

PART 3.

mtc

Confidential filing

The Brandt Commission.

ECONOMIC

POLICY.

Proposal for a North/South Summit.

Part 1. Oct 1979

Part 3. Sept 1981.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
9-10-87							
46-10-87							
20-10-87.							
PART 3 ENDS							
PREM 19/698							
X							

PART 3 ends:-

Mexico City tel: 504 of 20/10/87.

PART 4 begins:-

Fco (N.P. Bayne) to MODBA of 21/10/87.

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
EX(0)(81)11	13.10.81
CC(81)33, Minute 3	20.10.81

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed Wayland

Date 14 August 2012

PREM Records Team

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DESKBY 200830ZFM MEXICO CITY 200125Z OCT 81
TO IMMEDIATE FCO
TELEGRAM NUMBER 504 OF 20 OCTOBER
AND TO IMMEDIATE DOT (FOR CRE5 AND PEP)MY TELNO 477: CANCUN: BILATERAL MEETING BETWEEN PRIME MINISTER AND
THE MEXICAN PRESIDENT

1. BELOW IS THE PROMISED LIST OF MAJOR COMMERCIAL CONTRACTS FOR WHICH BRITISH INDUSTRY IS BIDDING IN MEXICO. IT IS FOLLOWED BY POINTS ABOUT THEM WHICH THE PRIME MINISTER MAY WISH TO MAKE WITH PRESIDENT LOPEZ PORTILLO:

A) SICARTSA II PLATEMILL. VALUE: £330 MILLION OF WHICH BRITISH CONTENT £200 MILLION. LETTER OF INTENT AWARDED TO DAVY ON 19 OCTOBER, WHICH SHOULD LEAD WITHIN 60 DAYS TO CONTRACT-SIGNING FOR THIS TURNKEY PROJECT. THE PLATEMILL, TO PRODUCE 1.5M TONS PER ANNUM, WILL BE THE HIGHEST IN VALUE OF CONTRACTS LET FOR THE PHASE II EXPANSION OF THE SICARTSA STEELWORKS AT LAZARO CARDENAS ON THE PACIFIC COAST. THE FIRST PHASE OF SICARTSA WAS PROJECT-MANAGED BY THE BRITISH STEEL CORPORATION. SICARTSA II WILL BE THE FIRST PLATEMILL OF THIS SIZE BUILT BY DAVY AND WILL PROVIDE THEM WITH A FIRST-CLASS REFERENCE, PARTICULARLY FOR THE CONTINUING EXPANSION PROGRAMME OF THE MEXICAN STATE STEEL COMPANY SIDERMEX. THE NEXT STAGE WILL INVOLVE A NEW 2 MILLION TONS GREENFIELD SITE STEEL MILL ON THE GULF OF MEXICO FOR WHICH CONTRACTS SHOULD BE LET IN 1982.

B) CARBON II COAL-FIRED POWER STATION. BRITISH CONTENT £140 MILLION. BABCOCK POWER ARE BIDDING TO SUPPLY BOILERS FOR CARBON II, MEXICO'S SECOND EVER COAL-FIRED POWER STATION. ACCORDING TO THE HEAD OF THE FEDERAL ELECTRICITY COMMISSION WHOM I SAW TODAY, MITSUBISHI, WHO PUT IN THE LOWEST BID, ARE LIKELY TO GET THIS CONTRACT IN SPITE OF THEIR LACK OF EXPERIENCE. BUT BABCOCK, WHO PUT IN THE NEXT LOWEST BID, STILL HAVE A CHANCE. A DECISION IS LIKELY IN THE NEXT TWO WEEKS.

C) LA CARIDAD ELECTROLYTIC COPPER REFINERY. BRITISH CONTENT £37 MILLION. DAVY MCKEE ARE BIDDING AGAINST BELGIANS, JAPANESE AND AUSTRIANS. MEXICO WISHES TO SELL COPPER TO BRITAIN TO DIVERSIFY HER MARKET AND THIS CONTRACT WOULD INCLUDE LONG-TERM COPPER SUPPLY TO GEC AND BRITISH KYNOCH METALS. AN AID OFFER OF £5 MILLION HAS BEEN MADE. THE MEXICAN PRIVATE SECTOR PURCHASER IS EVALUATING THE BIDS. HE WOULD LIKE TO BUY FROM BRITAIN BUT IS INSISTING ON ECGD COVER FOR LOCAL COSTS WHICH WE STILL HAVE UNDER CONSIDERATION. ALTHOUGH THIS IS A PRIVATE SECTOR PROJECT, THE MEXICAN PURCHASER HAS MADE IT CLEAR THAT HE WOULD HAVE NO OBJECTION TO THE MATTER BEING RAISED WITH PRESIDENT LOPEZ PORTILLO.

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D) TECHNICAL EDUCATION EQUIPMENT PROJECT. BRITISH CONTENT £38 MILLION. DARWIN INSTRUMENTS ARE CLOSE TO COMPLETION OF A CONTRACT FOR THE SUPPLY OF TECHNICAL EDUCATION EQUIPMENT TO THE MEXICAN MINISTRY OF EDUCATION FOR A LARGE NUMBER OF TECHNICAL COLLEGES, INSTITUTES AND SCHOOLS. THE EQUIPMENT WOULD BE SUPPLIED BY MORE THAN 200 BRITISH COMPANIES, MOSTLY SMALL. THE MEXICAN MINISTRY OF FINANCE HAS TO GIVE APPROVAL FOR THE FINANCIAL AGREEMENT. WE HOPE THIS IS NO MORE THAN A TECHNICALITY.

E) NUCLEAR POWER. MEXICO HAS ASKED SEVEN COMPANIES FOR BIDS FOR A SECOND NUCLEAR POWER STATION. AS BRITAIN WAS NOT IN A POSITION TO COMPETE, THE OPPORTUNITY IS OPEN FOR COOPERATION BETWEEN THE UNITED KINGDOM ATOMIC ENERGY AUTHORITY AND THE MEXICANS ON BID EVALUATION AND THROUGHOUT THE PROJECT AS IT DEVELOPS. THIS WAS DISCUSSED DURING A VISIT BY THE CHAIRMAN OF THE UKAEA IN AUGUST. SUCH COOPERATION WOULD LEAVE BRITAIN WELL-PLACED BOTH FOR SUPPLIES OF SOFTWARE TO THIS PROJECT AND FOR A WIDE RANGING BRITISH BID FOR FUTURE CONTRACTS WITHIN MEXICO'S NUCLEAR POWER PROGRAMME WHICH AIMS TO HAVE 20,000 MW OF NUCLEAR POWER GENERATING CAPACITY BY EARLY NEXT CENTURY. THE HEAD OF THE FEDERAL ELECTRICITY COMMISSION TOLD ME TODAY HE MAY WISH TO VISIT BRITAIN IN LATE NOVEMBER FOR DISCUSSIONS WITH THE UKAEA; IN THE MEANTIME THE UKAEA AWAITS PROPOSALS ON COOPERATION FROM THE MEXICANS.

F) DEFENCE SALES. LARGELY AS A RESULT OF A VISIT TO THE ROYAL NAVY EQUIPMENT EXHIBITION IN SEPTEMBER BY THE MEXICAN DEPUTY MINISTER FOR THE NAVY, THE MEXICANS HAVE MADE ENQUIRIES ABOUT PURCHASES FROM BRITAIN OF FISHERIES PATROL VESSELS (TO A POSSIBLE TOTAL OF 40-60 VESSELS WORTH £1 MILLION EACH), TANK-LANDING SHIPS TO REPLACE THEIR EXISTING OBSOLETE VESSELS, AND SURPLUS ROYAL NAVAL FRIGATES. A MEXICAN MISSION IS IN BRITAIN AT PRESENT FOR DISCUSSIONS ON PATROL VESSELS, AND THE MEXICAN NAVY ARE STUDYING OUR PROPOSALS ON OTHER VESSELS.

G) MONTERREY METRO. THE STATE AUTHORITIES OF NUEVO LEON, OF WHICH MONTERREY, MEXICO'S THIRD LARGEST CITY, IS THE CAPITAL (POPULATION TWO MILLION), ARE KEEN TO HAVE A MASS TRANSIT SYSTEM IN OPERATION BY 1985. HAWKER SIDDELEY AND METRO-CAMMELL ARE ENGAGED IN TALKS. THE MEXICANS HAVE EXPRESSED GREAT INTEREST IN THESE COMPANIES WHICH SHOULD BE WELL-PLACED BECAUSE OF SIMILAR PROJECTS, MOST RECENTLY IN HONG KONG. PRE-FEASIBILITY STUDIES ARE UNDER WAY BUT A CENTRAL GOVERNMENT DECISION ON ALLOCATION OF FUNDS WILL BE NECESSARY.

H) SINGLE-CELL PROTEIN PROJECT. BRITISH CONTENT £55 MILLION APPROXIMATELY. DAVY MCKEE ARE BIDDING TO BUILD A PLANT TO PRODUCE 50,000 TONS PER ANNUM OF SINGLE-CELL PROTEIN SYNTHETIC ANIMAL FOODSTUFFS USING METHANOL FOR ALBAMEX, THE MEXICAN STATE SECTOR ANIMAL FEED PRODUCER. THE FRENCH ARE OFFERING ATTRACTIVE CREDIT AND TECHNOLOGY.

2. THERE MAY NOT BE TIME OR OPPORTUNITY FOR THE PRIME MINISTER TO MENTION MORE THAN THREE OR FOUR OF THESE PROJECTS. I SUGGEST

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THE FOLLOWING ORDER OF PRIORITY. THE PRIME MINISTER COULD REFER TO:

- A) THE SICARTSA II PLATE MILL IN THE WARMEST POSSIBLE TERMS (MY TELNO 501).
 - B) CARBON II WHERE BABCOCK'S STRONG POINT IS EXPERIENCE.
 - C) LA CARIDAD, WHERE THE AID OFFER, DAVY'S EXPERIENCE IN REFINERY BUILDING, AND THE LINKED CONTRACT FOR COPPER SUPPLY TO BRITAIN ARE ALL RECOMMENDATIONS.
 - D) THE TECHNICAL EDUCATION EQUIPMENT PROJECT, WHICH WE HOPE WILL SOON BE SIGNED. THE MINISTER OF EDUCATION TOLD ME TODAY THAT HE WAS ENTHUSIASTIC ABOUT THE PROJECT WHICH COULD LEAD TO OTHERS.
 - E) NUCLEAR POWER, WHERE WE HAVE A RELATIVELY IMPARTIAL POSITION, AND COULD CONTRIBUTE KNOWLEDGE OF NUCLEAR DESIGN, PLANNING AND OPERATION TO MEET MEXICAN NEEDS.
 - F) DEFENCE SALES, WHERE OUR EXPERIENCE OF COASTAL PROTECTION WOULD BE PARTICULARLY USEFUL IN THE FIELDS OF MARITIME RECONNAISSANCE, FISHERIES, AND OILFIELD PROTECTION.
 - G) MONTERREY METRO, WHERE AGAIN OUR INTERNATIONAL EXPERIENCE IN MODERN MASS TRANSIT SYSTEM IS GREAT.
 - H) SINGLE-CELL PROTEIN PROJECT, WHERE OUR INTEREST COULD BE EXPLAINED
3. THE MEXICAN FOREIGN MINISTRY TODAY ASKED US FOR A LIST OF MAJOR MEXICAN PROJECTS IN WHICH BRITISH COMPANIES ARE INVOLVED, AND I PROPOSE TO GIVE THEM A SHORT VERSION OF THAT ABOVE. I DOUBT IF THE PRESIDENT WILL WISH TO GO INTO ANY DETAILED DISCUSSION OF THIS SUBJECT.

TICKELL

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LEGAL ADVISERS	MR BRAITHWAITE
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20 October 1981

*all attachments inserted into the
PM's briefs at various points.*

*As
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Mud*

Dear Michael,

Cancun Summit

This is to bring you up to date with a number of last minute items for Cancun.

The Acting President of Bangladesh will not be going to Cancun, essentially for reasons of ill-health. The Delegation will be led instead by the Prime Minister, Shah Azizur Rahman. I enclose a personality note on him. The Bangladesh Government have asked whether Mrs Thatcher would be prepared to have a bilateral meeting with their Prime Minister, instead of the meeting arranged with the Acting President. Our main reason in proposing that the Prime Minister should agree to a bilateral with the Bangladeshis was to enable her to make the personal acquaintance of Mr Sattar. However, if time permits, Lord Carrington hopes that the Prime Minister will be able to have a brief meeting with the Prime Minister of Bangladesh. Bangladesh is in a shaky condition and the present government need all the encouragement they can get. The time of the meeting could be settled on arrival.

We have revised the list of participants to take account of changes in the German, Austrian and Bangladesh Delegations. I enclose a copy.

I also enclose a note on Global Negotiations and the New International Economic Order, which you may find useful after yesterday's briefing meeting. The other items of briefing called for at that meeting are being prepared separately by the Departments concerned.

/We have

M O'D B Alexander Esq
10 Downing Street
LONDON SW 1



We have asked our Embassy in Mexico City to tell the Mexicans that the Prime Minister probably will want to make an opening statement. We plan to send you a draft for this later in the day.

Yours ever

Roderic Lyne

(R M J Lyne)
Private Secretary

GRS 240
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CONFIDENTIAL PS TO PM 10 DOWNING ST

FM FCO 201756Z OCT 81

TO PRIORITY ROME

TELEGRAM NUMBER 226 OF 20 OCTOBER 81

INFO PRIORITY WASHINGTON, BONN, PARIS, TOKYO, OTTAWA, MEXICO CITY,
ROUTINE VIENNA, UKREP BRUSSELS, UKMIS NEW YORK.

CANCUN

1. THE MINISTER AT THE ITALIAN EMBASSY CALLED ON BULLARD THIS AFTERNOON ON INSTRUCTIONS. READING FROM A TEXT, HE SAID THAT, AS HAD ALREADY BEEN STATED IN ROME, ITALY REGARDED HER EXCLUSION FROM CANCUN AS A GRAVE POLITICAL MISTAKE. NOW THAT THE CONFERENCE WAS ABOUT TO START, ITALY WISHED IT SUCCESS. THE MANDATE FOR ACTION ON FOOD AID ADOPTED AT OTTAWA WOULD BE CARRIED OUT: THE ITALIANS ENVISAGED A MEETING IN ROME EARLY IN 1982, OUTSIDE THE CONTEXT OF THE NORTH/SOUTH DIALOGUE. BUT ITALY WISHED TO SAY TO HER OTTAWA PARTNERS IN A FRIENDLY BUT FRANK MANNER THAT IT WOULD NOT BE IN ACCORDANCE WITH ITALY'S RELATIONS OF CLOSE COLLABORATION WITH THESE COUNTRIES IF THE CANCUN SUMMIT WERE USED FOR MULTILATERAL DISCUSSION OF QUESTIONS OF COMMON INTEREST. (FONTANA GIUSTI SAID BY WAY OF EXPLANATION THAT THERE HAD BEEN REPORTS FROM TOKYO THAT THE JAPANESE WERE THINKING OF RAISING THE MIDDLE EAST.) NOR WOULD ITALY WELCOME ANY MOVE TO INSTITUTIONALISE CANCUN.

2. BULLARD TOOK NOTE, COMMENTING THAT HE WAS NOT AWARE OF ANY PREPARATIONS IN LONDON FOR THE KIND OF POLITICAL MEETING WHICH THE ITALIANS SEEMED TO FEAR. AS TO INSTITUTIONALISING CANCUN, HE RECALLED THAT THERE HAD BEEN A STRONG CONSENSUS AGAINST THIS WHEN THE POINT HAD BEEN RAISED BY HERR GENSCHER IN THE MARGINS OF THE MEETING OF THE FOREIGN MINISTERS OF THE TEN IN LONDON ON 13 OCTOBER.

CARRINGTON

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TO PRIORITY FCO

TELEGRAM NUMBER 643 OF 20 OCTOBER

INFO ROUTINE MEXICO CITY

SAVING WASHINGTON, UKMIS NEW YORK, UKREP BRUSSELS.

CANCUN NORTH/SOUTH SUMMIT.

1. RECENT PRESS ARTICLES HAVE SOUGHT TO JUSTIFY SOVIET
NON-ATTENDANCE.

2. A PRAVDA ARTICLE OF 20 OCTOBER GAVE THE FULLEST
EXPOSITION:

(A) THE TERM NORTH-SOUTH WAS A FALSE CONCEPTION INVENTED
TO IMPLICATE THE SOCIALIST COMMUNITY IN WHAT WAS A WEST-SOUTH
PROBLEM. THE IDEA OF NORTH/SOUTH DIALOGUE WAS USED BY THE WEST
AS AN EXCUSE FOR LACK OF PROGRESS IN THE UN, WHICH WAS WHERE THE
RE-STRUCTURING OF INTERNATIONAL ECONOMIC RELATIONS SHOULD BE
DECIDED, NOT IN SECRET MEETINGS.

(B) THE SOVIET UNION SUPPORTED THE DEVELOPING WORLD IN ITS
CONFLICT WITH THE WEST OVER THE ESTABLISHMENT OF A NEW
INTERNATIONAL ECONOMIC ORDER. IT "DID NOT HAVE COLONIES AND
DOES NOT BEAR ANY POLITICAL OR MATERIAL RESPONSIBILITY FOR
THE STATE OF THE DEVELOPING WORLD IS IN TODAY THROUGH IMPERIALISM'S
FAULT".

(C) IT WAS HYPOCRISY TO URGE THE SOCIALIST COMMUNITY TO
SHARE THE AID BURDEN WITH THE WEST. IMPERIALIST AID WAS MERELY
CRUMBS DESIGNED TO CREATE FAVOURABLE CONDITIONS FOR WESTERN
MONOPOLIES. WESTERN AID FIGURES WERE INFLATED AND IT WAS FOT
DIFFICULT TO SEE THAT THE REAL CONTRIBUTION OF SOCIALIST COUNTRIES
TO THE ECONOMIC EMANCIPATION OF PEOPLES ACHIEVING LIBERATION WAS
NOT COMPARABLE TO THE ENSLAVING "AID" OF THE WEST.

