

GRS 700A

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DESKBY FCO 260900Z UKREP BRUSSELS 251000Z LUXEMBOURG 251000Z  
 UKMIS NEW YORK 251300Z  
 FROM MEXICO CITY 250150Z OCT 81  
 TO IMMEDIATE FCO  
 TELEGRAM NUMBER 537 OF 25 OCTOBER 1981

INFO IMMEDIATE UKREP BRUSSELS LUXEMBOURG UKMIS NEW YORK (FOR EVANS)  
 AND UKMIS GENEVA, ROUTINE PARIS BONN WASHINGTON OTTAWA AND VIENNA.

FROM UKDEL CANCUN.

CANCUN SUMMIT: SECOND DAY.

1. THE FIRST SESSION CONSIDERED TRADE, ENERGY AND FINANCE IN THAT ORDER.

2. IN THE TRADE DISCUSSION ALL STRESSED THE NEED TO RESIST PROTECTIONIST PRESSURES. THERE WAS MUCH CONCERN ABOUT THE PROBLEMS OF COMMODITY PRODUCERS, WITH SUGGESTIONS FOR MORE COMMODITY AGREEMENTS, ENLARGED EXPORT EARNINGS STABILISATION SCHEMES AND AN EARLY START TO THE WORK OF THE COMMON FUND. THE UK AND FRANCE SAID THEY WOULD RATIFY THE COMMON FUND AGREEMENT SHORTLY. BANGLADESH (MISTAKENLY) THANKED THE COMMUNITY FOR HAVING EXTENDED THEIR STABEX SCHEME TO LEAST DEVELOPED COUNTRIES.

3. UNDER ENERGY, FAHD SAID THAT THE SAUDIS THOUGHT THAT AN ENERGY AFFILIATE WAS A VERY GOOD IDEA AND WELL WORTH STUDYING; THEY WERE READY TO PARTICIPATE IN SUCH STUDY. BUT ENERGY COULD NOT BE CONSIDERED SEPARATELY FROM DEVELOPMENT IN GENERAL. MANY OTHER COUNTRIES, (INCLUDING OTHER OPEC MEMBERS) ALSO FAVOURED AN ENERGY AFFILIATE. BUT THE AMERICANS DID NOT COMMENT. MEXICO URGED THE ADOPTION OF THEIR WORLD ENERGY PLAN AS PRESENTED TO THE UN IN 1979.

4. DURING THE FINANCIAL DISCUSSION, VIRTUALLY ALL DEVELOPING COUNTRY SPEAKERS ARGUED FOR CHANGES IN THE IMF AND WORLD BANK. THEY CALLED FOR A LARGER DECISION-MAKING ROLE FOR DEVELOPING COUNTRIES; NEW ISSUES OF SDRS; LIGHTER IMF CONDITIONALITY; AND MORE FUNDS FOR IDA. REAGAN URGED WIDER USE OF PRIVATE CAPITAL. NYERERE POINTED OUT THAT INFRASTRUCTURE PROJECTS COULD NOT ATTRACT PRIVATE FUNDS. TRUDEAU COUNTERED BY SAYING THAT PRIVATE CAPITAL WOULD NOT GO TO TANZANIA ANYWAY, FOR FEAR OF EXPROPRIATION. BRAZIL ARGUED, FROM THEIR OWN EXPERIENCE, THAT PUBLIC AND PRIVATE CAPITAL SHOULD BE USED IN A COMPLEMENTARY FASHION IN DEVELOPMENT.

5. DESPITE THE EFFORTS OF TRUDEAU FROM THE CHAIR, THESE DISCUSSIONS WERE LESS LIVELY THAN THE DEBATE ON FOOD THE DAY BEFORE AND MANY POINTS WERE LEFT IN THE AIR.



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6. MEANWHILE, THE CANADIANS WERE ACTIVE BEHIND THE SCENES IN WORKING OUT LANGUAGE FOR THE FINAL SUMMARY WHICH WOULD REFLECT THE WIDEST COMMON GROUND ON GLOBAL NEGOTIATIONS AND ALLOW PREPARATIONS TO RESUME AT THE UN UNDER CONDITIONS ACCEPTABLE TO THE AMERICANS. CONSULTATIONS WITH THE US, MEXICO AND YUGOSLAVIA, AMONG OTHERS, PRODUCED A TEXT APPARENTLY ACCEPTABLE TO ALL, INVITING THE UN SECRETARY-GENERAL TO FORM A LIMITED GROUP TO TAKE MATTERS FURTHER. WE ENCOURAGED THE CANADIANS IN THEIR EFFORTS.

7. BUT WHEN THE SECOND SESSION BEGAN - ONE HOUR LATE - RIVAL TEXTS WERE TABLED AND CONFUSION REIGNED. EVENTUALLY GENSCHER PERSUADED THE AMERICANS TO ACCEPT THE TEXT ULTIMATELY USED IN THE CHAIRMEN'S SUMMARY. THIS WAS MUCH SHORTER AND SIMPLER THAN THE CANADIAN LANGUAGE AND TRUDEAU - WHO PLAYED NO ROLE IN THE FINAL BARGAINING - CLEARLY THOUGHT IT MUCH INFERIOR.

8. DURING THESE INFORMAL EXCHANGES, THE PRIME MINISTER WAS ABLE TO POINT OUT TO ALGERIA, VENEZUELA AND OTHERS THE SERIOUS DAMAGE THAT DEVELOPING COUNTRIES WOULD INCUR IF GLOBAL NEGOTIATIONS WERE USED TO UNDERMINE THE IMF AND WORLD BANK. SHE WITH GENSCHER'S SUPPORT INSISTED THAT THE CHAIRMEN'S TEXT SHOULD REFER TO THE IMPORTANCE OF PROTECTING THE COMPETENCE OF THE SPECIALISED AGENCIES, THOUGH THERE WAS NOT COMPLETE AGREEMENT ON THIS AND THE US WERE PREPARED NOT TO PRESS IT.

9. LOPEZ PORTILLO AND TRUDEAU THEN GAVE THEIR SUMMARY TO THE PRESS. THE TEXT (BEING TELEGRAPHED SEPARATELY) WAS DRAFTED BY THE CANADIANS BUT - APART FROM THE GLOBAL NEGOTIATIONS PASSAGE - WAS NOT DISCUSSED WITH OTHERS IN ADVANCE. IN ANSWERING QUESTIONS TRUDEAU TOOK THE VIEW THAT THE TREATMENT OF GLOBAL NEGOTIATIONS "BEGGED THE QUESTION" OF FUTURE ACTION. IT REFLECTED THE INABILITY OF THE SUMMIT TO BRING TOGETHER THOSE THAT WANTED TO GO TO THE UN NOW AND THOSE WHO WANTED TO START AFRESH. BUT HE ADDED THAT THE SUMMIT COULD SERVE TO MOVE GLOBAL NEGOTIATIONS FORWARD AND THAT THE AMERICAN POSITION HAD SHIFTED. LOPEZ PORTILLO TOOK A MORE SANGUINE AND UPBEAT LINE, SAYING THAT THE MEETING WOULD GO DOWN IN HISTORY BECAUSE OF THE EMERGENCE OF THE SPIRIT OF CANCUN, A SPIRIT OF CONCILIATION, SOLIDARITY AND HARMONY.

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