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OTTAWA ECONOMIC SUMMIT CONFERENCE

RELATIONS WITH DEVELOPING COUNTRIES, AND ENERGY

RECORD of a plenary session held at
Chateau Montebello, Ottawa on
MONDAY 20 JULY 1981 at 3.15 pm

Mr Trudeau (Canada) (Chairman) said that Personal Representatives had concluded the aid study commissioned from them by Heads of State or Government at Venice a year earlier. The report was not equally supported in every line by each participant, but he thought that it could form the basis of a more coherent approach by the countries represented at the Conference to relationships with developing countries. He doubted whether Heads of State or Government needed to discuss the report as such. They would, however, have to deal with the communique language which had been prepared, and they might find it convenient to have a general discussion by way of preparation for the series of international meetings which lay ahead: notably the General Assembly of the United Nations, the meeting of Commonwealth Heads of Government at Melbourne, and the Cancun Summit at the end of October.

President Reagan (United States) said that at that stage his observations were bound to be provisional, based as they were on the limited experience which his Administration had so far had in this field. The United States had had programmes aimed at helping Latin American nations. These had failed, perhaps because they had been lumped together. The lessons he had drawn from his experience to date were:

- a. It was important to keep in mind the need to target aid to particular countries rather than to areas of the world.
- b. It was important to recognise the considerable power of the private sector to help developing countries.
- c. It was important not just to feed the hungry, but to teach them how to capitalise on what they had, so that they could become viable.

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Mr Suzuki (Japan) said that earlier in the year he had visited the five countries of ASEAN. He had found them very eager to build their economies, and united in that cause. They were good examples of developing countries to which technological and economic aid should be provided in order to stimulate them to help themselves. Only when aid was accompanied by determination in the recipient to self-help would it be successful. The countries of ASEAN were very interested in the outcome of the Ottawa Summit Conference. They expected much to come out of Montebello. If the industrialised countries did not do anything about their fragilities, it would lead to domestic unrest and open up the risks of threats from outside, and particularly from Soviet expansionism. They could be a new gap of vulnerability. Hence the importance of technological and economic aid to the ASEAN countries.

Japan could not exercise military influence beyond her own borders, but, with their economic power they should be able to help countries in need of aid, such as Thailand, Pakistan, Turkey, Jamaica and Zimbabwe.

Mr Trudeau (Canada) said that in the draft communique language which was before the Conference for consideration Personal Representatives had managed to include answers to several of the questions which Heads of State or Government asked themselves at Venice. He thought that with language on those lines Heads of State or Government would have done pretty well in providing forward-looking answers on such questions as:-

- aid to poorer countries
- maintaining a substantial and in many cases growing level of aid
- the meagre contribution made by Soviet Russia and the Eastern European countries, and the suggestion that they should do more, while respecting the independence and non-alignment of developing countries
- support of the international financial institutions
- an invitation to surplus oil-exporting countries to do more by way of aid
- support of possible new mechanisms (with a suggestion of the possibility of an energy affiliate of the IBRD).

The draft communique language would constitute a forward-looking statement which corresponded to the needs expressed by Heads of State or Government at

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the Venice Summit. At this meeting they would wish to consider their approach to the global negotiations.

Signor Spadolini (Italy) said that he had read the report of the Aid Study of Personal Representatives. He thought that the report was a good work, and formed a useful basis for the communique. He paid tribute to the Canadian Chairman of the Personal Representatives for a document which offered a considerable body of thought and reflection on the subject of relations with developing countries. The recommendations in the Aid Study were for the minimum action required for a constructive atmosphere between developed and developing countries. He agreed that it was necessary to review the mechanism of aid so as to increase the technological capacity of the developing countries and their human resource capacity. In this context he recalled the importance of the Marshall Plan in Europe after the Second World War. He endorsed the proposed commitment to the International Financial Institutions, and the need to ensure that they had the financial resources necessary to discharge their responsibilities. The Italian Government considered that within the framework of these efforts to maintain stability considerable emphasis should be placed on the North/South dialogue. The rights and needs of the developing countries were the counterpart of the powers and opportunities of the developed countries. The way in which the developed countries rose to this challenge would be a symbol of their political will.

The global negotiations had not led to satisfactory progress. The Italian Government was aware of the difficulties of the global approach, and it was for those reasons that Italy would like to see a selective approach in aid, concentrating on energy, the agricultural sector, and structural adjustment (including the financing of balance of payments deficits). If the industrialised countries could reach agreement on more aid for energy development, they should also look at the problems of hunger and malnutrition. Faced with the threats of Soviet expansionism, it would not be possible to maintain a true solidarity which could develop peace, if we could not eliminate the malign anachronism of hunger and deprivation. We were pledged to make available additional aid for the development of food resources in the developing world. In this way we could defuse the explosive nature of

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differences in the world and strengthen the defence of political freedom. In this context he wished to say that Italy, which housed the specialised UN Agencies in food and agriculture, was ready to undertake, in co-operation with those agencies and after consultation with her partners in the European Community, an ad hoc initiative in the field of food aid for the poorest countries.