FCO PSE PASS SAVING ADDRESSEES

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[REPEATED AS REQUESTED]

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20 October 1981

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Smith

Dear Michael

Prime Minister's Opening Statement at Cancun

At her briefing meeting yesterday, the Prime Minister said that she would want to give an opening statement at the Cancun Summit and asked for a draft to be prepared, lasting not more than seven minutes. I enclose a draft which runs to about six minutes.

I am sending a copy of this letter to John Kerr at the Treasury.

Yours ever

(B J P Fall)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

DRAFT OPENING STATEMENT BY PRIME MINISTER AT CANCUN SUMMIT

None of us can be unmoved by the poverty and misery still endured by so many people in the world.

Nor can any of us be unaware that we live in an interdependent world; and that this interdependence is increasing.

We must do all we can to promote development, and we cannot do this without cooperation.

We in Britain know this better than anyone. We export one-third of what we produce and import one-third of what we consume. This is more than any other major industrial country. The City of London is among the largest sources of private finance for developing countries.

This message of cooperation and development is well understood also by the European Community, of which we are members and currently hold the Presidency. The Community is the largest trading partner of the developing world and its Ten member states contribute nearly one-half of the official aid provided by the industrial countries.

The world faces very severe economic problems. These are toughest for the poorest countries. But even industrial countries face hard decisions, which cannot be evaded if we are to overcome inflation and resume growth.

Our main aim at this Summit is to look for ways of helping developing countries to create wealth and so to relieve the problems of poverty and hunger. In any country, economic progress depends essentially on the efforts of ordinary people, rather than on governments.

Governments should, therefore, try to create a framework within which the enterprise and energies of their citizens can flourish. The history of economic development since the war emphasises the fact that systems which provide maximum freedom to the private sector and which have encouraged, rather than restricted, trade and investment have done best. Inward-looking systems provide no pattern for development, as the negligible contribution of the Soviet Union makes clear.

Governments must work in partnership with each other if we are to preserve and expand world trade and development. We should look for policies which support and do not damage our neighbours. We should join in co-operative action wherever this is needed: in setting proper rules for international behaviour; in helping countries in difficulty; in drawing the developing countries more closely into the world economic system.

These principles of encouraging economic enterprise, looking outwards and working together, should determine how ^{we} ~~to~~ tackle the four main issues of this Summit - food, energy, trade and finance.

With the pressure of expanding populations, developing countries must grow more food for their own people. This depends primarily on creating the right incentives for farmers and help with better storage, marketing, research and investment. We are ready to assist, particularly in the field of research, and are increasing the aid we devote to this. Food aid can play a part in dealing with temporary shortages, and we are already providing £50 million a year. We are also ready to support improved arrangements for food security, including a new International Wheat Trade Convention.

Developing countries need more energy to support their faster growth and this will involve greater investment in their own energy resources. The private sector has a major role to play here if the right conditions for investment are created. We favour increased lending by the World Bank and are ready to support an Energy Affiliate for this purpose if it will mobilise additional funds from oil surplus countries. Industrial countries must also play their part by conserving energy.

Trade between developed and developing countries, and between developing countries themselves, is expanding steadily. This is essential. Even in textiles, a difficult sector for industrial countries, the share of world markets taken by developing countries is growing. Despite the problems of recession, we are resisting protectionist pressures. As developing countries grow stronger, they too should open their markets more widely.

Financial flows should be matched to need and capacity. Developing countries that can absorb bank lending or private investment should pursue policies which will attract finance from these sources. The international financial institutions, like the IMF and World Bank, play a catalytic role. We should help them to find ways to make scarce governmental contributions go further.

Direct aid can then be concentrated on the poorest countries, who depend on it most. That is why over 60% of Britain's bilateral aid goes to the poorest countries: and why we have accepted the target of 0.15% of GNP for aid to the least developed.

This Summit can serve to encourage further work in all these fields. The proposal for Global Negotiations has attracted much attention. I support the idea of such negotiations, which can bring together the study of many subjects and in which all countries can take part. Both aspects are important. But we must not put at risk the effectiveness and integrity of existing bodies, like the IMF and the World Bank, or the vital finance which they and others supply will dry up. We need clear agreement about what the negotiations would tackle, how they would proceed and how conclusions would be expressed.

We at this Summit, cannot do everything. We cannot solve all the world's problems in two days. We cannot commit countries who are not present. But we can come to a better understanding of what needs to be done. We can give a stimulus to action in crucial areas. And we can advance the process of co-operation and development as a whole.

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Overseas Development Administration
Eland House Stag Place London SW1E 5DH

Telephone 01-213: 7738
or Switchboard 01-213: 3000

G Collings Esq
Duty Officer
10 Downing Street
London SW1

Your reference

Our reference RST 388/365/01

Date 20 October 1981

Dear Collings,

CANCUN SUMMIT

We spoke on the telephone about the Note with Essential Facts on the proposed World Bank Energy Affiliate which is required for the Cancun Summit.

I enclose 6 copies of the Note. —

4 copies destroyed.

1 copy attached

*1 copy into PM's brief
(brief No. 8)*

Yours sincerely,

R W Wootton

R W Wootton

cc N P Bayne Esq ERD/FCO
Sir Peter Preston

CANCUN SUMMIT, 22-23 OCTOBER 1981

PROPOSED ENERGY AFFILIATE: ESSENTIAL FACTS

1. Purpose to take over financing of World Bank's energy programme, projected to expand greatly over next 5 years.
2. Would function on similar lines to World Bank, ie financing its operations by borrowing on capital markets backed by guarantee capital subscribed by member governments. Could also borrow directly from OPEC governments. Energy lending for poorest (IDA-recipient) countries would not be financed by Affiliate. Affiliate would cooperate closely with Bank and International Finance Corporation (member of World Bank Group).
3. Membership open to Bank members but with larger share for LDC (including OPEC) group, perhaps equalling OECD share. Capitalisation envisaged by Bank in range \$10 billion to \$15 billion, with power to lend ("gearing ratio") up to $2\frac{1}{2}$ times that figure.
4. Following is illustrative based on World Bank initial outline proposals. If UK took 5% share (broadly in line with economic strength) and members paid in 10% of subscriptions (balance being on call), UK payment could be between £25m and £40m over 3 years, possibly from 1983. More capital might be required in late 1980s.

Overseas Development Administration
20 October 1981

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TO IMMEDIATE FCO

TELEGRAM NUMBER 572 OF 20 OCTOBER

AND TO PRIORITY MEXICO CITY, BONN, PARIS, WASHINGTON, VIENNA

VIENNA TELEGRAM NUMBER 235 TO FCO

CANCUN SUMMIT

1. DEPARTMENT OF EXTERNAL AFFAIRS TELL US THAT KREISKY HAS ASKED TRUDEAU IF HE WOULD BE WILLING TO REPLACE HIM AS CO-CHAIRMAN AND HAS ALSO WRITTEN PROPOSING THIS TO LOPES PORTILLO.

2. TRUDEAU IS STILL CONTEMPLATING. HE IS NOT CONVINCED THAT A CO-CHAIRMAN IS NECESSARY BUT IS LIKELY TO AGREE IF THE OTHER PARTICIPANTS AT CANCUN WISH HIM TO TAKE KREISKY'S PLACE.

MORAN

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10 DOWNING STREET

From the Private Secretary

20 October 1981

I am replying on the Prime Minister's behalf to your open letter to her of 16 October about the forthcoming Summit Meeting in Cancun.

I will ensure that the letter is taken into account in the Prime Minister's briefing.

M. O'D. B. ALEXANDER

Monsieur Marc Nerfin



B/c

10 DOWNING STREET

From the Private Secretary

20 October 1981

I enclose, together with its attachment, a letter which the Prime Minister has received from the President of the International Foundation for Development Alternatives.

I have acknowledged M. Nerfin's letter. I do not think that any further action is required.

M. O'D. B. ALEXANDER

Roderic Lyne, Esq.,
Foreign and Commonwealth Office

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Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's
Private Office

Michael Alexander Esq
Private Secretary
10 Downing Street
London SW1

20 October 1981

Dear Michael,

CANCUN SUMMIT

At her briefing yesterday for the Cancun Summit meeting, the Prime Minister asked for a supplementary note on the possibility of a Wheat Trade Convention. I enclose a note.

I am sending a copy of this letter to the FCO and the Cabinet Office.

Yours sincerely
Kate Timms

KATE TIMMS
Principal Private
Secretary

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CANCUN SUMMIT
22-23 OCTOBER 1981

*Original enclosed with
PM's briefs (brief No. 6)*

FOOD SECURITY AND AGRICULTURAL DEVELOPMENT

SUPPLEMENTARY NOTE ON WHEAT TRADE CONVENTION (PMVQ(81) 6 refers)

NOTE BY THE MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

1. To improve world food security the developing countries have for some years been looking for new international grain arrangements which would provide for adequate reserve stocks, effective economic measures to stabilise prices and special help for developing countries, eg in financing their share of any reserve stocks. This approach was recently endorsed in the Communique on the Commonwealth Heads of Government Meeting in Melbourne.
2. The Community, with United Kingdom support, has been seeking to keep consideration of these ideas in the framework of the International Wheat Council and to incorporate any agreed provisions in a revised Wheat Trade Convention (the existing one has no economic provisions). Our aim has been to ensure that discussion takes place in a forum less exposed to political pressures than alternative international bodies and where trade considerations have a better chance of being given due weight.
3. Formal negotiations for a new Wheat Trade Convention, with the release and purchase of nationally-held stocks triggered automatically by world price movements, broke down in February 1979 primarily because the USA could not agree with the developing countries on trigger price levels. Attempts have subsequently been made to draw up proposals for a convention in which price movements

would not lead to automatic action but to consultation. Although this approach had earlier been advocated by the USA, the Americans did not support it at exploratory discussions in the International Wheat Council in June on the grounds that they were opposed of international co-ordination of stocks. The discussions are to continue. Whether a Convention would be in the interests of the United Kingdom would depend to a large extent on the levels at which trigger prices were set and the size of stocks to be maintained within the Community.

4. The lack of progress towards a new Convention has encouraged bodies such as FAO and the World Food Council to develop their own proposals, often in an attempt to build up political capital for their own organisations. In particular, we with other developed countries have been resisting a proposal by the Executive Director of the World Food Council for the creation of an international food security reserve (in contrast to the national stocks envisaged under proposals for a new Wheat Trade Convention). We regard this as an attempt to panic the world into premature acceptance of arrangements which would cover much the same ground as that on which the International Wheat Council has found progress so difficult.

5. Our view has continued to be that the best way of heading off attempts by the more politicised international bodies to take the lead in food security is to go on discussing suitable arrangements in the International Wheat Council. But the opposition of the USA will make it difficult to sustain this as a viable option and the European Commission are now suggesting that the Community should be prepared to discuss the alternative suggested by the World Food Council. We are considering this. But, for the time being, it

would seem to be in our interests to continue to advocate a solution through a new Wheat Trade Convention although there is now no immediate prospect of agreement being reached.

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
20 OCTOBER 1981



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000

Direct Dialling 01-233 4225

Sir Kenneth Couzens KCB
Second Permanent Secretary
Overseas Finance

20 October 1981

M O D B Alexander Esq
Private Secretary
10 Downing Street
LONDON SW1

Top copy attached to

PM's briefs (brief No. 7)

Dear Michael

CANCUN BRIEFING

The Prime Minister asked yesterday for particulars of the IMF quotas and World Bank shareholdings (that is, voting rights) of the countries which will be represented at Cancun. I attach a table.

Bank shareholdings are normally related to IMF quotas. The relationship is however not a precise one because the timing of IMF quota changes and of changes in Bank shareholding are not the same and historical factors can produce discrepancies. The most notable differences shown in the table are however those for a number of LDCs: Mexico, Venezuela, Algeria, Nigeria, Ivory Coast, Saudi Arabia and Yugoslavia. With the exception of Saudi Arabia, these countries have in the past been slow in subscribing or deliberately sought a lower Bank shareholding in order to save expenditure. 10% of a shareholding has to be "paid up", with 1% out of the 10% paid in dollars. Some of these countries are now seeking to increase their Bank shareholding. So is Saudi Arabia which very recently secured a large increase in IMF quota.

At the other extreme, India has always taken up its Bank shares promptly and in full. It is a major Bank and IDA beneficiary.

A copy of this goes to Peter Preston (ODA) and to Tom Bridges (FCO).

Yours etc

Ken

K E COUZENS

enc

CANCUN PARTICIPANTS: VOTING POWER AT IMF AND WORLD BANK

(Expressed as percentage of total votes)

<u>DEVELOPED COUNTRIES</u>	<u>IMF</u>	<u>World Bank</u>
United States	19.68	20.84
Japan	3.92	5.04
West Germany	5.08	5.06
France	4.52	5.05
United Kingdom	6.87	7.44
Canada	3.21	3.22
Sweden	1.09	1.11
Austria	0.81	0.83
	<hr/> 45.18	<hr/> 48.59
 <u>DEVELOPING COUNTRIES</u>		
<u>Latin America</u>		
Mexico	1.29	0.72
Brazil	1.59	1.60
Venezuela	1.58	0.63
Guyana	0.10	0.12
<u>Africa</u>		
Algeria	0.70	0.39
Nigeria	0.88	0.40
Ivory Coast	0.22	0.16
Tanzania	0.17	0.17
<u>Asia</u>		
China	2.84	3.47
Saudi Arabia	3.31	1.46
India	2.71	3.28
Bangladesh	0.39	0.42
Philippines	0.53	0.56
<u>Europe</u>		
Yugoslavia	0.69	0.40
	<hr/> 17.00	<hr/> 13.78

Prime Minister

20 October 1981

2

ALAN WALTERS

Ms 20/10

PRIME MINISTER

CANCUN - A VIEW ON FOREIGN AID

This is a summary of the main argument on Aid by P.T. Bauer and Basil Yamey - two of the most distinguished scholars of development economics.

"Deficiencies and anomalies in the 30-year old policy of foreign aid might not matter much if it had served to promote the well-being of the peoples of the Third World. But it has not done so. It is simply not the case that 'foreign aid is the central component of world development', as asserted by Hollis B. Chenery, Vice President of the World Bank, in charge of economic research. Only exceptionally and in the most propitious circumstances can aid promote or accelerate economic advance, and then it can do so merely to a minor extent.

The effects of foreign aid have been quite different. Foreign aid has brought into existence the Third World, also called the South, and thus underlies the so-called North-South dialogue or confrontation. Its paramount significance lies in this very important, perhaps momentous, political result. A further pervasive consequence of aid has been to promote or exacerbate the politicisation of life in aid-receiving countries. These major results have gravely damaged the interests of the West and the well-being and prospects of the peoples of Third World countries.

The money spent by the West on aid in no way measures these crucial consequences. Whatever percentage aid is of their national incomes, the donor governments cannot wash their hands of the consequences of their so-called caring. Aid is not peanuts."

The manuscript of the Bauer/Yamey article is available if you wish to see it.

AW

ALAN WALTERS

R16/10

SUBMISSION TO THE RIGHT HONOURABLE MARGARET THATCHER M.P.
AND THE DELEGATION OF GREAT BRITAIN

TO THE MEXICO SUMMIT CONFERENCE

FROM THE
DIRECTORS OF

THE INTERNATIONAL COMMUNITY FOR THE RELIEF OF STARVATION & SUFFERING.
(LONDON - LIVERPOOL - DUBLIN - MUNICH - PARIS - N.YORK-SACRAMENTO-MONTREAL)

(International Medical Initiative for International Health)
Based at London School Tropical Medicine

20 October 1981

We respectfully place before you the following:

To the Right Honourable Margaret Thatcher.

In the face of the coming Mexico Summit Meeting the Doctors, Scientists and members of the International Community for the Relief of Starvation and Suffering wish to outline to the Government a Proposal regarding the International Health Crisis now faced by the Third World.

The need for urgent and effective action on an unprecedented scale to eradicate world hunger and absolute poverty has been stressed by the Brandt Commission, the World Health Organisation and countless independent commissions. These bodies have put forward many realistic and workable solutions. What we must now address ourselves to is how best to implement the recommendations which to date have remained largely ignored.

It is clear that this will continue to be the case:

- (a) as long as we in the West persist with our present attitudes and policies and
- (b) as long as there are no effective means of turning the compassion of people in the West into permanent improvements in the lives of ordinary people in the Third World.

Politicians in the West who wish to make a realistic response to the problem of the Third World need the support of public and sectional opinion within their countries.

In order to achieve this, a body of professional people must be established in every Western country that is capable of:

(a) contacting, lobbying, advising and organising key figures in the political parties, the professions, the Trade Unions, Religious organisations, commercial institutions, the arts, academic centres and so integrating into the initiative, every institution that has a role to play in the decision making process of a country. That these efforts be co-ordinated is essential for no one institution is capable of shifting the vast bulk of public unawareness and political inertia on its own.

(b) establishing a new and informed media approach to the third world. The public must be informed of the realities of Third World Suffering. They must be informed of the causes of such problems - especially the effects of certain Western Policies. Most important of all however, they must be made aware that all independent studies agree that these problems are soluble and that we have the ability to lay the foundation for such a solution.

To be effective such a body would have to fulfill certain criteria:

- (a) It would have to be independent of political, commercial or ideological control, in order to be credible in the eyes of the public.
- (b) It would have to have the:
 - (1) backing of all the West's institutes in Tropical Medicine, Development Economies and Agriculture.
 - (11) the means of popularising their complex conclusions.
 - (111) the means of making such information available to journalists, to Government planners and to all those groups and individuals who were interested in campaigning for Third World rights in their own spheres of influence.
- (c) It would have to intimate contact with scientists, administrators, journalists and politicians in the Third World so that it could be:
 - (1) More acutely aware of the true needs of ordinary people in the Third World.
 - (11) capable of constantly reviewing the efficacy and cost-effectiveness of the policies it advocates.

The other major problem which we referred to was how to channel Western compassion into lasting improvements in Third World life.

