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TO PRIORITY FCO

TELEGRAM NUMBER 605 OF 10 JULY 1984

INFO ROUTINE CANBERRA, JAKARTA, WASHINGTON

SIR C TICKELL'S VISIT
(POST-SUMMIT BRIEFING)

1. SUMMARY. TICKELL WAS WELL RECEIVED HERE BY MRS GANDHI, L K JHA, FOREIGN AND FINANCE MINISTERS. THE INDIANS WERE DISAPPOINTED ABOUT THE SUMMIT OUTCOME ESPECIALLY THE LACK OF MOVEMENT TOWARDS A CONFERENCE ON MONEY AND FINANCE OR ANOTHER CANCUN-STYLE MEETING. BUT THEY GAVE TICKELL A GOOD HEARING AND THE INDIANS OBVIOUSLY APPRECIATED THE FACT OF HIS VISIT.
2. I TOOK SIR C TICKELL TO CALL ON MRS GANDHI ON 9 JULY. SHE HAD ALEXANDER (PRINCIPAL PRIVATE SECRETARY) AND L K JHA WITH HER. TICKELL HAD PREVIOUSLY MET THE FOREIGN MINISTER ON 7 JULY AND CALLED ON THE FINANCE MINISTER LATER ON THE 9TH (RECORDS BY BAG).
3. TICKELL HANDED OVER MRS THATCHER'S LETTER TO MRS GANDHI WHICH SHE READ ON THE SPOT. HE THEN GAVE HER A FAIRLY FULL ACCOUNT OF THE SUMMIT DISCUSSIONS, STRESSING THE EXTENT TO WHICH DEVELOPING COUNTRY ISSUES HAD AFFECTED THE WHOLE TONE OF THE DISCUSSION AND WAS REFLECTED IN REPEATED REFERENCES TO THEM IN THE FINAL DECLARATION. THE PARTICIPANTS HAD TAKEN CAREFUL NOTE OF THE POINTS MADE IN MRS GANDHI'S LETTERS, AS WELL AS THE MESSAGES FROM THE AUSTRALIAN PRIME MINISTER, FROM ASEAN AND FROM THE SEVEN LATIN AMERICAN PRESIDENTS. ON INTERDEPENDENCE, THE SUMMIT PARTICIPANTS HAD TRIED TO USE A MORE REALISTIC VOCABULARY THAN WAS FASHIONABLE HITHERTO: THE PROBLEMS OF THE MAJOR DEBTORS WHICH WERE ONLY DEVELOPING COUNTRIES IN A LIMITED SENSE HAD TO BE DISTINGUISHED FROM THE PROBLEMS OF THE POOREST COUNTRIES. THE FINANCE MINISTERS HAD BEEN TASKED TO PREPARE FOR THE MEETINGS OF THE IMF INTERIM COMMITTEE IN SPRING 1985 AND FOR THE DEVELOPMENT COMMITTEE OF THE WORLD BANK SO AS TO TACKLE THE TWO MAIN GROUPS OF ECONOMIC PROBLEMS FACING THE DEVELOPING COUNTRIES.
4. TICKELL ALSO REFERRED TO THE POLITICAL DISCUSSIONS WHICH HAD TAKEN PLACE IN THE MARGINS OF THE SUMMIT, ESPECIALLY ON EAST/WEST RELATIONS AND STATE TERRORISM, ON WHICH MRS THATCHER HOPED FURTHER DISCUSSIONS COULD BE HELD WITH LIKE-MINDED GOVERNMENTS. HE STRESSED THAT IN GENERAL MRS THATCHER WAS HAPPY WITH THE OUTCOME OF THE SUMMIT, WHICH HAD FOUND USEFUL NEW WAYS OF TACKLING THE PROBLEMS FACED BY BOTH INDUSTRIAL AND OTHER COUNTRIES.