Mrs Thatcher (United Kingdom) said that at the Venice Summit Heads of State or Government had discussed relations with developing countries under four heads: bilateral aid, multilateral aid, private sector aid, and trade. Many of those present at Venice had felt that they would like to give more in bilateral aid: this would be in line with historic links, and would give aid to those who would make the best use of it. We should give a higher proportion of our aid to the poorest countries: the United Kingdom had a good record in this direction. The Venice Summit had been insistent that the integrity of the World Bank and the International Monetary Fund must be maintained, and that these institutions must continue to be governed by and to stick to their rules. The Venice Summit had also stressed the importance of private capital: the developing countries had a hungry need for private capital, and the potential was enormous. Private aid would develop better if there were a code of practice on the treatment of private capital, at any rate in the early years of an investment. This was a subject which could perhaps be discussed at the Cancun Summit. On trade, the industrialised countries were in the process of giving the developing countries aid in order to compete with their own industries. The aid given to the development of textile industries was a case in point. The industrialised countries had to agree that they would take a substantial proportion of their consumption of such products from the developing countries, but there had to be very careful negotiations about the volume of trade, in order to avoid trouble with domestic industries.

In general the industrialised countries had a good record in their relations with developing countries, and should not be defensive about it. They should not arouse too great hopes of the Cancun Summit. The trouble about summit conferences was that they tended to arouse expectations of great new programmes. She did not think that any such outcome was to be expected from

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the Cancun Summit, and those participating from the industrialised countries should make it clear that that Summit would discuss need, capacity and methods of help, rather than a great new programme.

Mr Trudeau (Canada) said that he thought that many of the developing countries saw the Cancun Summit as laying the groundwork for more fruitful discussion in the global negotiations. He did not think that there would be any difficulty in resisting proposals to pinpoint action at the Cancun meeting. The industrialised countries should agree among themselves on a rational approach, so as to heighten understanding. It would be wrong to heighten expectations, given the probability of only modest growth of the industrialised countries in the 1980s. There should be no question of ganging up on the G77.

President Mitterrand (France) said that he had very little to add to what previous speakers had said. He suggested that it might be useful to have from the Chairman a brief statement about the conditions in which the Cancun Summit was being prepared. He understood that some developing countries were still wondering whether to attend.

On the draft communique language President Mitterrand made the following points:

- a. The present draft spoke about the advantages which the developing countries would get, without going into the advantages which the industrialised countries might derive. The communique should indicate the benefits which the industrialised countries would derive from increased trade with the developing countries.
- b. He would wish to be cautious about statements about the level of aid.
- c. It was the intelligent combination of public aid and private investment that would provide the solution. Profits could not be assured from investment in developing countries, at any rate in the early years. The investment was nonetheless necessary. This was perhaps where public aid could make a contribution. He thought that this was well stated in the draft communique language.

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d. The communique language did not say enough about the International Financial Institutions. Those institutions should not be wide open to everybody, in particular to those who were going to be the main beneficiaries. But they could not be reserved for founder members. It was important to involve the oil exporting countries. It was easier for the International Financial Institutions than for national donors to raise money on international markets and to impose conditions on investments which would safeguard the invested funds without those conditions and safeguards being seen as interference in the domestic affairs of the recipient countries. The European Community had already achieved something in this direction, for instance through the Lome Convention.

e. It would be important to stress the importance of stability in relations between developing and developed countries. There had to be a certain framework of rules in relations between North and South. The International Financial Institutions could help as a means of introducing a measure of discipline and framework.

Herr Schmidt (Federal Republic of Germany) said that the industrialised countries should make it understood more often and more clearly both to their own publics and to the G77 that they wished to respect the independence and genuine non-alignment of the developing countries as a factor in international stability, and that they had no obligation to share the burden of the Soviet Union's wrong development policies. There was no need to colour North/South relationships by reference to the East-West conflict: East-West should be left out of North-South. It had been a welcome fact that the Muslim countries had regarded Soviet armed intervention in Afghanistan as an offence against the whole group of Muslim States. Indeed, it was a good thing that the whole of the G77 had so regarded it. The industrialised countries needed to tell the developing countries that the responsibility for their development had to be shared by themselves, the industrialised countries (including the industrialised Communist countries) and the surplus oil-exporting countries. It was true that the OPEC countries gave more than 0.7 per cent of their GNP in aid; but they had created the hunger by the increases in oil prices which they had inflicted upon the world, and recycling petro dollars

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could not help the developing countries. The OPEC countries had to be told not just to recycle their surpluses, but to give grants, or alternatively to adopt dual pricing systems for their oil. That might not fit market ideology, but it was what he would say at Cancun.