Our goal must be to improve the daily life of ordinary people in the underdeveloped countries. We can no longer afford to assume that aid to an aristocracy will trickle down to the poor.

We can no longer assume that merely changing the G.N.P. of a country is all that is required of us. Too often we have seen commercial development plans worsening the lives of the people.

The Brandt Commission called on Western Governments to control their transnational corporations, to modify tariff barriers and to help Third World countries to process and market their natural resources.

These are very difficult decisions for any Government to make. They underlie the necessity for a powerful lobby within Western countries to put the Third World case.

There is, however the problem of reform within the Third World. Some Third World countries have regimes that are so repressive and totalitarian that they require specific attention and have no place in a general discussion document like this.

We must concern ourselves here with Governments that are genuinely interested in the welfare of their people or that are receptive to Western advice.

Nothing will be achieved if we ignore the role of the Third World Governments but on the other hand the deployment of Western Aid by Third World Governments must be subject to established scientific criteria.

An ideal arrangement in our opinion is bilateral aid within a multilateral framework.

There must be an agreed international strategy to eradicate absolute poverty, within which each country agrees to adopt certain projects. The need for a monitoring body is therefore essential. Third World scientists and journalists must have access to Western politicians and media so that if aid is being misappropriated, wasted or is merely ineffective, pressure will be put on those responsible. If Western Governments are compliant with such inappropriate "Aid" - pressure would also be applied to them via force of public opinion and through criticism from other countries.

Similarly when aid is being directed on behalf of a number of countries (eg via the EEC) there is a need for the people in member countries to be kept fully informed of the effects of such aid not just to discourage inefficiency but also to encourage the people that their aid is helping to bring about real and lasting change - their contribution to an initiative that has real hope for success rather than to yet another ad hoc palliative "drop-in-the-ocean" programme.

Multilateral aid via the World Health Organisation and the Food and Agricultural Organisation is of course crucial. Currently the World Health Organisation receives the equivalent of 2% of Britain's National Health Budget to solve the health problems of the world. It has shown, for example, through eradicating small pox, that given realistic resources it can achieve spectacular achievements.

Part of the reason for the derisory budget it receives is that it is restricted by its mandate to working with member Governments. The existence of a powerful lobby (including as it does many of the World Health Organisation's principal advisors) could popularise the needs, aims and achievements of the World health Organisation and institutions like it. These institutions could play a major role in organising the multilateral matrix for the bilateral aid programmes which we have already outlined.

A further role for such an international community would be to give the Governments and people of every country access to specialists in Third World affairs, so that each country could achieve the greatest possible effect with their limited budget.

The attitude of O.P.E.C. and C.O.M.E.C.O.N. to our initiative would of course be crucial but is beyond the scope of this Document.

Great Britain for many years has played a key role in International Health, the Royal Society of Tropical Medicine has played a crucial role together with the schools of Tropical Medicine in educating, healing and relieving suffering. Britains initiatives have for many years inspired other countries to play a more active role in under-developed states. Political determination is useless without an informed public, many politicians most notably members of the British, Belgian and Italian Governments are beginning to recognise the need for urgent and radical action. Such action however, though it be inspired by the best of intentions can often be counter-productive unless it is:

- (a) co-ordinated
- (b) realistic
- (c) appropriate.

What is needed therefore is a movement that will generate the public support needed for such action and bring Western Development planners into close contact with the finest scientific advice and with the recipients of their aid.

Such an initiative must be internationally co-ordinated involving Western and Third World Governments, financial institutions, professions, and multi-lateral aid agencies.

In conclusion we urgently request that you put to the Mexico Summit Conference in your Statement to the Nations that such an initiative as the International Community for the Relief of Starvation and Suffering exists and that the points raised in this, outlined, are of crucial importance to the implementation of any realistic world policy.

Should any further Data regarding this initiative be required we would be grateful if ^{you} could contact Michael Meegan (the Director) presently in Dublin or Dr. Nabarro at the London School of Tropical Medicine - the specialists in our headquarters in Ireland and London would be willing to elaborate further.

On behalf of the members of the International Community for the Relief of Starvation and Suffering worldwide, we place these points before you in the hope that you will raise them at the Mexico Summit.

To compliment the World Health Organisation and encourage a new attitude towards the reality with which we are faced the International Community for the Relief of Starvation and Suffering (founded in London) (Jan 1980) has concentrated on building up access to the media, this access together with your interest may well create the means by which we can inform not only the British peoples but the whole world. Almost 1000 Doctors numerous other specialists, missionaries, nurses, businessmen, (in 18 countries - primarily Gt. Britain and America) are involved in our initiative.

There are many bridges to cross and we need to face the facts realistically together.

It is important to remove the Third World from the context of a mere charitable institution. Many fundamental attitudes will have to change and as you are only too aware the British public will have to begin learning a lot more about the World in which we live.

BRITISH COMMITTEE C.R.O.S.S.

Br. Michael Elmore-Meegan Bph.Lph.
London School of Hygiene and Tropical Medicine

Dr. Robin Ballard MRCOG., M.D.
Queen Marys Hospital, Roehampton.

Mary O'Brien MSc.

Dr. David Nabarro M.Sc., D.T.M.
Senior Lecturer in Human Nutrition.
London School of Hygiene and Tropical Medicine.

Mr. Edward Mannion S.R.N.

Professor J.C. Waterlow C.M.G., M.D., Sc.D., F.R.C.P.,

Professor A.W. Woodruff M.D., D.Sc., F.R.C.P.,
Director London Hospital Tropical Diseases.

Dr. Denis Conway M.D.

Dr Bruce Symonds M.D.

Dr Michael O'Donnell M.D.

LONDON INTERNATIONAL COMMUNITY FOR THE RELIEF OF STARVATION & SUFFERING

H. Paul Meegan

Br. Michael Emore-Meegan BPh.LPh.
Director,
London School of Hygiene & Tropical Medicine
Keppel Street
London WC1E 7HT

Dublin

Department Tropical Medicine
College of Surgeons
Dublin 2

Munich

Professor. Doctor Herman Welsch M.D.,
Professor of Gynaecology & Obstetrics.
Department of Medicine
Universitat
München
8000 Munchen 70
Munchen West Germany

New York

Dr Ken Cairns M.D.,
Southampton Medical Centre
Southampton,
Long Island,
New York 11968
U.S.A.



Foreign and Commonwealth Office

London SW1A 2AH

19 October 1981

Dear Michael,

kg
Pmt

Cancun Summit: 22 - 23 October: Possible Conversation with
President Mitterrand

The Prime Minister will not see President Mitterrand between the Cancun Summit and the European Council. We do not know how much opportunity there will be for bilateral discussion at Cancun. But if the opportunity for a general discussion with President Mitterrand arises, the Prime Minister may find it useful to have in mind a few points which she might usefully make on the Community negotiations on the 30 May Mandate.

The French Government have just published their proposals for a renewal ("relance") of Community policies, particularly in the social and industrial areas. These proposals overlap to a considerable extent with some elements of the Mandate. The French have, however, also taken a negative line on the problem of net contributions. It would be worth reminding President Mitterrand that:

- we have made it clear that we share the French wish for a new impetus to be given to the Community;
- a lasting solution to the budget problem is as essential to this as agreement on new and expanded policies;
- the three elements of the Mandate (CAP reform, new policies and the budget) are linked, and are as urgent and essential as each other;
- this is why we believe that all three must be tackled in parallel. Great mistake to deal with the budget - as the French have suggested in the Mandate Group - only after decisions on CAP and other policies;
- source of the budget problem is unbalanced development of Community policies. But it will take many years to put that right. It is politically essential, for the good of the Community as a whole, to get a budget settlement now. This will dispose of a recurrent and divisive problem; enable the Community to deal with the financial consequences of enlargement; and produce a sound financial basis for future Community development.

Yours ever,

F N Richards
Private Secretary

M O'D B Alexander Esq



Foreign and Commonwealth Office

London SW1A 2AH

19 October 1981

ds
Ph...

Dear Michael,

Cancun Summit

I enclose with this letter the programme for the Cancun Summit, covering both the main Summit events and the bilateral meetings prepared for the Prime Minister.

Chancellor Kreisky has decided not to attend the Summit, because of ill health. He has recommended to the other participants that Mr Trudeau should take his place as Co-Chairman at the Summit. We are now told that President Lopez Portillo may give an informal dinner on the evening of Wednesday, 21 October to Heads of State and Governments and Foreign Ministers, at which Mr Trudeau will be confirmed as Co-Chairman.

We have just heard from the Chinese Embassy that Zhao Ziyang would like a bilateral meeting with the Prime Minister, in addition to the breakfast arranged on 23 October. The Chinese Embassy here suggested 1600 hours on 21 October. We have told them that that is too early and that we will propose an alternative time through our Embassy in Peking. The best time would probably be around 1800 or 1900 hours on 21 October, if the Prime Minister still wants a separate bilateral.

yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B. Alexander Esq
10 Downing St

INTERNATIONAL MEETING FOR CO-OPERATION AND DEVELOPMENT,
CANCUN, 22-23 OCTOBER 1981

TENTATIVE PROGRAMME (As at 19 October)

Wednesday, 21 October

0910 hrs	Depart London Airport, South Side.
1500 hrs	Arrive Cancun Airport (flying time 12 hrs and 50 minutes).
2000 hrs	Bilateral with President Lopez Portillo.
2100 hrs	Possible informal dinner for Heads of State and Government, and Foreign Ministers, hosted by President Lopez Portillo.

Thursday, 22 October

1000 hrs	Inaugural Session.
1030-1330 hrs	First Plenary Session.
1345 hrs	Lunch hosted by Mrs Gandhi.
1530 hrs (approx)	Bilateral with President of Yugoslavia (to be confirmed on arrival).
1630-1900 hrs	Second Plenary Session.
2100 hrs	Dinner offered by President Lopez Portillo.

Friday, 23 October

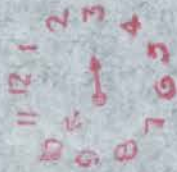
Breakfast	Chinese Premier to host (Germany, Austria, Canada and Sweden also invited).
1030-1330 hrs	Third Plenary Session.
Lunch	Free
1600-1900 hrs	Fourth Plenary Session.
1915 hrs (approx)	Press Conference by President Lopez Portillo and Chancellor Kreisky.
2100 hrs	Farewell dinner offered by Heads of State/Government to President Lopez Portillo.

Saturday, 24 October

0830 hrs	Provisional booking at the Press Centre.
0930 hrs	Brief departure ceremony at the Airport.
1000 hrs	Depart Cancun for London (perhaps via Mexico City).

FOOTNOTE: The Prime Minister has also agreed to see President Nyerere and Acting President Abdul Sattar. It has been agreed that arrangements for these meetings should be made between delegations in Cancun.

19 OCT 1981



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UKMIS GENEVA PARIS BONN
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MY TELNO 1061: GLOBAL NEGOTIATIONS
FOLLOWING FROM MINISTER OF STATE.

I ASKED MRS KIRKPATRICK AT LUNCH TODAY WHAT LINE PRESIDENT REAGAN WOULD TAKE AT CANCUN. SHE WOULD NOT GIVE A DIRECT ANSWER, BUT SAID THAT THE PRESIDENT HAD NEVER UP TO NOW IN HIS POLITICAL CAREER HAD TO CONCERN HIMSELF WITH THE PROBLEMS OF DEVELOPING COUNTRIES. NOW HE WAS BECOMING INVOLVED, AND UNLIKE SOME OTHERS IN THE ADMINISTRATION WAS BY NATURE A PRAGMATIST. THE CANCUN CONFERENCE WOULD BE IMPORTANT IN FORMING HIS JUDGEMENT. I DEDUCED FROM THIS RATHER APOLOGETIC ANALYSIS THAT WHATEVER MIGHT HAPPEN EVENTUALLY THE PRESIDENT WOULD BE UNLIKELY TO TALK POSITIVELY ABOUT THE GLOBAL NEGOTIATIONS AT CANCUN.

FCO PSE PASS SAVING ATHENS BRUSSELS COPENHAGEN DUBLIN THE HAGUE
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PARSONS

(REPEATED AS REQUESTED)

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WASHINGTON

YOUR TELNO 178 (NOT REPEATED)
CANCUN SUMMIT

1. LENNKH (PS/CHANCELLOR KREISKY) TOLD HEAD OF CHANCERY LATE FRIDAY AFTERNOON THAT KREISKY HAD DECIDED RELUCTANTLY TO ACCEPT MEDICAL ADVICE AND WOULD NOT ATTEND THE SUMMIT. ALL ANGAGEMENTS FIXED FOR KREISKY TO MEET INDIVIDUAL HEADS OF GOVERNMENT AT CANCUN WERE NOW REGARDED AS LAPSED (FREE-GORE/GREEN, ERD, TELEPHONE CONVERSATION OF 16 OCTOBER REFERS). LENNKH SAID AUSTRIAN DELEGATION WOULD NOW BE LED BY FOREIGN MINISTER PAHR SUPPORTED BY STATE SECRETARY PROFESSOR NUSSBAUMER, WHO ATTENDED CANCUN TALKS 1/2 AUGUST. HE SAID QUESTION OF CO-CHAIRMANSHIP OF CONFERENCE WAS GIVING RISE TO CONCERN AND KREISKY WAS URGENTLY CONSULTING MEXICANS TO FIND A SOLUTION.

LUSH

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PRIME MINISTER

Cancun: Briefing Meeting

The following points might be worth covering at this afternoon's briefing meeting:-

- a) Opening Statements. 16 of the 22 participants plus Dr. Waldheim apparently intend to make general statements. Should you do so also?
- b) The Global Negotiations. HMG are now on record, in several Community and Commonwealth statements, as favouring an early start to the global negotiations. This will have to remain our position. But how do we get the Americans on board?
- c) Which specific proposals could be endorsed by the Summit? The World Bank Energy Affiliate? A new International Wheat Trade Convention? A ministerial meeting of the GATT next year? /
- d) Follow up to Cancun. What kinds of follow up, if any, are likely to be either sensible or acceptable. Is there any role for future meetings in the Cancun format? /
- e) Bilaterals. Any specific points that should be covered?

Ans

19 October 1981

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FM DELHI 190610Z OCT 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 771 OF 17 OCTOBER

INFO ROUTINE WASHINGTON, UKDEL IMF

*hmf*INDO-US RELATIONS AND CANCUN

1. IT IS ASSUMED HERE THAT MRS GANDHI WILL HAVE A PRIVATE MEETING WITH PRESIDENT REAGAN AT CANCUN. IT WOULD BE GOOD FOR WESTERN INTERESTS IF THIS WAS A SUCCESS BUT I AM NOT OPTIMISTIC THAT IT WILL BE. MRS GANDHI REGARDS THE US GOVERNMENT (AS DISTINCT FROM INDIVIDUAL AMERICANS FOR WHOM SHE HAS QUITE A LIKING) AS IRREDEEMABLY ANTI-INDIAN. SHE BELIEVES THAT IN THE PAST THE CIA HAVE WORKED AGAINST HER POLITICALLY (THERE IS UNFORTUNATELY ENOUGH EVIDENCE OF CIA ACTIVITY IN INDIA INCLUDING THE REVELATIONS OF FORMER US AMBASSADORS HERE, TO PERSUADE MANY INDIANS THAT THIS MIGHT BE TRUE) AND SHE REGARDS THE REAGAN ADMINISTRATION AS BEING TOTALLY INSENSITIVE TO INDIAN FEELINGS. IT IS NOT MERELY A QUESTION OF THE AMERICANS IN HER VIEW UNNECESSARILY CONCENTRATING ON MILITARY AID RATHER THAN ECONOMIC AID FOR PAKISTAN. IN THE EYES OF MRS GANDHI, AND INDEED MANY OTHER PERCEPTIVE INDIANS, THE AMERICAN FAULT IS AS MUCH ONE OF OMISSION AS OF COMMISSION; THEY SIMPLY NEGLECT TO CONSIDER THE INDIAN DIMENSION AND TO CONSULT INDIA. TO JUDGE FROM WASHINGTON TELNO 3015 THE MACFARLAND MISSION HAS DONE NOTHING EFFECTIVE TO ALTER THIS PERCEPTION. THE US HAS BEEN WITHOUT AN AMBASSADOR HERE FOR OVER TEN MONTHS AND WHILE THE INDIANS ARE IN ONE WAY RELIEVED AT THE PROSPECT OF DOING BUSINESS WITH THE RESPECTED CAREER OFFICER, WHO SHOULD ARRIVE HERE SHORTLY, THEY ARE AT THE SAME TIME CONSCIOUS THAT CONTRARY TO TRADITION THE NEW US AMBASSADOR IS NOT SOMEONE KNOWN TO HAVE THE SPECIAL CONFIDENCE OF THE PRESIDENT.

2. AN INCIDENT CONCERNING THE RECENTLY DEPARTED US CHARGE D'AFFAIRES, ARCHER BLOOD, WHO HAS HELD THE FORT SINCE LAST DECEMBER, WILL BE IN INDIAN MINDS. JUST BEFORE HE LEFT HE GAVE AN UNATTRIBUTABLE BRIEFING TO THE US PRESS IN WHICH HE SAID, ACCORDING TO THE LATTER, THAT THERE WAS A BETTER THAN 50-50 CHANCE OF AN INDO/PAKISTAN WAR IN THE COURSE OF THE NEXT TWO YEARS AND THAT IF SO INDIA WOULD START IT. THE FACT THAT HE WENT ON TO DESCRIBE THE REAGAN ADMINISTRATION'S POLICIES AS ONE OF THE ROOT CAUSES FOR SUCH A WAR IF IT SHOULD OCCUR HAS IN ONE WAY DONE SOMETHING TO MOLLIFY INDIAN RESENTMENT BUT IN ANOTHER HAS CONFIRMED THEIR EXISTING SUPPOSITIONS OR PREJUDICES. THERE IS NO DOUBT THAT BLOOD WAS THE SOURCE OF THESE COMMENTS AND THAT THIS IS WELL KNOWN TO THE INDIANS WHO HAVE OF COURSE READ THE TELEXES SENT BY THE US CORRESPONDENTS TO THEIR EDITORS.

