DESIRABLE TO EMPLOY A MECHANISM WHICH AVOIDED SUDDEN CHANGES OF THE COSTS OF ENERGY EITHER UP OR DOWN.

NOW IS THE MOMENT TO RECOGNISE THAT ALL THE MEMBERS OF THE INTERNATIONAL ECONOMY SHOULD ACCEPT ADJUSTMENTS AND SACRIFICES. IT WOULD NOT MAKE SENSE TO GO ON TRANSFERRING THESE ADJUSTMENT COSTS TO THE POOR COUNTRIES. IF WE CANNOT ENCOURAGE THIS COORDINATION, THE WORRYING PROJECTIONS OF THE CLUB OF ROME, WHOSE PRESIDENT HAS JUST VISITED COLOMBIA, WILL GET DANGEROUSLY CLOSE TO REALITY.

LATIN AMERICA AND THE CARIBBEAN TRUST THAT THE WILLIAMSBURG
DIALOGUE WILL BE FRUITFUL AND WILL TAKE ACCOUNT OF THESE REALITIES.
THE EYES OF THE WORLD ARE FIXED ON SUCH EXALTED SPIRITS AND
ON SUCH CLEAR GUIDES.

VERY RESPECTFULLY,
BELISARIO BETANCUR
PRESIDENT OF COLOMBIA

ENDS.

FCO PLEASE PASS ALL AND SAVING EC POSTS

ROBSON

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