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5. MRS GANDHI EXPRESSED APPRECIATION TO MRS THATCHER FOR SENDING A PERSONAL EMISSARY AND FOR THE DEGREE OF INTEREST WHICH THIS DEMONSTRATED. BUT SHE SAID SHE MUST POINT OUT THAT THE NON-ALIGNED GROUP WERE FAR FROM SATISFIED WITH THE RESULTS OF THE SUMMIT BECAUSE, TO JUDGE AT LEAST FROM THE PUBLIC DOCUMENTS, IT DID NOT DEAL WITH THEIR MAJOR CONCERNS, ESPECIALLY ON MONEY AND FINANCE. SHE DID NOT BELIEVE THAT ANYTHING CONCRETE COULD BE ACHIEVED WITHIN THE EXISTING FRAMEWORK: THE DEVELOPING COUNTRIES WERE BEING HAMPERED IN THEIR DEVELOPMENT EFFORTS AND THE INTERNATIONAL MECHANISMS FOR DEALING WITH THEM HAD BEEN SET UP AT A TIME WHEN WORLD CONDITIONS WERE VERY DIFFERENT. INITIALLY, THE NON-ALIGNED COUNTRIES HAD WANTED TO SEE DRAMATIC CHANGES OF THE KIND THAT HAD BEEN EXPLAINED AT CANCUN. THEY WERE NOW MORE MODERATE AND FAVOURED A STEP BY STEP APPROACH. SHE ACCEPTED THAT GLOBAL NEGOTIATIONS AS PREVIOUSLY CONCEIVED WERE NOT A FEASIBLE PROSPECT. BUT IF THERE WAS NO INDICATION OF A MORE FORTHCOMING ATTITUDE ON THE PART OF THE DEVELOPED COUNTRIES, IT WOULD BE DIFFICULT TO CONTROL THE MORE EXTREMIST ELEMENTS WITHIN THE NON-ALIGNED MOVEMENT. MRS GANDHI STILL FELT THAT DIALOGUE COULD ACHIEVE MORE, BUT IT WOULD NOT GET FAR UNLESS THE NORTH WAS MORE FORTHCOMING. L K JHA HAD GAINED THE IMPRESSION FROM HIS DISCUSSION WITH MRS THATCHER THAT SHE WAS NOT ALTOGETHER OPPOSED TO THE IDEA OF ANOTHER CANCUN TYPE OF CONFERENCE. MRS GANDHI ACKNOWLEDGED THAT THERE WAS A WIDE RANGE OF DIVERSITY AMONG THE SO CALLED DEVELOPING COUNTRIES AND PROBLEMS IN SOME CASES WERE UNDOUBTEDLY THEIR OWN FAULT.

6. WHAT INDIA HAD TRIED TO DO HERSELF WAS TO REDRESS THE IMBALANCES BY CONCENTRATING ON THE POOREST AND LEAST DEVELOPED SECTIONS OF THE ECONOMY. INDIA WAS MAKING A VERY CONSCIOUS EFFORT AT OVERALL ADJUSTMENT, BUT SHE WAS ON A SLIPPERY SLOPE AND A MORE SOLID FOOHOLD WAS NEEDED. IT SEEMED, UNFORTUNATELY, THAT THE DEBTOR COUNTRIES COULD EXERCISE MORE INFLUENCE ON THE US AND THE BIG FINANCIAL INSTITUTIONS BECAUSE OF THE SIZE OF THEIR PROBLEMS: AT ANOTHER EXTREME WERE THE EXTREMELY POOR COUNTRIES OF THE SUB-SAHARA. INDIA WAS IN A DIFFERENT POSITION FROM EITHER GROUP SINCE SHE HAD CONDUCTED HER ECONOMY PRUDENTLY. PERHAPS SHE MIGHT INDEED BE BETTER OFF IF SHE HAD NOT DONE SO. SPEAKING MORE GENERALLY, MRS GANDHI SAID A CRUCIAL STAGE NOW HAD BEEN REACHED WITHIN THE DEVELOPING WORLD AND IF DISSATISFACTION SPREAD WITHIN THE MOVEMENT WE WOULD ALL BE IN DIFFICULTIES.

7. MRS GANDHI WONDERED IF MRS THATCHER COULD TAKE A FURTHER INITIATIVE WHILE SHE WAS STILL IN THE SUMMIT CHAIR AND BEFORE THE WEST GERMANS TOOK OVER. SOMETHING ON CANCUN LINES WOULD BE VERY DESIRABLE EVEN THOUGH MRS GANDHI RECOGNISED THAT IT COULD NOT EMBRACE EVERYONE STRAIGHTAWAY. LATER ON, HOWEVER, SHE HOPED THAT THERE COULD BE A MOVE TO UNIVERSAL PARTICIPATION. ALEXANDER INTERJECTED THAT IN SOME RESPECTS THE WILLIAMSBURG DECLARATION HAD BEEN MORE FORTHCOMING ON AID FLOWS AND IDA. WHEN HE WAS HERE THE JAPANESE PRIME MINISTER HAD BEEN QUITE POSITIVE, AND HE DID NOT THINK WILLIAMSBURG HAD BEEN ALTOGETHER NEGATIVE.