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3. THERE HAVE BEEN TOO MANY INCIDENTS OF THE SORT JUST DESCRIBED FOR ANY OF THEM, INCLUDING THIS ONE, TO MAKE MUCH OF AN INDIVIDUAL IMPACT ALTHOUGH CUMULATIVELY THEY PRODUCE A STRONG IMPRESSION. WHAT IS MUCH MORE IMPORTANT AT PRESENT IS THE OPENLY EXPRESSED AMERICAN HESITATION ABOUT IF NOT OPPOSITION TO THE IMF LOAN TO INDIA. THIS IS FELT KEENLY BY MANY PEOPLE HERE AND I AM NOT SURPRISED TO HEAR FROM L K JHA THAT THIS INCLUDES MRS GANDHI HERSELF. IT SEEMS TO THEM THAT THIS IS AMERICAN BIG BROTHER ATTEMPT TO TELL AN INTERNATIONAL ORGANISATION VIZ THE IMF HOW IT SHOULD RUN ITS OWN AFFAIRS IN RELATION TO A MAJOR DEVELOPING COUNTRY. GIVEN THIS INDIAN VIEW OF THE MATTER THERE IS A CONSIDERABLE CHANCE THAT MRS GANDHI'S ATTITUDE AT CANCUN WILL BE INFLUENCED IN A LESS MODERATE DIRECTION THAN HAD SEEMED LIKELY. AT ANY RATE L K JHA TELLS ME THAT HE THINKS THIS IS PROBABLE. I ASSUME THE INDIANS WILL HAVE NOTED THE "SURPRISINGLY SUBDUED" (UKDEL IMF TELNO 269) ATTITUDE OF THE US DIRECTOR AT THE INFORMAL MEETING OF THE IMF EXECUTIVE DIRECTORS ON 14 OCTOBER. SINCE I WAS UNAWARE OF IT I SURMISE THAT JHA WAS LIKEWISE WHEN HE SPOKE TO ME ON THE EVENING OF THE FOLLOWING DAY. JHA HAS NOW LEFT FOR CANCUN; IT WOULD BE HELPFUL IF THE AMERICANS SPOKE TO HIM THERE IN A REASSURING WAY. I AM PRETTY SURE THAT MRS GANDHI'S ATTITUDE TOWARDS NORTH-SOUTH QUESTIONS AND TOWARDS RELATIONS WITH INDIVIDUAL WESTERN COUNTRIES WILL BE CONSIDERABLY INFLUENCED BY THE ATTITUDE WHICH SHE THINKS THEY TAKE TOWARDS THE IMF LOAN FOR INDIA. I WAS PLEASED TO LEARN IN A TETE-A-TETE CONVERSATION WITH THE INDIAN FINANCE MINISTER ON 15 OCTOBER THAT THE CHANCELLOR OF THE EXCHEQUER HAD PERSONALLY TOLD HIM THAT BRITAIN'S ATTITUDE TOWARDS THE LOAN WOULD BE "SYMPATHETIC AND HELPFUL".

THOMSON

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TO IMMEDIATE FCO

TELNO 626 16 OCTOBER.

YOUR TELEGRAM NO 439: CANCUN

1. I CALLED ON VICE FOREIGN MINISTER, PU SHOUCANG, WHO IS IN CHARGE OF INTERNATIONAL ORGANISATIONS IN THE MFA, FOR A BRIEFING ON CANCUN ON 16 OCTOBER. I BEGAN BY PASSING ON THE MESSAGE IN TUR. PU SAID THE CHINESE DID NOT ENTIRELY RULE OUT THE POSSIBILITY OF SOME GENUINE BILATERAL CONTACT BETWEEN MRS THATCHER AND ZHAO ZIYANG BUT WE WOULD UNDERSTAND THAT TIME WAS VERY LIMITED.

2. ON THE SUMMIT, PU SAID THE MEETING WOULD DRAW WORLDWIDE ATTENTION AND AROUSE WORLDWIDE HOPE THAT THE GOVERNMENT LEADERS WOULD BE ABLE TO EXPRESS A COMMON POLITICAL WILL TO TACKLE AND EVENTUALLY SETTLE NORTH-SOUTH ISSUES. THE CHINESE HOPED IN PARTICULAR THAT THE SUMMIT WOULD EXPRESS A WILL TO HAVE THE GLOBAL NEGOTIATIONS LAUNCHED SOON. IF THIS WERE NOT ACHIEVED THERE WOULD BE TERRIBLE DISAPPOINTMENT. HE QUOTED THE FRENCH FOREIGN MINISTER AS SAYING AT THE PREPARATORY MEETING THAT FAILURE AT CANCUN COULD AROUSE BOTH ANGER AND DESPONDENCY AMONG LESS-DEVELOPED COUNTRIES (LDC'S). IT MIGHT CAUSE SOME COUNTRIES TO "SELL THEMSELVES OUT". THE BENEFICIARY WOULD BE "THE ONLY SUPER-POWER NOT ATTENDING". THE CHINESE FULLY ENDORSED THIS SENTIMENT.

3. THE CHINESE GOVERNMENT HAD BEEN THINKING ABOUT MEANS TO REMOVE EXISTING OBSTACLES, WHICH WERE OF TWO TYPES:

A. PROCEDURE IN THE GLOBAL NEGOTIATIONS:

B. AGENDA ITEMS.

ON (A), THE PROBLEMS AROSE ON THE RELATION BETWEEN THE GLOBAL NEGOTIATIONS AND THE WORK OF UN SPECIALISED AGENCIES. THE US POSITION WAS THAT QUESTIONS HANDLED BY THE SPECIALISED AGENCIES SHOULD NOT BE COVERED BY THE GLOBAL NEGOTIATIONS. THE LDC'S HAD ALREADY MADE TWO BIG CONCESSIONS IN AGREEING THAT THE GLOBAL NEGOTIATIONS SHOULD NOT PREJUDICE THE COMPETENCE, FUNCTIONS AND POWERS OF THE SPECIALISED AGENCIES AND THAT THE GLOBAL NEGOTIATIONS SHOULD REACH AGREEMENT BY CONSENSUS ON ALL IMPORTANT MATTERS. IN THE CHINESE VIEW, THESE CONCESSIONS WERE SUFFICIENT TO REMOVE US APPREHENSION AND THE DEVELOPED COUNTRIES SHOULD NOW MAKE CORRESPONDING CONCESSIONS, EG. AGREE THAT THE GLOBAL NEGOTIATIONS SHOULD NOT BE PREVENTED FROM COVERING THE RESTRUCTURING OF BODIES DEALING WITH INTERNATIONAL ECONOMIC RELATIONS.

4. AS REGARDS (B), (AGENDA MATTERS), THE GLOBAL NEGOTIATIONS COULD NOT ENTER A SUBSTANTIVE STAGE SINCE THERE WAS NO AGREEMENT

ON AGENDA ITEMS. IN FACT, HOWEVER, COUNTRIES HAD ALREADY AGREED ON MANY ITEMS ON THE AGENDA AND CHINA WONDERED WHETHER SUBSTANTIVE DISCUSSIONS COULD NOT BE HELD ON THAT PART OF THE AGENDA THAT HAD BEEN SETTLED WHILE THE REMAINING AGENDA ITEMS WERE STILL BEING AGREED.

5. PU SAID, SPEAKING FRANKLY, THAT THE MAIN RESPONSIBILITY FOR THE FAILURE SO FAR OF GLOBAL NEGOTIATIONS LAY WITH THE U.S. IN PUTTING FORWARD THE POINTS ABOVE, THE CHINESE HAD TAKEN INTO CONSIDERATION THE US POSITION. THEY THEREFORE GREATLY HOPED THAT COUNTRIES LIKE THE UK WITH INFLUENCE IN WASHINGTON WOULD HELP BRING ABOUT GREATER US FLEXIBILITY. SO FAR, HOWEVER, HE SAW NO SIGNS OF A CHANGE IN THE US ATTITUDE AND WAS NOT SO OPTIMISTIC ABOUT CANCUN PROSPECTS IN CONSEQUENCE.

6. PU SAID HE WOULD LIKE TO SEE THE CO-CHAIRMAN'S SUMMARY REFER TO THE NEED TO LAUNCH GLOBAL NEGOTIATIONS AT A CERTAIN DATE EG. EARLY 1982. OF COURSE CHINA HOPED FOR MORE THAN THAT EG. AGREEMENT ON SOME SPECIFIC QUESTIONS. WHEN ASKED WHICH ONES, HE SAID THEY HAD NO FIRM IDEAS, BUT MENTIONED A FRENCH PROPOSAL FOR AN ENERGY AFFILIATE OF THE WORLD BANK. CHINA WOULD BE FLEXIBLE AND READY TO DISCUSS ANY ISSUE REGARDED AS URGENT BY THE LDC'S.

7. HE STRONGLY AGREED WITH MY SUGGESTION THAT OUR DELEGATIONS SHOULD KEEP IN TOUCH AND ASKED WHETHER WE WERE SENDING AN ADVANCE PARTY. HE HIMSELF, WITH THE CHINESE ADVANCE PARTY, WOULD BE ARRIVING ON THE AFTERNOON OF 20 OCTOBER AND WOULD HAVE THE NEXT DAY AVAILABLE FOR PRELIMINARY MEETINGS. I UNDERTOOK TO LET HIM KNOW BY CLOSE OF PLAY ON THE 19TH, OF OUR ADVANCE ARRANGEMENTS. THE CHINESE WOULD ALSO LIKE TO KNOW THE EXACT DATE AND TIME OF MRS THATCHER'S PLANNED ARRIVAL.

8. PU IS DISTINCTLY BRIGHT, SPEAKS GOOD ENGLISH AND IS WELL-DISPOSED. HE ACCOMPANIED HUA GUOFENG ON HIS UK VISIT IN 1979. HE SHOULD BE A GOOD CONTACT AT CANCUN.

9. GRATEFUL FOR REPLY ON PARA 7 ABOVE BY 190800Z.

CRADOCK

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- 2 -

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FROM UKMIS NEW YORK 162125Z OCT 81

TO IMMEDIATE F C O

TELEGRAM NUMBER 1061 DATED 16 OCTOBER 81

INFO WASHINGTON, OTTAWA, MEXICO CITY, UKDEL OECD, UKMIS GENEVA,
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MYTELNO 1026: GLOBAL NEGOTIATIONS

1. THERE ARE SIGNS THAT COMMONSENSE IS GAINING.

2. KITTANI ASKED ME TO CALL THIS AFTERNOON TO DISCUSS FOLLOWUP TO CANCUN. I TOLD HIM AS I HAD THE BANGLADESHIS EARLIER (SEPARATE TELELETTER NOT TO ALL), THAT I THOUGHT WE HAD THREE CHOICES:

A) NO GLOBAL NEGOTIATIONS;

B) AN INTERMINABLE AND CHARACTERISTIC UN NEGOTIATION (LAW OF THE SEA HAD AFTER ALL BEEN GOING FOR 7 YEARS);

OR

C) SOMETHING PERMITTING US TO GET DOWN TO REAL BUSINESS.

3. I SAID THAT IN MY VIEW WE HAD PUSHED THE VON WECHMAR TEXTS TO THE LIMIT. CONSENSUS ON THEM WOULD BE PHONEY. THE UK HAD BEEN BOTHERED ALL ALONG BY THE "INTEGRATED APPROACH" WHICH MADE PRACTICAL RESULTS DEPENDENT ON THE PACE OF THE SLOWEST NEGOTIATION. WE WANTED TO GET ON WITH THE PRACTICAL PROBLEMS OF FOOD, ENERGY AND THE LIKE; AND I DID NOT SEE WHY THESE COULD NOT BE TACKLED A FEW AT A TIME. I WOULD LIKE TO SEE THE RIGIDITY OF THE EARLIER APPROACH TO GN'S LOOSENED UP. FRANKLY, IT WOULD HELP TO UNPICK THE PACKAGE A BIT.4. KITTANI'S REPOSE WAS ENCOURAGINGLY PRAGMATIC. MUCH WOULD DEPEND ON THE ATMOSPHERE AT CANCUN. ASSUMING THE LIGHT WAS GREEN WE SHOULD TRY TO GET ON WITH IMPROVING WHAT COULD BE IMPROVED IN A BAD WORLD. HE AGREED THAT WE COULD NOT WAIT TO TIE UP A COMPLETE PACKAGE. THERE HAD BEEN TOO MUCH RIGIDITY AND PUBLIC PRESSURE AND AN UNNECESSARY ATMOSPHERE OF "DO OR DIE". HE WANTED TO GET AWAY FROM THE VON WECHMAR TEXTS. A GROUP OF FRIENDS WOULD ONLY TIE HIS HANDS. THE GLOBAL NEGOTIATIONS ITEM WAS DOWN FOR 26 OCTOBER, BUT THIS DATE WAS FLEXIBLE. ALL HE NEEDED WAS THE QUICK ADOPTION OF A RESOLUTION AUTHORISING HIM TO LAUNCH CONSULTATIONS.5. KITTANI SAID THAT HIS IDEAS WERE NOT FIXED AND HE HAD YET TO SELL HIS GENERAL APPROACH TO LEPRETTE, MRS KIRKPATRICK OR THE DEVELOPING COUNTRIES. BUT HE HAD SOME THOUGHTS ABOUT "GUIDELINES" AND "OBJECTIVES". HE WANTED TO ENGAGE THE INTEREST AND EXPERTISE OF THE SPECIALISED BODIES AT AN EARLY STAGE, PARTICULARLY THROUGH VAN LENNEP, DE LA ROSIERE AND COREA.

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/ THERE WAS

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THERE WAS NO NEED FOR A UN SECRETARIAT - NO "NEW MONSTER". DADZIE WOULD HOWEVER NEED TO PLAY A CONSIDERABLE ROLE. ON LAUNCHING OF THE GN'S THEMSELVES KITTANI FORESAW (TENTATIVELY) A BRIEF ORGANISATIONAL MEETING IN JANUARY 1982 WITH WORK REMITTED TO EXPERTS FOR THE NEXT FOUR OR FIVE MONTHS. BUT HE REPEATED THAT HE WAS KEEPING HIS OPTIONS OPEN AND HAD NO PERSONAL AXE TO GRIND.

6. I GAVE A PRELIMINARY WELCOME TO KITTANI'S FLEXIBLE APPROACH AND EVIDENT WILLINGNESS TO JUNK THE VON WECHMAR TEXTS. HE SAID HE WOULD HAVE A JOB SELLING THIS TO THE G77 BUT WOULD BE TELLING THEM THAT IT WAS THE BEST THEY WERE LIKELY TO GET.

7. COMMENT. A GOOD DEAL IS STILL BLURRED, BUT WE SHOULD GET A CLEARER PICTURE AS KITTANI CONTINUES HIS CONTACTS WITH WESTERN COLLEAGUES. MR HURD WILL HAVE A CHANCE TO GO OVER THE GROUND WITH HIM ON 19 OCTOBER.

FCO PASS SAVING ATHENS, BRUSSELS, COPENHAGEN, DUBLIN, THE HAGUE LUXEMBOURG, ROME AND UKREP BRUSSELS

PARSONS

[REPEATED AS REQUESTED]

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Foreign and Commonwealth Office

London SW1A 2AH

16 October 1981

Dear Willie,

Cancun Summit

Before the Prime Minister's briefing meeting at 1600 hours on 19 October, you may find it useful to have the comments of FCO officials on recent developments and points which might deserve special attention at that meeting.

We had hoped that the Summit would be very informal and avoid an opening exchange of prepared general statements. But we now learn that most participants - at least 16 out of 22, plus the UN Secretary-General - want to start by making general statements. The meeting could consider whether, in this case, the Prime Minister should make a general statement too.

President Reagan, we know, intends to make an opening statement. This is likely to take the same line as his speech in Philadelphia yesterday, of which I attach a summary. If it does, it is not likely to be welcomed by the developing countries. But we know that the majority of them do not want confrontation, so that their response may be more to emphasise their own problems and concerns than to criticise or challenge. The Prime Minister may wish herself to stress the merits of the open economy, a strong private sector and encouraging trade and private investment. If so, she will no doubt also wish to make clear her concern for the problems of the poorest developing countries, which gain little from trade or private flows, and recognise that they need special help.

The meeting might consider what line to take on Global Negotiations. Most developing countries will want the Summit to give the Global Negotiations new impetus, by recording a consensus that they should start soon. We are now on record in favour of an early start to the Global Negotiations in several Community and Commonwealth statements. This will have to be our base line. But we want to encourage an approach to them which everybody - including the Americans - could accept.

After a long general debate, there will not be much time to discuss the four particular topics on the agenda (food, trade, energy and finance). But most participants will want the Summit to give its blessing to some particular proposals and ideas. In this context, we could direct attention towards the World Bank Energy Affiliate; a new International Wheat Trade Convention; and the Ministerial Meeting of the GATT in 1982.

/Finally,



Finally, the meeting could consider our attitude to follow-up to the Cancun Summit. The Americans may have ideas for detailed discussions among the 22 Cancun countries at any rate partly as a device to remove substantive discussion from the United Nations. But nothing which looks like an alternative to the Global Negotiations will commend itself to the developing countries. Formal discussions based on the 22 Cancun participants would also give us trouble in the Community. It would be better to accept nothing more than a stock-taking role for the Cancun participants in the future, either at Summit level or lower.

We now know for certain that neither Chancellor Schmidt nor Chancellor Kreisky will be there.

Yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

W Rickett Esq
10 Downing St

GR 750

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FM WASHINGTON 152257Z OCT 81

TO IMMEDIATE F C O

TELEGRAM NUMBER 3081 OF 15 OCTOBER

INFO PRIORITY UKMIS NEW YORK, UKMIS GENEVA

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US APPROACH TO CANCUN

1. SPEAKING IN PHILADELPHIA THIS AFTERNOON, PRESIDENT REAGAN, OUTLINED THE US APPROACH TO CANCUN. THE SPEECH DREW HEAVILY UPON HAIG'S REMARKS TO THE UNGA AND HIS OWN ADDRESS TO THE IMF/IBRD MEETING. HE STRESSED THE AMERICAN RECORD IN TRADE AND AID, BOTH BILATERALLY AND THROUGH THE INTERNATIONAL ORGANISATIONS, AND THE NEED FOR A COOPERATIVE STRATEGY FOR GLOBAL GROWTH TO BENEFIT BOTH DEVELOPED AND DEVELOPING NATIONS. THE MAIN OUTLINE OF THE SPEECH (COPIES BY FRIDAY'S BAG) WERE AS FOLLOWS.