If one cause of the deteriorating position of the Third World was the successive rises in the price of oil, the second was the population explosion. This issue was being circumvented in public discussion. When he first went to school there were 2 billion people on the earth. Now there were 4 billion; and by the year 2000 there would be more than 6 billion. It would not be possible to find enough food, education, jobs, health care etc for all of these people. Popes and Bishops might speak against family planning, but he was in favour of it. The pussyfooting attitudes adopted on this matter were just pandering to people's desires to act in a moral way.

He agreed with President Mitterrand on the need for more Lomé-type solutions. He would like to see that system enlarged beyond the European Community and beyond the former French and British Colonies; and he would like to see it extended to a greater variety of goods.

He would also like to stress the importance of private aid for the developing countries. That was the only way in which technology could be transferred. In order to secure more private aid, the developing countries should be advised to engage in treaties and laws which would provide security for foreign capital.

Herr Schmidt said that he would speak up in favour of global negotiations. He did not see much prospect of success in them: there would be too many people talking at one time. But it was psychologically necessary to engage in these talks, if the developing countries were not to feel frustrated. He agreed with Mrs Thatcher that the international financial institutions should not be regarded as charities. On the other hand the industrialised countries should engage in the global negotiations. A refusal to do so would lead to uproar and misunderstanding in the Third World. They would draw adverse conclusions from the difference they would see in the way they were treated by the industrialised countries and by the Soviet Union.

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As regards the international financial institutions, their functionability had to be assured; on the other hand the surplus oil-exporting countries should be given a greater share in them and greater responsibilities. We had to understand and respect the fact that Saudi Arabia was now the largest international creditor, and give them the appropriate share in these institutions so as to show them that they were welcome and were regarded as full members in practice of the international community.

Herr Schmidt deplored the fact that commitments to the IDA Sixth Replenishment were coming too slowly. He hoped that the United States Administration would give this serious thought. He was in favour of full participation in the IBRD by the Saudi Arabian Government and by other oil-exporting countries who were prepared to take their share of the responsibilities; failing that, he would be in favour of the proposed energy affiliate. It would be a great political mistake to deny the Saudi Arabian and other similar Governments an appropriate degree of participation in the international financial institutions.

As to the Cancun Summit, he was not sure what would happen there. Too many people had given too many Press briefings, raising excessive expectations in too many countries. He would have preferred a small meeting of a few countries, like the meeting which he had attended in Jamaica with Heads of Government from Nigeria, Norway, Venezuela, Australia, Jamaica and Canada. The discussion at that meeting had been informal and wideranging; he had learnt a lot and he thought that the others had done so too. The Cancun Summit was going to be too big with too many people involved.

Monsieur Thorn (European Commission) stressed the importance of the part that the banking system would need to continue to play in recycling. In general, private sector aid to the developing countries would be of continuing great importance. But the private sector could not be expected to help the poorest countries: the risks were too great. In that field, therefore, governments would have to do more. He hoped that the United States Government would reconsider their attitude to the Sixth Replenishment of IDA, so that there could be respectable additional funds for this purpose. The European Community would support the proposal for an energy affiliate of the

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World Bank: they believed that the surplus oil-exporting countries should take a share in the responsibilities for developing countries. Setting up an energy affiliate would avoid having to call in question the equilibrium within the international financial institutions themselves, and it would at the same time provide additional resources for energy development, enabling the institutions to continue and increase their help in other fields.

President Reagan (United States) said that he was sorry that the United States Administration had had to delay its contribution to the general capital increase of the IBRD and to pay on the instalment plan. But, at a time when the Administration was asking the American people to accept sacrifices of \$270 billion, it would have been hard to explain increased external generosity. The United States had to get themselves on their feet again; if they failed to do that they would not be able to help anybody. He agreed with what had been said about the need to encourage private sector investment in the developing countries. If that was to come about, the private sector would need to be assured that their investments would not be expropriated. The President pointed out that only one quarter of the surface of the world had been explored for oil: three-quarters remained to be explored. There would be great scope here for private sector investment, if the companies concerned could be assured that their funds would be safe from expropriation. These ideas should be followed up in specific programmes with particular countries.

Mr Trudeau (Canada) said that he thought that the discussion had been useful, both as a general clarification of attitudes before the Cancun Meeting and as a basis upon which Personal Representatives could now revise the draft communique language, with a view to reporting a final text to Heads of State or Government the following morning.

ENERGY

Mr Trudeau (Canada) (Chairman) said that the report by the High Level Energy Monitoring Group indicated that reasonable progress was being made towards the objectives defined at the Venice Summit; but this was partly because of the recession, and the Group warned against complacency. He suggested that

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the report could be noted by Heads of State or Government, without further discussion; on this basis they could consider the draft communique language on energy the following morning.

The meeting took note, with approval, of the Chairman's statement.

Middle East

There was a brief discussion of the drafting of the reference to the Palestinian question in the proposed statement by the Chairman to the Press.

The meeting adjourned at 5.00 pm.

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