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8. TICKELL SAID THAT THE DIFFERENCES WHICH MRS GANDHI DETECTED WERE LESS ON OBJECTIVES THAN ON METHODS. THE IMF AND WORLD BANK SEEMED THE BEST PLACES TO ACHIEVE THE NECESSARY ADJUSTMENTS. IN HER DISCUSSION WITH MR JHA MRS THATCHER HAD BEEN VERY CAUTIOUS ABOUT ANY NEW CANCUN INITIATIVE. SHE HAD UNDERTAKEN TO PASS ON MRS GANDHI'S THOUGHTS ON THE SUBJECT TO THE OTHER SUMMIT PARTICIPANTS, AND HAD DONE SO. BUT THE SUMMIT HAD NOT SHOWN ENTHUSIASM FOR THE IDEA. ON TRADE (WHICH THE INDIAN SIDE HAD NOT UP TO THAT POINT MENTIONED AT ALL) THERE HAD BEEN DISCUSSION AS AT WILLIAMSBURG. SUMMIT RESISTANCE TO PROTECTIONISM AND READINESS TO CONSULT ON A NEW TRADE ROUND HAD BEEN MADE MANIFEST. ON IDA, AS THE INDIANS KNEW, WE HAD BEEN DISAPPOINTED BY THE OUTCOME, AND WERE NOW READY TO CONTEMPLATE CONTRIBUTING TO A SUPPLEMENTARY FUND. WE DID NOT THINK A MONETARY CONFERENCE WAS THE BEST WAY OF TACKLING CURRENT PROBLEMS. WE WERE CONSCIOUS OF THE CONCERNS OF THE NON-ALIGNED COUNTRIES BUT OUR FEELING WAS THAT IT WAS BEST TO PROCEED CAUTIOUSLY STEP BY STEP WITHIN THE EXISTING INSTITUTIONS, AND AS THE SUMMIT DECLARATION MADE CLEAR, WORK TO ENSURE THAT THE BENEFITS OF RECOVERY WERE SPACED TO THE REST OF THE WORLD. TAKING UP A POINT OF MRS GANDHI'S, HE UNDERSTOOD THAT THE SUMMIT PARTICIPANTS DID NOT INTEND TO GIVE PRIVILEGES TO THE RELATIVELY RICH DEBTOR COUNTRIES AND NEGLECT THOSE WHO HAD KEPT THEIR AFFAIRS IN ORDER THROUGHOUT.

9. L K JHA REVERTED TO HIS PROPOSAL FOR PURSUING CONSULTATIONS OUTSIDE A SUMMIT FRAMEWORK WITH THE PARTICIPATION OF THE SECRETARY-GENERAL OF UNCTAD AND OF GATT AND WITH REPRESENTATION FROM IMF AND IBRD, BUT NOT DIRECTLY UNDER THE LATTER'S UMBRELLA. MRS GANDHI TOOK COMFORT FROM MRS THATCHER'S CONTINUED CHAIRMANSHIP OF THE SUMMIT GROUP UNTIL THE END OF THE YEAR, AND HINTED THAT SHE MIGHT REVERT TO A CANCUN-TYPE INITIATIVE BEFORE RESPONSIBILITY PASSED TO CHANCELLOR KOHL. SHE OBSERVED THAT INDIA HERSELF HAD GOOD RELATIONS WITH THE IMF AND APPRECIATED THE EFFORTS OF THE MANAGING DIRECTOR: BUT SOME OF THE CONDITIONS THE FUND IMPOSED WERE HARD ON OTHER COUNTRIES AND SHE DOUBTED IF THEY HAD THE CAPACITY TO DEAL WITH THE COMPLEX OF QUESTIONS WHICH NOW FACED US.

10. COMMENT: THE MEETING LASTED THREE QUARTERS OF AN HOUR AND MRS GANDHI'S APPROACH WAS PERSONALLY FRIENDLY THROUGHOUT. SHE LISTENED CAREFULLY TO WHAT TICKELL HAD TO SAY AND ACKNOWLEDGED THE EXTENT TO WHICH THE SUMMIT HAD TAKEN NOTE OF THE POINTS INDIA AND OTHER COUNTRIES HAD RAISED. BUT SHE OBVIOUSLY FELT THAT THE RESPONSE TO HER PROPOSALS HAD NOT BEEN SPECIFIC ENOUGH, AND THAT WITHOUT FURTHER DISCUSSION OF A FURTHER CANCUN TYPE CONFERENCE BETWEEN THE DEVELOPED AND DEVELOPING COUNTRIES THERE

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WAS A DANGER OF STALEMATE AND INCREASING RADICALISM WITHIN THE NON-ALIGNED MOVEMENT. IT HAS NEVERTHELESS BEEN APPARENT FROM THE HIGH LEVEL OF TICKELL'S RECEPTION THAT THE INDIANS APPRECIATED MRS THATCHER'S DECISION TO SEND A PERSONAL EMISSARY. HIS VISIT WILL CERTAINLY HAVE HELPED TO CONVINCED THE INDIANS THAT WE TAKE THEIR PRE-OCCUPATIONS SERIOUSLY EVEN IF WE CANNOT GO AS FAR AS THEY WOULD LIKE.

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