2. US FOREIGN POLICY PRECEDED FROM THE JOINT PREMISES OF THE NEED TO REVITALISE THE US AND WORLD ECONOMY AS A BASIS FOR SOCIAL AND ECONOMIC PROGRESS; AND THE NEED TO PROVIDE ADEQUATE DEFENCES. THE US WAS SENSITIVE TO THE PROBLEMS AND DIVERSITY OF DEVELOPING COUNTRIES WHO COULD COUNT ON STRONG US SUPPORT. THE US WOULD GO TO CANCUN READY TO LISTEN AND LEARN, AND WOULD TAKE WITH IT CONSTRUCTIVE IDEAS FOR A COOPERATIVE STRATEGY FOR GROWTH. THIS STRATEGY RESTED UPON AN UNDERSTANDING OF THE REAL MEANING OF DEVELOPMENT: ON A DEMONSTRATED RECORD OF ECONOMIC ACHIEVEMENT, BOTH BILATERAL AND MULTILATERAL; AND ON PRACTICAL PROPOSALS FOR COOPERATIVE ACTIONS IN TRADE, INVESTMENT, ENERGY, AGRICULTURE AND FOREIGN ASSISTANCE. ULTIMATELY, DEVELOPMENT WAS HUMAN FULFILLMENT, AND IN THE US EXPERIENCE FREE PEOPLE BUILT FREE MARKETS. THE DEVELOPING COUNTRIES NOW GROWING FASTEST WERE THOSE PROVIDING MORE ECONOMIC FREEDOM TO CHOOSE, TO OWN PROPERTY AND TO INVEST. THE BEST PROOF THAT DEVELOPMENT AND ECONOMIC FREEDOM GO HAND IN HAND WAS THE EXAMPLE OF THE USSR. THE SOVIETS HAD NOTHING TO OFFER AT CANCUN, ARGUING THAT ALL ECONOMIC PROBLEMS RESULTED FROM CAPITALISM AND THAT ALL SOLUTIONS LAY WITH SOCIALISM.

3. NEXT, THE AMERICAN RECORD AND THAT OF THE INTERNATIONAL ECONOMIC SYSTEM ITSELF IN HELPING DEVELOPING COUNTRIES TO GENERATE GROWTH AND PROSPERITY. THE US HAD AN UNPARALLELED RECORD ON FOOD ASSISTANCE AND DEVELOPMENT ASSISTANCE. THE US ALSO MADE A SIGNIFICANT CONTRIBUTION THROUGH ITS OPEN AND GROWING MARKETS. US BARRIERS TO TRADE WERE AMONG THE LOWEST IN THE WORLD: IN 1980 51 PERCENT OF IMPORTS FROM LDCS ENTERED DUTY FREE. AMERICAN CAPITAL MARKETS WERE ALSO THE MOST ACCESSIBLE. GATT, THE WORLD BANK AND THE IMF REPRESENTED FREE

Associations

ASSOCIATIONS OF INDEPENDENT COUNTRIES WHO ACCEPTED THE FREEDOM AND DISCIPLINE OF A COMPETITIVE ECONOMIC SYSTEM. INTERNATIONAL GROWTH AND DEVELOPMENT UNDER THEIR AUSPICES SHOWED A REMARKABLE RECORD WHICH SHOULD BE A MATTER FOR PRIDE.

4. FINALLY, A PROGRAM OF ACTION. CANCUN WOULD OFFER THE LEADERSHIP OF THE WORLD AN OPPORTUNITY TO CHART A STRATEGIC COURSE FOR A NEW ERA OF INTERNATIONAL ECONOMIC GROWTH AND DEVELOPMENT. THE GUIDING PRINCIPLES SHOULD BE THE STIMULATION OF INTERNATIONAL TRADE BY THE OPENING OF MARKETS; THE TAILORING OF PARTICULAR DEVELOPMENT STRATEGIES ACCORDING TO SPECIFIC NEEDS AND POTENTIAL; THE CHANNELLING OF ASSISTANCE TOWARD THE DEVELOPMENT OF SELF-SUSTAINING PRODUCTIVE CAPACITY; IMPROVEMENTS IN THE CLIMATE FOR PRIVATE INVESTMENT AND TECHNOLOGY TRANSFER; AND THE CREATION OF A POLITICAL ATMOSPHERE IN WHICH PRACTICAL SOLUTIONS COULD MOVE FORWARD. AT CANCUN QUOTE AND ELSEWHERE IN SUBSEQUENT MEETINGS UNQUOTE (THERE WAS NO MENTION OF GLOBAL NEGOTIATIONS), THE US WOULD EXAMINE COOPERATIVELY OBSTACLES TO DEVELOPMENT IN THE LDCS, AND HOW THESE COULD BEST BE REMOVED.

5. FIVE PRACTICAL STEPS WOULD BE PROPOSED TO IMPLEMENT THESE PRINCIPLES. FIRST, STIMULATING INTERNATIONAL TRADE BY OPENING UP MARKETS AND STRENGTHENING THE GATT. THE US WOULD WORK FOR A SUCCESSFUL GATT MINISTERIAL MEETING IN 1982, FOR AN EFFECTIVE SAFEGUARDS CODE AND FURTHER SUPPORT FOR THE GENERALISED SYSTEM OF PREFERENCES. THE CONTRIBUTION OF TRADE TO DEVELOPMENT COULD BE ENHANCED BY ALIGNING TRADE OPPORTUNITIES MORE CLOSELY WITH PRIVATE INVESTMENT, DEVELOPMENT ASSISTANCE AND TECHNOLOGY SHARING. SECOND, TAILORING DEVELOPMENT STRATEGIES TO THE NEEDS OF INDIVIDUAL COUNTRIES AND REGIONS (EG CENTRAL AMERICA AND CARIBBEAN). THIRD, GUIDING ASSISTANCE TOWARD SELF-SUSTAINING PRODUCTIVE ACTIVITIES, PARTICULARLY IN FOOD AND ENERGY, WITH EMPHASIS ON MARKET-ORIENTED POLICIES. ON FOOD, THIS WOULD INVOLVE REDUCING CONSUMER SUBSIDIES AND GIVING PRICE INCENTIVES TO PRODUCERS; EDUCATION AND JOINT RESEARCH; PLANT IMPROVEMENT; IRRIGATION; MULTIPLE CROPPING; AND HUMAN AND ANIMAL DISEASE CONTROL. ON ENERGY THE US ASSISTANCE WOULD STRESS TECHNICAL ASSISTANCE RATHER THAN RESOURCE TRANSFERS. THE US WOULD SUPPORT ENERGY LENDING BY MULTILATERAL INSTITUTIONS PROVIDED THAT THE PROJECTS WERE ECONOMICALLY VIABLE AND CREATED GREATER PRIVATE INVESTMENT. (NO REFERENCE TO AN ENERGY AFFILIATE.) SELECTED ELEMENTS OF THE ACTION PROGRAMMES OF THE UN CONFERENCE ON NEW AND RENEWABLE RESOURCES OF ENERGY WOULD BE SUPPORTED. FOURTH, IMPROVING THE CLIMATE FOR PRIVATE CAPITAL FLOWS, INCLUDING EFFORTS TO INCREASE CO-FINANCING WITH THE MULTILATERAL DEVELOPMENT BANKS, AND AN ENHANCEMENT OF IFC ACTIVITIES. THE US WOULD ALSO ATTEMPT TO PROMOTE GENERAL INTERNATIONAL AGREEMENTS ON INVESTMENT, AND TAX MEASURES WHICH MIGHT FACILITATE MARKET-ORIENTED INVESTMENT. FIFTH, HOW WE WORK TOGETHER. MANY NATIONS HAD ALREADY ENTERED INTO AN ECONOMIC DIALOGUE. THE CHOICE WAS HOW TO

ORGANISE

ORGANISE AND CONDUCT IT. QUOTE DO WE PERSIST IN CONTENTIOUS RHETORIC
OR DO WE UNDERTAKE PRACTICAL TASKS IN A SPIRIT OF COOPERATION AND
MUTUAL POLITICAL WILL? I THINK OUR COUNTRY HAS SIGNALLED ITS ANSWER
TO THAT QUESTION UNQUOTE.

ECO PASS SAVING ATHENS, BRUSSELS, COPENHAGEN, DUBLIN, LUXEMBOURG,
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Enclosure *La Esloven*



Foreign and Commonwealth Office

London SW1A 2AH

16 October 1981

Dear Mike,

Prime Minister's bilateral meetings at
Cancun

We agreed that we would submit separately our briefing for the Prime Minister's bilaterals at Cancun. This I now enclose.

yours ever

Roderic Lyne

(R M J Lyne)

Private Secretary

Mike Pattison Esq
10 Downing St

attachments added to PM's briefs (brief 11)

PRIME MINISTER

Am

Cancun

You may like to take a look at the briefs over the weekend, and I attach the folder.

The briefing meeting is set for Monday afternoon. Unfortunately, the Chancellor cannot make the briefing, but he hopes to have a chance to discuss the meeting with you on Tuesday afternoon.

The programme included in the briefing can now be amplified, and the version attached to this note includes those bilaterals and other functions which have so far been firmed up. We will not know until Monday whether Britain has won the Sicartsa contract, and our departure arrangements will have to remain fluid until then.

I am also attaching a folder containing telegrams reporting on topics which may arise in some of the bilaterals. We will be getting more detailed briefing from FCO on Monday.

MA

16 October 1981

INTERNATIONAL MEETING FOR CO-OPERATION AND DEVELOPMENT,
CANCUN, 22-23 OCTOBER 1981

TENTATIVE PROGRAMME (As at 16 October)

Wednesday 21 October

0800 Depart No.10 for Airport

0910 Depart London Airport, South Side

1500 Arrive Cancun Airport (flying time
12 hrs and 50 minutes)

1800 Possible bilateral with Chancellor Kreisky

1930-2130 Informal buffet supper in La Duna Restaurant
(Hotel Sheraton). Attendance optional.

2000 Possible bilateral with President
Lopez Portillo

Thursday 22 October

0800 Hair

1000 Inaugural Session

1030-1330 First Plenary Session

1345 Lunch. Invitation from Mrs. Ghandi

1530 Possible bilateral with President Kraigher

1630-1900 Second Plenary Session

2100 Dinner offered by President Lopez Portillo

/Friday 23 October

Friday 23 October

0800 Hair

Breakfast Invitation from the Chinese (Germany, Austria, Canada and Sweden also invited).

1030-1330 Third Plenary Session

Lunch Free

1600-1900 Fourth Plenary Session

1915 (approx) Press Conference by President Lopez Portillo and Chancellor Kreisky.

2100 Farewell dinner offered by Heads of State/Government to President Lopez Portillo

Departure:-

Either Friday, 2330 (approx) from Cancun direct to London Heathrow
ETA 1800 Saturday 24 October

Or Saturday, 1000, from Cancun to Mexico City (ETA 1215).
Depart Mexico City 1315 to London Heathrow.
ETA 0805 Sunday 25 October

المؤسسة الدولية من أجل تنمية بديلة

international foundation for development alternatives
fundación internacional para alternativas de desarrollo
fondation internationale pour un autre développement

Nyon, 16 October 1981

H.E. Mrs. Margaret Thatcher
Prime Minister
10 Downing Street
GB - London WC 1

Your Excellency,

I have the honour to transmit to you the attached open letter to the participants in the Cancun Summit. On behalf of the signatories, may I express the hope that it will contribute to your deliberations.

Accept, Your Excellency, the assurances of my highest consideration.

International Foundation for Development Alternatives

Nerfin

Marc Nerfin
President

executive committee : ismaïl-sabri abdollo, ahmed ben solah, gomoni coreo, mahbub ul haq, enrique iglesias, jan meijer, marc nerfin (president), justinian f. rweyemomu, ignacy sach's, juan somovic, maurice f. strong, ingo thorsson

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secretariat : 2, place du marché, ch-1260 nyon, switzerland ; telephone 41 (22) 61 82 82 ; telex 28840 ifda ch ; cable fipod, geneva

OPEN LETTER TO THE PARTICIPANTS IN THE CANCUN SUMMIT

You will be meeting at Cancun on 22 and 23 October to discuss "the future of international co-operation for development and the re-activation of the world economy, including areas such as food security and agricultural development, commodities, trade and industrialization, energy, monetary and financial issues".

These are key issues, but you cannot tackle them in isolation from each other, or outside the context of the crisis which humankind is facing. You must look at the forest, not at the trees.

The crisis is one of maldevelopment in the industrialized countries and in the Third World, of international relations, of institutions. It lies in the growing mass poverty in the Third World, the alienation in the industrialized countries and in the increases in the cost of living and in unemployment everywhere. Rooted as it is in a system of unequal economic relations, it makes the rich richer and the poor poorer, nationally and internationally. It cannot be dealt with through institutions ill-adapted to a world that has fundamentally changed since 1945.

The crisis is not a temporary one, to be tackled through piece-meal or short-sighted national actions. Nor is the solution to be found in the massive application of conventional models and policies. While these may have permitted unprecedented rates of growth, they have created new problems. They no longer operate, even for those who used to benefit from them.

The conventional growth patterns - wasteful of resources and energy and harmful to the environment - are not sustainable. They cannot be continued, let alone generalized. They do not respond to the aspirations of societies which are looking for their renewed cultural identity. Furthermore, since 1973, the Third World is not longer what it used to be: it has greater control over its own resources, while the potential of its collective self-reliance adds to its resilience. Finally, the people, both in the North and in the South, are organizing themselves to master their own lives.

What is needed is another development. This is a national responsibility, but a new international order is required to remove the stumbling blocks and facilitate the process.

If you see the crisis in its historical and global perspective, if you seize the opportunity for a bold new start, then your meeting will be useful for our "only one earth".

* * *

You may discuss the idea of massive transfers of resources from the North to the South. Some of you see these as a means to provide the North with a new engine of growth. If massive transfers are designed and implemented in such a manner as to enhance endogenous national actions and liberation from economic dependence, they could also strengthen the productive capacity of Third World countries, individually and collectively, and make them more able to satisfy the needs of their people for food, industrial goods, energy and social services. They could in particular make food aid unnecessary and avoid the use of food as a weapon.

You may discuss the badly needed structural transformations of the world economy. These should aim at redressing imbalances and redistributing decision-making powers in the fields of trade, energy and food security, money and finance. The purchasing power of the exports of the South must be improved. The North, whose growth was helped by cheap oil, should consume less and share the burden of the higher prices which the South has now to pay. Inflation and high interest rates affect all countries, but the South, with its debt of US \$ 400 billion, suffers most. The international monetary system set up in 1944 has collapsed; a United Nations Conference on International Money and Finance should be convened to build a new one, serving all countries and based on shared responsibility.

You cannot consider these issues without considering at the same time the arms race, security and peace. The US\$ 500 billion spent last year on armaments increase daily the danger of nuclear holocaust, give an unacceptable power to a few countries and divert human and material resources from the satisfaction of human needs. To end this, you must stop treating development issues as part of East-West competition. You must recognize the right of the people of each and every country to choose freely their own development path. The powerful among you must not interfere, through hegemonic policies and sales of arms for war and repression, in the process of change embarked upon by societies. Only development and the recognition of pluralism will ensure security and peace for all of us.

* * *

Your meeting, whilst not a universal one, is unique. Some of you will speak for powerful countries; others, the majority, for the Third World. A microcosm of the 156 United Nations, you will discuss global problems. We expect you to set in motion the long overdue process of change to get the global society out of its predicament, and, in particular, we urge you:

- to utilize the potential of the United Nations, the only universal organization at our disposal, and to help strengthen it by its adaptation to present realities;
- to make it possible for the United Nations to start a new round of global negotiations, which must go beyond stop-gap and incremental measures and clear the ground for a thorough discussion of new rules of the game for trade, money and finance;
- to recognize that government is not the whole of society and, accordingly:
 - . accept your responsibility to regulate the private transnational power which hinders the solution of the problems you will be discussing, and
 - . accept and facilitate the participation of the people in the decisions to be made and the actions to be undertaken.

It is up to you to make Cancun a real turning point towards genuine international cooperation for development. It is up to you, 22 Heads of State or Government, to announce, on 23 October, that the era of tergiversation is over for ever and that, together with the absent members of the world community, you will start working in earnest to overcome the global crisis and make another development possible.

The people of the world will hold you accountable for your actions: for taking a bold step forward or, if you do not stand up to the challenge, for having missed a unique opportunity.

15 October 1981

LIST OF SIGNATORIES (15 OCTOBER 1981)
● LISTE DES SIGNATAIRES (DU 15 OCTOBER 1981)
LISTA DE FIRMANTES (15 OCTOBRE 1981)

Ismaïl-Sabri Abdalla Egypt	Chairman, Third World Forum
Arne Arnesen Norway	Director General, Norwegian Agency for International Development
Marcos Arruda Brazil	Co-ordinator of the Programme on Transnational Corporations, World Council of Churches, Geneva
Ungku Abdul Aziz Malaysia	Vice-Chancellor, University of Malaysia
Moin Uddin Baqai Pakistan	Adviser to the Kuwait Minister of Finance and Planning
Abdellatif Benachenhou Algérie	Secrétaire général, Association des Economistes du Tiers Monde
Sibusiso M. Bengu Azania	Chairman of the NGO Special Committee on Development, Geneva
Ahmed Ben Salah Tunisie	Secrétaire général, Mouvement de l'Unité Populaire
Sergio Bitar Chile	Economista
Jacques Bugnicourt France	Responsable, ENDA, Programme "Formation pour l'Environnement" Dakar
Graciela Chichilnisky Argentina	Professor, University of East Anglia UK
Ruth Dreifuss Suisse	Secrétaire de l'Union syndicale Suisse
Mahdi Elmandjra Maroc	Président, World Future Studies Federation, Rome
Richard Falk USA	Professor, Centre of International Studies, Princeton University

Nikolas Faraclas Greece	Archaeologist
Anna Frangoudaki Greece	Sociologist
Celso Furtado Brazil	Professor, University of Paris
Johan Galtung Norway	Research Coordinator, United Nations University
Denis Goulet USA	O'Neill Professor, Education for Justice, University of Notre Dame
Godfrey Gunatilleke Sri Lanka	Director, Marga Institute
Sven Hamrell Sweden	Executive Director, Dag Hammarskjöld Foundation
Judith Hart United Kingdom	Member of Parliament
Evelyn Herfkens Netherlands	Member of Parliament
Amilcar O. Herrera Argentina	Director, Instituto de Geociências, Universidade de Campinas, Brasil
Uwe Holtz Federal Republic of Germany	Member of Parliament, President of the Bundestag Commission for International Cooperation
Branko Horvat Yugoslavia	Founding President, International Association for the Economics of Self Management
Odette Jankowitsch Austria	Vienna Institute for Development
Helan Jaworski Peru	Periodista
Idriss Jazairy Algérie	Ambassadeur d'Algérie, Bruxelles
Jack Jones United Kingdom	Former Secretary General, Transport and General Workers Union
Stelios Kafandaris Greece	Planner

Panos Kapasakalis
Greece.

Civil Engineer, former President
of Technical Chamber

Beat Kappeler
Suisse

Secrétaire de l'Union syndicale
Suisse

Rania Kloutsinioti
Greece

Urban and Regional Planner

Rajni Kothari
India

Centre for the Study of
Developing Societies, New Delhi

Dimitris Kraniotis
Greece

Poet

Patrick Masette Kuuya
Uganda

Minister of Rehabilitation

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Chairman, Board of Trustees
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Poet

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Psychiatrist

Maria Nasiakou
Greece

Professor of Psychology,
Yannina University

Marc Nerfin
Suisse

Président, Fondation
internationale pour un autre
développement

Ngo Manh Lan
Vietnam

Département du Futur, UNITAR

Jimoh Omo-Fadaka
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Associate Editor, The Ecologist
(UK)

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Association

Enrique Penalosa Camargo
Colombia

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Adrian Roy Preiswerk
Suisse

Professeur, ex Directeur,
Institut universitaire d'études
du développement, Genève

Jan Pronk Netherlands	Former Minister for Development Cooperation
Anisur Rahman Bangladesh	Former Member of the Planning Commission
K.N. Raj India	Fellow, Centre for Development Studies, Trivandrum
Darcy Ribeiro Brazil	Former Minister of Education
Ignacy Sachs France	Directeur, Centre international de recherche sur l'environnement et le développement, Paris
Francisco Sagasti Peru	Economista
Juan Carlos Sanchez-Arnau Argentina	Secretario General, Centro internacional de desarrollo, Paris
Hernan Santa Cruz Chile	Presidente, Centro internacional de desarrollo, Paris
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Roberto Savio Italy	Director General, Inter Press Service - Third World News Agency
Phillipe de Seynes France	Director, Project on the Future UNITAR
Leopoldo Solis Mexico	Miembro, El Colegio Nacional
Juan Somavia Chile	Director Ejecutivo, Instituto Latino Americano de Estudios Transnacionales, Mexico
Kalevi Sorsa Finland	Chairman, Social Democratic Party of Finland
Angelos Stangos Greece	Journalist
Thorvald Stoltenberg Norway	Former Minister of Defence
Albert Tévoédjrè Benin	Secrétaire général, Association Mondiale de Prospective Sociale, Genève
Jan Tinbergen Netherlands	Nobel Prize for Economics (1969) Honorary President, Reshaping the International Order (RIO)

Shigeto Tsuru
Japan

Gabriel Valdes
Chile

Thanassis Valtinos
Greece

Norma E. Walmsley
Canada

Ponna Wignaraja
Sri Lanka

Jorge Wilhelm
Brazil

Maurice J. Williams
Canada

Michael Zammit Cutajar
Malta

Editorial Adviser
Asahi Shimbun

Foro Latino Americano

Writer

President, MATCH International
Centre, Ottawa

Secretary General, Society for
International Development (SID)
Rome

Fundador, Instituto da Cidade,
Sao Paolo

Executive Director, World Food
Council, Rome

Executive Secretary, CODEV
(Communications for Development
Foundation)

Gwen PMA



10 DOWNING STREET

From the Private Secretary

16 October 1981

BF 20/10/81

Dear Mr. Richards,

I enclose a copy of a letter the Prime Minister has received from Dr. Jurgen Ruhfus enclosing one from Chancellor Schmidt.

I would be grateful if you could let me have a short draft reply for the Prime Minister to send. It would be very helpful if this could reach us on Tuesday, 20 October, before the Prime Minister departs for Cancun.

Yours sincerely,

W.F.S. RICKETT

As per Mod. H. No
reply is necessary.
29/10.

F.N. Richards, Esq.,
Foreign and Commonwealth Office.

SP



Saw

10 DOWNING STREET

From the Private Secretary

16 October 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 16 October, with which you enclosed a message from Herr Schmidt. I shall place this before the Prime Minister at once.

W. F. S. RICKETT

His Excellency Dr. Jurgen Ruhfus

DER BOTSCHAFTER
DER BUNDESREPUBLIK DEUTSCHLAND

ask to pm.
Prime Minister 2
I have asked PRO for a draft
reply to reach us before you leave
for Cancun.
London, 16 October 1981

WR
16/10

Mr Prime Minister

I have the honour to transmit to you the enclosed message from Herr Helmut Schmidt, Federal Chancellor of the Federal Republic of Germany. The message refers to the forthcoming North-South-Summit in Cancun.

I am, Mr Prime Minister
Yours sincerely
Jurgen Ruhfus

The Rt. Hon. Margaret Thatcher, MP
Her Majesty's Prime Minister and
First Lord of the Treasury
London

Von : Helmut Schmidt, Bundeskanzler der
Bundesrepublik Deutschland

An : The Rt. Hon. Margaret Thatcher, MP
Her Majesty's Prime Minister and
First Lord of the Treasury

Prime Minister, dear Margaret,

für Ihre freundlichen Genesungswünsche danke ich Ihnen herzlich.
Mir geht es gut und ich hoffe, in den nächsten Tagen meine
Arbeit wieder aufnehmen zu können.

Nach Cancun werde ich allerdings nicht kommen, da ich auf
Anraten der Ärzte in diesen Tagen eine so weite Reise nicht
unternehmen soll. Für mich wird der Vizekanzler, Außenminister
Hans-Dietrich Genscher, an dem Treffen teilnehmen.

Ich bedauere es sehr, dass ich mich an dem Meinungs-
austausch in Cancun, den ich für wichtig halte und dem ich mit guten
Erwartungen entgegengesehen hatte, nicht beteiligen kann.
Von der Aussprache in Cancun erhoffe ich mir, dass Nord und
Süd wieder mehr Vertrauen zueinander finden und dass wir auf
dieser Grundlage eine konkrete solidarische Politik schaffen.

Ich bedauere auch sehr, dass eine Begegnung mit Ihnen in
Cancun, auf die ich mich gefreut hatte, nun nicht möglich
ist. Mit Freude sehe ich aber unserem baldigen Treffen bei
den Deutsch-Britischen Konsultationen in Bonn entgegen.
Vom Bundestag angesetzte Beratungen zu Haushaltsgesetzen
werden mich und einige meiner Kollegen an dem ursprünglich
ins Auge gefassten Termin im Parlament festhalten. Ich bedauere
dies, hoffe und wünsche aber sehr, dass wir noch vor dem
Europäischen Rat einen für beide Seiten akzeptablen Termin
finden werden.

Mit freundlichen Grüßen

gez. Helmut Schmidt

Courtesy Translation

Le Marder
041

From : Helmut Schmidt, Federal Chancellor
of the Federal Republic of Germany

SWISSLET

To : The Rt. Hon. Margaret Thatcher, MP
Her Majesty's Prime Minister and
First Lord of the Treasury

PRIME MINISTER'S

T 144 / 3

PERSONAL MESSAGE

SERIAL No. T 144/81

Prime Minister, dear Margaret,

thank you very sincerely for the kind wishes you sent me for my recovery. I am well and hope to be back at my desk in the next few days.

I shall not go to Cancun, however, as my doctors advise me not to travel such a long distance at this time. The Vice-Chancellor and Foreign Minister Hans-Dietrich Genscher will attend the meeting in my place.

I regret very much that I cannot participate in the exchange of views in Cancun which I consider important and to which I had been looking forward with good expectations. I hope that the discussion there will help to restore greater confidence between North and South and thus provide the basis on which we shall be able to devise a concrete policy reflecting our solidarity.

I had also been looking forward to meeting with you in Cancun and am very sorry indeed that this is not possible now. I am happy to meet with you, however, in the near future on the occasion of the German-British consultations in Bonn. Unfortunately, a debate in the Bundestag on the Budget will keep me and some of my colleagues in Parliament at the time we had originally envisaged for our meeting, but I do hope and wish that we shall be able to find a date acceptable to both sides prior to the European Council.

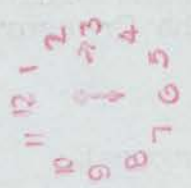
With kind regards,

Yours sincerely,

sgd. Helmut Schmidt

Office of the Secretary of Defense
Department of Defense

11 6 OCT 1981



I have also been looking forward to meeting with you in person and for very many years. I know that this is not possible now. I am happy to meet with you, however, in the near future on the occasion of the defense-related conference in London. In the meantime, a debate in the House on the subject will have an important effect on the situation of the defense industry. I hope that the situation thus will help to reduce present tensions between the two sides and that this provides the basis on which we should be able to devise a security policy reflecting our interests.

I have also been looking forward to meeting with you in person and for very many years. I know that this is not possible now. I am happy to meet with you, however, in the near future on the occasion of the defense-related conference in London. In the meantime, a debate in the House on the subject will have an important effect on the situation of the defense industry. I hope that the situation thus will help to reduce present tensions between the two sides and that this provides the basis on which we should be able to devise a security policy reflecting our interests.

Yours sincerely,
 [Signature]

Gus.



Hope this is what you
want.

Mark

A stylized handwritten signature in dark ink, appearing to be the name 'Mark'.

With the compliments of

FOREIGN AND COMMONWEALTH OFFICE

LONDON, SW1A 2AH

~~SECRET~~ ~~TOP SECRET~~

X - reference

TEXT: REAGAN ADDRESS TO WORLD AFFAIRS COUNCIL OF PHILADELPHIA

FOLLOWING IS THE TEXT OF REMARKS OF PRESIDENT RONALD REAGAN TO THE WORLD AFFAIRS COUNCIL OF PHILADELPHIA, OCTOBER 15 AS PREPARED FOR DELIVERY:

(BEGIN TEXT)

I AM GRATEFUL FOR THIS OPPORTUNITY TO APPEAR BEFORE YOUR DISTINGUISHED GROUP, AND TO SHARE WITH YOU OUR ADMINISTRATION'S VIEWS ON AN IMPORTANT, UPCOMING EVENT. I WILL BE TRAVELLING NEXT WEEK TO CANCUN, MEXICO TO PARTICIPATE IN A SUMMIT THAT WILL BRING TOGETHER LEADERS OF TWO-THIRDS OF THE WORLD'S POPULATION.

THE SUBJECT OF OUR TALKS WILL BE THE RELATIONSHIPS AMONG DEVELOPED AND DEVELOPING NATIONS, AND SPECIFICALLY, I HOPE, HOW WE CAN WORK TOGETHER TO STRENGTHEN THE WORLD ECONOMY AND PROMOTE GREATER ECONOMIC GROWTH AND PROSPERITY FOR ALL OUR PEOPLES.

U.S. FOREIGN POLICY PROCEEDS FROM TWO IMPORTANT PREMISES: THE NEED TO REVITALIZE THE U.S. AND WORLD ECONOMY AS A BASIS FOR THE SOCIAL AND ECONOMIC PROGRESS OF OUR OWN AND OTHER NATIONS, AND THE NEED TO PROVIDE ADEQUATE DEFENSES TO REMAIN STRONG AND SAFE IN A PRECARIOUS PERIOD OF WORLD HISTORY. IN THIS CONTEXT, U.S. RELATIONS WITH DEVELOPING COUNTRIES PLAY A CRITICAL ROLE. THESE COUNTRIES ARE IMPORTANT PARTNERS IN THE WORLD ECONOMY AND IN THE QUEST FOR WORLD PEACE.

WE UNDERSTAND AND ARE SENSITIVE TO THE PROBLEMS AND THE DIVERSITY OF DEVELOPING COUNTRIES. EACH IS UNIQUE IN ITS BLEND OF CULTURAL, HISTORICAL, ECONOMIC AND POLITICAL CHARACTERISTICS. BUT ALL ASPIRE TO BUILD A BRIGHTER FUTURE AND THEY CAN COUNT ON OUR STRONG SUPPORT.

WE WILL GO TO CANCUN READY AND WILLING TO LISTEN AND TO LEARN. WE WILL ALSO TAKE WITH US SOUND AND CONSTRUCTIVE IDEAS DESIGNED TO HELP SPARK A COOPERATIVE STRATEGY FOR GLOBAL GROWTH TO BENEFIT BOTH DEVELOPED AND DEVELOPING NATIONS. SUCH A STRATEGY RESTS UPON THREE SOLID PILLARS:

FIRST, AN UNDERSTANDING OF THE REAL MEANING OF DEVELOPMENT BASED ON OUR OWN HISTORICAL EXPERIENCE AND THAT OF OTHER SUCCESSFUL COUNTRIES. SECOND, A DEMONSTRATED RECORD OF ACHIEVEMENT IN PROMOTING GROWTH AND DEVELOPMENT THROUGHOUT THE WORLD, BOTH THROUGH OUR BILATERAL ECONOMIC RELATIONS, AND

THROUGH COOPERATION WITH OUR PARTNERS IN THE SPECIALIZED INTERNATIONAL INSTITUTIONS, SUCH AS THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND. AND THIRD, PRACTICAL PROPOSALS FOR COOPERATIVE ACTIONS IN TRADE, INVESTMENT, ENERGY, AGRICULTURE AND FOREIGN ASSISTANCE THAT CAN CONTRIBUTE TO A NEW ERA OF PROSPERITY AND ABUNDANCE EXCEEDING ANYTHING WE MAY DREAM POSSIBLE TODAY.

WE VERY MUCH WANT A POSITIVE DEVELOPMENT DIALOGUE, BUT SOMETIMES THIS DIALOGUE BECOMES OVERSIMPLIFIED AND UNPRODUCTIVE. FOR EXAMPLE, SOME PEOPLE EQUATE DEVELOPMENT WITH COMMERCE WHICH THEY UNFAIRLY CHARACTERIZE AS SIMPLE LUST FOR MATERIAL WEALTH. OTHERS MISTAKE COMPASSION FOR DEVELOPMENT, AND CLAIM MASSIVE TRANSFERS OF WEALTH SOMEHOW, MIRACULOUSLY, WILL PRODUCE NEW WELL-BEING. STILL OTHERS CONFUSE DEVELOPMENT WITH COLLECTIVISM SEEING IT AS A MEANS TO FULFILL SOCIAL, RELIGIOUS OR NATIONAL GOALS, NO MATTER WHAT THE COST TO INDIVIDUALS OR HISTORICAL TRADITIONS.

ALL OF THESE DEFINITIONS MISS THE REAL ESSENCE OF DEVELOPMENT. IN ITS MOST FUNDAMENTAL SENSE, IT HAS TO DO WITH THE MEANING, ASPIRATIONS AND WORTH OF EVERY INDIVIDUAL. IN ITS ULTIMATE FORM, DEVELOPMENT IS HUMAN FULFILLMENT--AN ABILITY BY ALL MEN AND WOMEN TO REALIZE FREELY THEIR FULL POTENTIAL, TO GO AS FAR AS THEIR GOD-GIVEN TALENTS WILL TAKE THEM.

WE AMERICANS CAN SPEAK FROM EXPERIENCE ON THIS SUBJECT. OTHER COUNTRIES ARE LESS DEVELOPED THAN WE WERE WHEN THE

ORIGINAL SETTLERS ARRIVED HERE. THEY FACED A WILDERNESS WHERE POVERTY WAS THEIR DAILY LOT, AND DANGER AND STARVATION THEIR CLOSE COMPANIONS.

BUT THROUGH ALL THE DANGERS, DISAPPOINTMENTS AND SETBACKS, THEY KEPT THEIR FAITH. THEY NEVER STOPPED BELIEVING THAT WITH THE FREEDOM TO TRY AND TRY AGAIN, THEY COULD MAKE TOMORROW A BETTER DAY. THEY WERE RIGHT.

IN 1630, JOHN WINTHROP PREDICTED THAT WE WOULD BE A CITY UPON A HILL WITH THE EYES OF ALL PEOPLE UPON US.

BY 1836, ALEXIS DE TOCQUEVILLE WAS CALLING AMERICA "A LAND OF WONDERS," WHERE EVERY CHANGE SEEMED LIKE AN IMPROVEMENT, AND WHAT MAN HAD NOT YET DONE WAS SIMPLY WHAT HE HAD NOT YET ATTEMPTED TO DO.

AND IN 1937, WALTER LIPPMANN COULD DRAW THE LESSON THAT AMERICA, FOR THE FIRST TIME IN HISTORY, GAVE MEN "A WAY OF PRODUCING WEALTH IN WHICH THE GOOD FORTUNE OF OTHERS MULTIPLIED THEIR OWN."

FREE PEOPLE BUILD FREE MARKETS THAT IGNITE DYNAMIC DEVELOPMENT FOR EVERYONE. THAT IS KEY, BUT THAT'S NOT ALL. SOMETHING ELSE HELPED US CREATE THESE UNPARALLELED OPPORTUNITIES FOR GROWTH AND PERSONAL FULFILLMENT. A STRONG SENSE OF COOPERATION, FREE ASSOCIATION AMONG INDIVIDUALS, ROOTED IN INSTITUTIONS OF FAMILY, CHURCH, SCHOOL, PRESS AND VOLUNTARY GROUPS OF EVERY KIND. GOVERNMENT TOO PLAYED AN IMPORTANT ROLE. IT HELPED ERADICATE SLAVERY AND OTHER FORMS OF DISCRIMINATION. IT OPENED UP THE FRONTIER THROUGH ACTIONS LIKE THE HOMESTEAD ACT AND RURAL ELECTRIFICATION. AND IT HELPED PROVIDE A SENSE OF SECURITY FOR THOSE WHO, THROUGH NO FAULT OF THEIR OWN, COULD NOT SUPPORT THEMSELVES.

GOVERNMENT AND PRIVATE ENTERPRISE COMPLEMENT EACH OTHER. THEY HAVE, CAN AND MUST CONTINUE TO CO-EXIST AND COOPERATE. WE MUST ALWAYS ASK: IS GOVERNMENT WORKING TO LIBERATE AND EMPOWER THE INDIVIDUAL? IS IT CREATING INCENTIVES FOR PEOPLE TO PRODUCE, SAVE, INVEST AND PROFIT FROM LEGITIMATE RISKS AND HONEST TOIL? IS IT ENCOURAGING ALL OF US TO REACH FOR THE STARS? OR, DOES IT SEEK TO COMPEL, COMMAND AND COERCE PEOPLE INTO SUBMISSION AND DEPENDENCE?

ASK THESE QUESTIONS, BECAUSE NO MATTER WHERE YOU LOOK TODAY, YOU WILL SEE THAT DEVELOPMENT DEPENDS UPON ECONOMIC FREEDOM. A MERE HANDFUL OF INDUSTRIALIZED COUNTRIES THAT HAVE HISTORICALLY COUPLED PERSONAL FREEDOM WITH ECONOMIC REWARD NOW PRODUCE MORE THAN ONE-HALF THE WEALTH OF THE WORLD.

THE DEVELOPING COUNTRIES NOW GROWING THE FASTEST IN ASIA, AFRICA AND LATIN AMERICA ARE THE VERY ONES PROVIDING MORE ECONOMIC FREEDOM FOR THEIR PEOPLE--FREEDOM TO CHOOSE, TO OWN PROPERTY, TO WORK AT A JOB OF THEIR CHOICE, AND TO INVEST IN A DREAM FOR THE FUTURE.

PERHAPS THE BEST PROOF THAT DEVELOPMENT AND ECONOMIC FREEDOM GO HAND-IN-HAND CAN BE FOUND IN A COUNTRY WHICH DENIES FREEDOM TO ITS PEOPLE -- THE SOVIET UNION. FOR THE RECORD, THE SOVIETS WILL NOT ATTEND THE CONFERENCE AT CANCUN. THEY SIMPLY WASH THEIR HANDS OF ANY RESPONSIBILITY, INSISTING ALL THE ECONOMIC PROBLEMS OF THE WORLD RESULT FROM CAPITALISM, AND ALL THE SOLUTIONS LIE WITH SOCIALISM.

THE REAL REASON THEY'RE NOT COMING IS THEY HAVE NOTHING TO OFFER. IN FACT, WE HAVE JUST ONE QUESTION FOR THEM: WHO'S FEEDING WHOM? I CAN HARDLY REMEMBER A YEAR WHEN SOVIET HARVESTS HAVE NOT BEEN VICTIMIZED BY "BAD WEATHER." AND I'VE SEEN A LOT OF HARVEST SEASONS, AS THE PRESS KEEPS REMINDING ME. THEY'VE HAD QUITE A LONG LOSING STREAK FOR A GOVERNMENT WHICH STILL INSISTS THE TIDES OF HISTORY ARE RUNNING IN ITS FAVOR.

THE SOVIETS, OF COURSE, CAN RELY ON FARMERS FROM AMERICA AND OTHER NATIONS TO KEEP THEIR PEOPLE FED. BUT IRONICALLY THEY HAVE A RELIABLE SOURCE OF NOURISHMENT RIGHT IN THEIR OWN COUNTRY--THE 3 PERCENT OF ALL CULTIVATED LAND THAT FARMERS IN THE SOVIET UNION ARE ALLOWED TO FARM ON THEIR OWN. THOSE WHO FARM THAT 3 PERCENT PRODUCE ROUGHLY 30 PERCENT OF THE MEAT, MILK AND VEGETABLES IN RUSSIA, 33 PERCENT OF THE EGGS AND 61 PERCENT OF THE POTATOES.

THAT'S WHY THIS IS NOT A QUESTION OF EAST VERSUS WEST, OF THE UNITED STATES VERSUS THE SOVIET UNION. IT'S A QUESTION OF FREEDOM VERSUS COMPULSION, OF WHAT WORKS VERSUS WHAT DOESN'T

4
WORK, OF SENSE VERSUS NONSENSE.

AND THAT'S WHY WE SAY: TRUST THE PEOPLE, TRUST THEIR INTELLIGENCE, AND TRUST THEIR FAITH -- BECAUSE PUTTING PEOPLE FIRST IS THE SECRET OF ECONOMIC SUCCESS EVERYWHERE IN THE WORLD.

NOW I WANT TO TALK ABOUT THE SECOND PART OF OUR MESSAGE AT CANCUN -- OUR RECORD AND THAT OF THE INTERNATIONAL ECONOMIC SYSTEM ITSELF IN HELPING DEVELOPING COUNTRIES GENERATE NEW GROWTH AND PROSPERITY. HERE AGAIN IT'S TIME TO SPEAK OUT WITH CANDOR. TO LISTEN TO SOME SHRILL VOICES, YOU'D THINK OUR POLICIES WERE AS STINGY AS YOUR PHILADELPHIA EAGLES' DEFENSE. THERE IS A PROPAGANDA CAMPAIGN IN WIDE CIRCULATION THAT WOULD HAVE THE WORLD BELIEVE CAPITALIST U.S. IS THE CAUSE OF WORLD HUNGER AND POVERTY.

YET EACH YEAR THE UNITED STATES PROVIDES MORE FOOD ASSISTANCE TO DEVELOPING NATIONS THAN ALL OTHER NATIONS COMBINED. LAST YEAR WE EXTENDED ALMOST TWICE AS MUCH OFFICIAL DEVELOPMENT ASSISTANCE AS ANY OTHER NATION.

THE SPIRIT OF VOLUNTARY GIVING IS A WONDERFUL TRADITION THAT FLOWS LIKE A DEEP AND MIGHTY RIVER THROUGH THE HISTORY OF OUR NATION. WHEN AMERICANS SEE PEOPLE IN OTHER LANDS SUFFERING IN POVERTY AND STARVATION, THEY DON'T WAIT FOR GOVERNMENT TO TELL THEM WHAT TO DO. THEY DIG DOWN AND GIVE AND GET INVOLVED, AND THEY SAVE LIVES. AND THAT'S ONE REASON WE KNOW AMERICA IS SUCH A SPECIAL COUNTRY.

ALL THAT IS JUST ONE SIDE OF THE COIN. THE OTHER, ONLY RARELY ACKNOWLEDGED, IS THE ENORMOUS CONTRIBUTION WE MAKE THROUGH THE OPEN, GROWING MARKETS OF OUR OWN ECONOMY. THE UNITED STATES BUYS APPROXIMATELY ONE-HALF OF ALL MANUFACTURED GOODS THAT NON-OPEC DEVELOPING COUNTRIES EXPORT TO THE INDUSTRIALIZED WORLD, EVEN THOUGH OUR MARKET IS ONLY ONE-THIRD OF THE SIZE OF THE TOTAL INDUSTRIALIZED WORLD MARKET. IN THE LAST TWO YEARS ALONE, THESE SAME DEVELOPING COUNTRIES EARNED MORE FROM EXPORTS TO THE UNITED STATES THAN THE ENTIRE DEVELOPING WORLD HAS RECEIVED FROM THE WORLD BANK IN THE LAST 36 YEARS.

THE BARRIERS TO TRADE IN OUR MARKETS ARE AMONG THE LOWEST IN THE WORLD. THE UNITED STATES MAINTAINS FEW RESTRICTIONS AND OUR CUSTOMS PROCEDURES ARE VERY PREDICTABLE. IN 1980, 51 PERCENT OF OUR IMPORTS FROM DEVELOPING COUNTRIES ENTERED DUTY FREE.

AMERICAN CAPITAL MARKETS ARE ALSO MORE ACCESSIBLE TO THE DEVELOPING COUNTRIES THAN CAPITAL MARKETS ANYWHERE ELSE IN THE WORLD.

FROM ALL THIS TWO CONCLUSIONS SHOULD BE CLEAR: FAR FROM LAGGING BEHIND AND REFUSING TO DO OUR PART, THE UNITED STATES IS LEADING THE WAY IN HELPING TO BETTER THE LIVES OF CITIZENS IN DEVELOPING COUNTRIES. AND THE WAY WE CAN DO THAT JOB BEST, THE WAY WE CAN PROVIDE THE MOST OPPORTUNITY FOR EVEN THE POOREST OF NATIONS, IS TO FOLLOW THROUGH WITH OUR OWN ECONOMIC RECOVERY PROGRAM TO ENSURE STRONG, SUSTAINED NONINFLATIONARY GROWTH.

THAT'S JUST WHAT WE'RE DETERMINED TO DO. EVERY ONE PERCENT REDUCTION IN OUR INTEREST RATES DUE TO LOWER INFLATION IMPROVES THE BALANCE OF PAYMENTS OF DEVELOPING COUNTRIES BY 1 BILLION DOLLARS. BY GETTING OUR OWN ECONOMIC HOUSE IN ORDER, WE WIN, THEY WIN, WE ALL WIN.

NOW JUST AS THERE IS SUPERFICIAL TALK ABOUT THE MEANING OF DEVELOPMENT, AND OUR OWN DEVELOPMENT RECORD, THERE IS ALSO TOO MUCH LOOSE TALK ABOUT THE INTERNATIONAL SYSTEM.

SOME ARGUE THAT THE SYSTEM HAS FAILED; OTHERS THAT IT IS UNREPRESENTATIVE AND UNFAIR; STILL OTHERS SAY IT IS STATIC AND UNCHANGING. A FEW INSIST IT IS SO SOUND IT NEEDS NO IMPROVEMENT.

WE NEED A BETTER UNDERSTANDING THAN THAT. AS I RECALLED RECENTLY BEFORE THE ANNUAL MEETING OF THE WORLD BANK AND THE IMF, THE POST-WAR INTERNATIONAL ECONOMIC SYSTEM WAS CREATED ON THE BELIEF THAT "THE KEY TO NATIONAL DEVELOPMENT AND HUMAN PROGRESS IS INDIVIDUAL FREEDOM--BOTH POLITICAL AND ECONOMIC." THIS SYSTEM PROVIDED ONLY GENERALIZED RULES IN ORDER TO MAINTAIN MAXIMUM FLEXIBILITY AND OPPORTUNITY FOR INDIVIDUAL ENTERPRISE AND AN OPEN INTERNATIONAL TRADING AND FINANCIAL SYSTEM.

THE GATT, THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND REPRESENT FREE ASSOCIATIONS OF INDEPENDENT COUNTRIES WHO

ACCEPT BOTH THE FREEDOM AND DISCIPLINE OF A COMPETITIVE ECONOMIC SYSTEM. LET'S LOOK AT THE RECORD OF INTERNATIONAL GROWTH AND DEVELOPMENT UNDER THEIR AUSPICES:

FROM 1950 TO 1980, GNP PER CAPITA IN 60 MIDDLE-INCOME COUNTRIES INCREASED TWICE AS FAST AS IN THE INDUSTRIAL COUNTRIES WHEN REAL PURCHASING POWER IS TAKEN INTO ACCOUNT.

FROM 1951 TO 1979, INDUSTRY AND MANUFACTURING IN DEVELOPING COUNTRIES ALSO EXPANDED AT A FASTER ANNUAL RATE THAN THEIR COUNTERPARTS IN THE INDUSTRIAL COUNTRIES.

SINCE 1960, EXPORT VOLUME FOR THE DEVELOPING COUNTRIES, EXCLUDING OPEC, GREW BETWEEN SIX AND SEVEN PERCENT A YEAR. GROWTH WAS PARTICULARLY STRONG IN MANUFACTURED EXPORTS, AND EVEN SOME LOW-INCOME OIL IMPORTERS PARTICIPATED IN THIS TREND.

AND, CONCESSIONAL ASSISTANCE GREW BY 50 PERCENT IN REAL TERMS DURING THE 1970'S.

BY ANY STANDARD, THIS IS A REMARKABLE RECORD. IT IS NOT A BASIS FOR COMPLACENCY BUT FOR PRIDE. PRIDE IN THE EFFORTS OF THOSE COUNTRIES THAT DID MOST TO UTILIZE EFFECTIVELY THE OPPORTUNITIES OF THE SYSTEM, AND PRIDE IN THE SYSTEM ITSELF FOR BEING SUFFICIENTLY FLEXIBLE TO ENSURE THAT THE BENEFITS OF INTERNATIONAL COMMERCE FLOW INCREASINGLY TO ALL COUNTRIES.

PROGRESS IS ALSO EVIDENT IN THE EVOLUTION OF THE INTERNATIONAL INSTITUTIONS THEMSELVES. TODAY APPROXIMATELY TWO-THIRDS OF THE MEMBERS OF GATT ARE DEVELOPING COUNTRIES, WHEREAS ONLY ONE-HALF WERE DEVELOPING COUNTRIES WHEN IT WAS CREATED. ALSO, THE RESOURCES OF BOTH THE WORLD BANK AND THE IMF HAVE INCREASED DRAMATICALLY, AS HAS THE PARTICIPATION OF DEVELOPING COUNTRY MEMBERS.

CERTAINLY THE RECORD OF THE INTERNATIONAL SYSTEM IS NOT PERFECT, BUT PEOPLE FLIRT WITH FANTASY WHEN THEY SUGGEST IT IS A FAILURE AND UNFAIR. WE KNOW THAT MUCH MUST STILL BE DONE TO HELP LOW-INCOME COUNTRIES DEVELOP DOMESTIC MARKETS AND STRENGTHEN THEIR EXPORTS. BUT THE WAY TO DO THAT IS NOT TO WEAKEN THE SYSTEM THAT HAS SERVED US SO WELL, BUT TO CONTINUE WORKING TOGETHER TO MAKE IT BETTER.

THIS BRINGS ME TO THE THIRD AND FINAL PART OF OUR MESSAGE IN CANCUN -- A PROGRAM FOR ACTION. THIS SUMMIT OFFERS THE LEADERSHIP OF THE WORLD AN OPPORTUNITY TO CHART A STRATEGIC COURSE FOR A NEW ERA OF INTERNATIONAL ECONOMIC GROWTH AND DEVELOPING ALIKE, MUST DEMONSTRATE THE POLITICAL WILL TO ADDRESS THE REAL ISSUES, CONFRONT THE OBSTACLES AND SEIZE THE OPPORTUNITIES FOR DEVELOPMENT WHEREVER THEY EXIST.

TO CITE THAT OLD PROVERB: GIVE A HUNGRY MAN A FISH AND HE'LL BE HUNGRY TOMORROW; TEACH HIM HOW TO FISH AND HE'LL NEVER BE HUNGRY AGAIN.

THE PRINCIPLES THAT GUIDE OUR INTERNATIONAL POLICIES CAN LEAD TO THE COOPERATIVE STRATEGY FOR GLOBAL GROWTH WE SEEK. THE EXPERIENCE OF OUR OWN COUNTRY AND OTHERS CONFIRMS THE IMPORTANCE OF FIVE STRATEGIC PRINCIPLES:

FIRST, STIMULATING INTERNATIONAL TRADE BY OPENING UP MARKETS, BOTH WITHIN INDIVIDUAL COUNTRIES AND AMONG COUNTRIES;

SECOND, TAILORING PARTICULAR DEVELOPMENT STRATEGIES TO THE SPECIFIC NEEDS AND POTENTIAL OF INDIVIDUAL COUNTRIES AND REGIONS;

THIRD, GUIDING ASSISTANCE TOWARD THE DEVELOPMENT OF SELF-SUSTAINING PRODUCTIVE CAPACITIES, PARTICULARLY IN FOOD AND ENERGY;

FOURTH, IMPROVING IN MANY OF THESE COUNTRIES THE CLIMATE FOR PRIVATE INVESTMENT AND THE TRANSFER OF TECHNOLOGY THAT COMES WITH SUCH INVESTMENT; AND

FIFTH, CREATING A POLITICAL ATMOSPHERE IN WHICH PRACTICAL SOLUTIONS CAN MOVE FORWARD -- RATHER THAN FOUNDER ON A REEF OF MISGUIDED POLICIES THAT RESTRAIN AND INTERFERE WITH THE INTERNATIONAL MARKETPLACE OR FOSTER INFLATION.

DEVELOPING COUNTRIES CANNOT BE LUMPED TOGETHER UNDER THAT TITLE AS IF THEIR PROBLEMS WERE IDENTICAL. THEY ARE DIVERSE WITH DISTINCT RESOURCE ENDOWMENTS, CULTURES, LANGUAGES AND NATIONAL TRADITIONS. THE INTERNATIONAL SYSTEM IS COMPRISED OF INDEPENDENT, SOVEREIGN NATIONS, WHOSE SEPARATE EXISTENCE TESTIFIES TO THEIR UNIQUE QUALITIES AND ASPIRATIONS.

WHAT WE WILL SEEK TO DO AT CANCUN, AND ELSEWHERE IN SUBSEQUENT MEETINGS, IS EXAMINE COOPERATIVELY:

THE ROADBLOCKS WHICH DEVELOPING COUNTRY POLICIES POSE TO

DEVELOPMENT, AND HOW THEY CAN BEST BE REMOVED. FOR EXAMPLE: IS THERE AN IMBALANCE BETWEEN PUBLIC AND PRIVATE SECTOR ACTIVITIES? ARE HIGH TAX RATES SMOTHERING INCENTIVES AND PRECLUDING GROWTH IN PERSONAL SAVINGS AND INVESTMENT CAPITAL?

THEN WE MUST EXAMINE THE OBSTACLES WHICH DEVELOPED COUNTRIES PUT IN THE WAY OF DEVELOPMENT AND HOW THEY, IN TURN, CAN BEST BE REMOVED. FOR EXAMPLE, ARE INDUSTRIAL COUNTRIES MAINTAINING OPEN MARKETS FOR THE PRODUCTS OF DEVELOPING COUNTRIES? DO THEY PERMIT UNRESTRICTED ACCESS BY DEVELOPING COUNTRIES TO THEIR OWN CAPITAL MARKETS?

FINALLY, WE MUST DECIDE HOW DEVELOPED AND DEVELOPING COUNTRIES TOGETHER CAN REALIZE THEIR POTENTIAL AND IMPROVE THE WORLD ECONOMY TO PROMOTE A HIGHER LEVEL OF GROWTH AND DEVELOPMENT.

OUR PROGRAM OF ACTION INCLUDES SPECIFIC, PRACTICAL STEPS THAT IMPLEMENT THE PRINCIPLES I HAVE OUTLINED.

FIRST, STIMULATING INTERNATIONAL TRADE BY OPENING UP MARKETS IS ABSOLUTELY ESSENTIAL. LAST YEAR, NON-OPEC DEVELOPING NATIONS BY SELLING THEIR PRODUCTS IN AMERICAN MARKETS EARNED 63 BILLION DOLLARS. THIS IS MORE THAN TWICE THE AMOUNT OF TOTAL DEVELOPMENT ASSISTANCE PROVIDED TO ALL DEVELOPING COUNTRIES IN THAT SAME YEAR. IT'S TIME FOR ALL OF US TO LIVE UP TO OUR PRINCIPLES BY CONCRETE ACTIONS TO OPEN MARKETS AND LIBERALIZE TRADE.

THE MOST MEANINGFUL ACTION WE COULD TAKE TO PROMOTE TRADE WITH DEVELOPING NATIONS IN THE EARLY 1980'S IS TO STRENGTHEN THE GATT.

IT IS THROUGH A SHARED, RECIPROCAL EFFORT WITHIN GATT THAT FURTHER LIBERALIZATION OF INDUSTRIAL NATIONS' TRADE REGIMES IS MOST LIKELY TO BE ACHIEVED. THIS WILL BENEFIT DEVELOPING COUNTRIES MORE THAN ANY OTHER SINGLE STEP.

THE UNITED STATES WILL WORK FOR A SUCCESSFUL GATT MINISTERIAL MEETING IN 1982, AND WILL LAUNCH AN EXTENSIVE ROUND OF CONSULTATIONS WITH ALL COUNTRIES, INCLUDING DEVELOPING COUNTRIES, TO PREPARE FOR THIS MEETING. WE WILL JOIN WITH DEVELOPING COUNTRIES IN WORKING OUT AN EFFECTIVE SAFEGUARDS CODE THAT REFLECTS OUR MUTUAL CONCERNS AND INTERESTS. IN ADDITION, WE WILL CONTINUE TO SUPPORT THE GENERALIZED SYSTEM OF PREFERENCES AND WILL TAKE THE LEAD IN URGING OTHER DEVELOPED COUNTRIES TO MATCH US IN EXPANDING DEVELOPING NATIONS' ACCESS TO MARKETS.

TRADE'S CONTRIBUTION TO DEVELOPMENT CAN BE MAGNIFIED BY ALIGNING TRADE OPPORTUNITIES MORE CLOSELY WITH PRIVATE INVESTMENT, DEVELOPMENT ASSISTANCE AND TECHNOLOGY SHARING. AT CANCUN, WE WILL MAKE IT CLEAR THAT WE ARE READY TO COOPERATE WITH OTHER NATIONS IN PUTTING IN PLACE THIS KIND OF INTEGRATED, COMPLEMENTARY EFFORT.

ACTUALLY, WE ARE ALREADY DOING SO, WHICH BRINGS ME TO THE SECOND PART OF OUR PROGRAM -- TAILORING PARTICULAR DEVELOPMENT STRATEGIES TO THE SPECIFIC NEEDS AND POTENTIAL OF INDIVIDUAL COUNTRIES AND REGIONS. IN OUR OWN HEMISPHERE, THE UNITED STATES HAS JOINED TOGETHER WITH MEXICO, VENEZUELA, AND CANADA TO BEGIN DEVELOPING FLEXIBLE, IMAGINATIVE, AND COOPERATIVE PROGRAMS LINKING TRADE, INVESTMENT, FINANCE, FOREIGN ASSISTANCE AND PRIVATE SECTOR ACTIVITIES TO HELP THE NATIONS IN THE CARIBBEAN HELP THEMSELVES.

WE MET INITIALLY IN NASSAU IN JULY. CONSULTATIONS THEN TOOK PLACE WITH THE CENTRAL AMERICAN COUNTRIES AND PANAMA IN COSTA RICA, AND WITH THE CARIBBEAN COUNTRIES IN SANTO DOMINGO. BY YEAR END, WE EXPECT TO COMPLETE CONSULTATION AND MOVE FORWARD WITH EFFORTS THAT ARE TAILORED TO SPECIFIC SITUATIONS IN INDIVIDUAL COUNTRIES.

THIRD, GUIDING OUR ASSISTANCE TOWARD THE DEVELOPMENT OF SELF-SUSTAINING PRODUCTIVE ACTIVITIES -- PARTICULARLY IN FOOD AND ENERGY.

INCREASING FOOD PRODUCTION IN DEVELOPING COUNTRIES IS CRITICALLY IMPORTANT -- FOR SOME, LITERALLY A MATTER OF LIFE OR DEATH. IT IS ALSO AN INDISPENSABLE BASIS FOR OVERALL DEVELOPMENT. THE UNITED STATES HAS ALWAYS MADE FOOD AND AGRICULTURE AN IMPORTANT EMPHASIS OF ITS ECONOMIC ASSISTANCE PROGRAMS. WE HAVE PROVIDED MASSIVE AMOUNTS OF FOOD TO FIGHT STARVATION. BUT WE HAVE ALSO UNDERTAKEN SUCCESSFUL AGRICULTURAL

RESEARCH, WELCOMED THOUSANDS OF FOREIGN STUDENTS FOR INSTRUCTION AND TRAINING AT OUR FINEST INSTITUTES, AND HELPED MAKE DISCOVERIES OF THE HIGH-YIELDING VARIETIES OF THE GREEN REVOLUTION AVAILABLE THROUGHOUT THE WORLD.

LOOKING TO THE FUTURE, OUR EMPHASIS WILL BE ON THE IMPORTANCE OF MARKET-ORIENTED POLICIES. WE BELIEVE THIS APPROACH WILL CREATE RISING AGRICULTURAL PRODUCTIVITY, SELF-SUSTAINING CAPACITY FOR RESEARCH AND INNOVATION, AND STIMULATION OF JOB-CREATING ENTREPRENEURSHIP IN RURAL AREAS. SPECIFICALLY, WE WILL ENCOURAGE POLICIES WHICH REDUCE OR ELIMINATE SUBSIDIES TO FOOD CONSUMERS, AND PROVIDE ADEQUATE AND STABLE PRICE INCENTIVES TO THEIR AGRICULTURAL SECTORS TO INCREASE PRODUCTION. WE WILL EMPHASIZE EDUCATION AND INNOVATIVE JOINT RESEARCH AND DEVELOPMENT ACTIVITIES THROUGH U.S. AND DEVELOPING COUNTRIES' INSTITUTIONS. WE WILL ALSO ENCOURAGE RURAL CREDIT, IMPROVED STORAGE AND DISTRIBUTION FACILITIES, AND ROADS TO FACILITATE MARKETING.

THAT'S A LOT. BUT WE NEED TO DO MORE.

THE FOCUS WILL BE ON RAISING THE PRODUCTIVITY OF THE SMALL FARMER, BUILDING THE CAPACITY TO PURSUE AGRICULTURAL RESEARCH AND STIMULATING PRODUCTIVE ENTERPRISES THAT GENERATE EMPLOYMENT AND PURCHASING POWER.

WE WILL EMPHASIZE:

NEW METHODS OF PLANT IMPROVEMENT TO DEVELOP CROPS THAT TOLERATE ADVERSE SOILS AND CLIMATIC CONDITIONS, INSECTS, AND DISEASES;

RESEARCH TO INCREASE THE EFFICIENCY OF USING IRRIGATION WATER;

SYSTEMS FOR THE PRODUCTION OF SEVERAL CROPS PER YEAR IN THE HUMID TROPICS; AND

METHODS OF HUMAN AND ANIMAL DISEASE CONTROL TO REMOVE SUCH SERIOUS PROBLEMS AS THE TSETSE FLY IN AFRICA, WHICH BARS AGRICULTURAL PRODUCTION ON VAST AREAS OF POTENTIALLY PRODUCTIVE LANDS.

ADDRESSING THE ENERGY PROBLEMS OF DEVELOPING COUNTRIES IS ALSO VITAL TO THEIR SUSTAINED ECONOMIC GROWTH. THEIR NET OIL BILL IN 1980 WAS 46 BILLION DOLLARS, UP FROM ONLY 4 BILLION DOLLARS IN 1973. THIS PUTS TREMENDOUS PRESSURE ON THEIR BALANCE OF PAYMENTS AND THREATENS DEVELOPMENT.

THE UNITED STATES WILL EMPHASIZE FUNDING FOR ENERGY-RELATED ACTIVITIES IN THE YEARS AHEAD, ESPECIALLY FOR PRIVATE EFFORTS AND THE MOBILIZATION OF DEVELOPING COUNTRY RESOURCES. OUR ENERGY BILATERAL AID PROGRAM MUST STRESS TECHNICAL ASSISTANCE RATHER THAN RESOURCE TRANSFERS. WE WILL SUPPORT ENERGY LENDING BY MULTILATERAL INSTITUTIONS PROVIDED THE PROJECTS ARE ECONOMICALLY VIABLE AND THEY EXPAND DEVELOPING COUNTRY ENERGY PRODUCTION THROUGH GREATER PRIVATE INVESTMENT.

WE WILL ALSO SUPPORT SELECTED ELEMENTS OF THE PROGRAMS OF ACTION OF THE U.N. CONFERENCE ON NEW AND RENEWABLE RESOURCES OF ENERGY. THEY INCLUDE INTENSIFIED ENERGY TRAINING PROGRAMS FOR TECHNICIANS FROM DEVELOPING COUNTRIES AND EFFORTS TO HELP DEVELOPING COUNTRIES ASSESS AND MORE EFFICIENTLY UTILIZE THEIR RESOURCES.

FOURTH, IMPROVING THE CLIMATE FOR PRIVATE CAPITAL FLOWS PARTICULARLY PRIVATE INVESTMENT. INVESTMENT IS THE LIFEBLOOD OF DEVELOPMENT. PRIVATE CAPITAL FLOWS -- COMMERCIAL LENDING AND PRIVATE INVESTMENT -- NOW ACCOUNT FOR ALMOST 70 PERCENT OF TOTAL FINANCIAL FLOWS TO DEVELOPING COUNTRIES. IT IS IMPRACTICAL, NOT TO MENTION FOOLISH, TO ATTACK THESE FLOWS FOR IDEOLOGICAL REASONS.

WE CALL UPON ALL OUR PARTNERS IN FINANCE AND DEVELOPMENT-- BUSINESS, BANKS AND DEVELOPING COUNTRIES -- TO ACCELERATE THEIR COOPERATIVE EFFORTS.

WE SEEK TO INCREASE CO-FINANCING AND OTHER PRIVATE FINANCING WITH THE MULTILATERAL DEVELOPMENT BANKS. WE WANT TO ENHANCE THE INTERNATIONAL FINANCE CORPORATION ACTIVITIES -- WHICH FOSTERS PRIVATE SECTOR DEBT AND EQUITY FINANCING OF INVESTMENTS IN THE DEVELOPING COUNTRIES. ITS PROGRAM IS INCREASING IN BOTH SIZE AND DIVERSITY AND THE BULK OF IFC PROJECTS ARE PRIVATELY FINANCED IN THE DEVELOPING COUNTRIES FROM DOMESTIC AND EXTERNAL SOURCES.

WE WILL EXPLORE THE DEVELOPMENT OF FURTHER SAFEGUARDS FOR MULTILATERAL INVESTMENT AND WAYS TO BUILD UPON SUCCESSFUL

BILATERAL EXPERIENCES WITH OPIC. WE BELIEVE IT IS IMPORTANT TO IDENTIFY IMPEDIMENTS TO INVESTMENT AND TRADE SUCH AS CONDITIONS OF POLITICAL INSTABILITY AND THE THREAT OF EXPROPRIATION. WORKING IN CONCERN WITH OUR TRADING PARTNERS, WE WILL SEEK TO REMOVE THOSE IMPEDIMENTS.

WE WILL ATTEMPT TO PROMOTE A GENERAL AGREEMENT ON INVESTMENT ALLOWING COUNTRIES TO HARMONIZE INVESTMENT POLICIES AND TO NEGOTIATE MUTUALLY BENEFICIAL IMPROVEMENTS IN THE INVESTMENT CLIMATE.

FINALLY, WE WILL MAKE AN EFFORT TO IDENTIFY DEVELOPED AND DEVELOPING COUNTRY TAX MEASURES WHICH MIGHT INCREASE MARKET-ORIENTED INVESTMENT FROM BOTH EXTERNAL AND DOMESTIC SOURCES IN THE DEVELOPING COUNTRIES.

FIFTH, AND FINALLY, LET ME TURN TO THE QUESTION OF HOW WE WORK TOGETHER. TO A REMARKABLE DEGREE, MANY NATIONS OF THE WORLD HAVE NOW ENTERED INTO AN ECONOMIC DIALOGUE. THE CHOICE BEFORE US IS HOW TO ORGANIZE AND CONDUCT IT. DO WE PERSIST IN CONTENTIOUS RHETORIC, OR DO WE UNDERTAKE PRACTICAL TASKS IN A SPIRIT OF COOPERATION AND MUTUAL POLITICAL WILL? I THINK OUR COUNTRY HAS SIGNALLED ITS ANSWER TO THAT QUESTION.

WE GO TO CANCUN WITH A RECORD OF SUCCESS AND CONTRIBUTIONS SECOND TO NONE... DETERMINED TO BUILD ON OUR PAST... READY TO OFFER OUR HAND IN FRIENDSHIP AS A PARTNER IN PROSPERITY.

AT CANCUN WE WILL PROMOTE A REVOLUTIONARY IDEA BORN MORE THAN 200 YEARS AGO, CARRIED TO OUR SHORES IN THE HEARTS OF MILLIONS OF IMMIGRANTS AND REFUGEES AND DEFENDED BY ALL WHO RISKED THEIR LIVES SO YOU AND I AND OUR CHILDREN COULD STILL BELIEVE IN A BRIGHTER TOMORROW.

IT'S CALLED FREEDOM, AND IT WORKS. IT'S STILL THE MOST EXCITING, PROGRESSIVE AND SUCCESSFUL IDEA THE WORLD HAS EVER KNOWN.

IN CLOSING, I WANT TO TELL YOU ABOUT SOMETHING A FRIEND OF YOURS AND MINE SAID IN A SPEECH IN WASHINGTON NOT TOO LONG AGO. BEING A MAN OF VISION, WITH A GREAT ADMIRATION FOR AMERICA, HE EXPLAINED THAT HE HAD COME ON A MISSION FROM HIS NATIVE LAND -- A MISSION TO SECURE ECONOMIC PROGRESS FOR HIS PEOPLE. HE TOLD HIS AUDIENCE:

"I AM DREAMING. REALLY I AM DREAMING OF A DRIVE LIKE THE DRIVE OF YOUR GRANDFATHERS, THE DRIVE TO THE WEST.

"WATER WE HAVE, LAND WE HAVE, CLIMATE WE HAVE, FARMING WE HAVE.

"(BUT) WE NEED TECHNOLOGY, WE NEED KNOW-HOW, NEW WAYS OF IRRIGATION, NEW WAYS IN AGRICULTURE. ALL THIS ONE CAN FIND HERE (IN AMERICA)."

AND THEN HE PLEADED: "COME AND BE MY PARTNERS... BE PIONEERS LIKE YOUR GRANDFATHERS WHO OPENED THE WEST AND BUILT IN 200 YEARS THE MOST POWERFUL COUNTRY, THE RICHEST COUNTRY, THE GREAT UNITED STATES OF AMERICA."

THOSE WORDS WERE SPOKEN AT THE UNITED STATES CHAMBER OF COMMERCE IN MARCH, 1979, BY ANWAR SADAT. THIS COURAGEOUS MAN OF PEACE AND HOPE AND LOVE HAS NOW BEEN TAKEN FROM US. BUT HIS MISSION AND HIS DREAM REMAIN. AS WE PROCEED TO CANCUN, CAN WE NOT JOIN TOGETHER SO THAT THE GOOD HE WANTED FOR ALL PEOPLE OF THE WORLD WILL FINALLY BECOME THEIRS AND HIS TO SHARE?

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TELEGRAM NUMBER 3081 OF 15 OCTOBER

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US APPROACH TO CANCUN

1. SPEAKING IN PHILADELPHIA THIS AFTERNOON, PRESIDENT REAGAN, OUTLINED THE US APPROACH TO CANCUN. THE SPEECH DREW HEAVILY UPON HAIG'S REMARKS TO THE UNGA AND HIS OWN ADDRESS TO THE IMF/IBRD MEETING. HE STRESSED THE AMERICAN RECORD IN TRADE AND AID, BOTH BILATERALLY AND THROUGH THE INTERNATIONAL ORGANISATIONS, AND THE NEED FOR A COOPERATIVE STRATEGY FOR GLOBAL GROWTH TO BENEFIT BOTH DEVELOPED AND DEVELOPING NATIONS. THE MAIN OUTLINE OF THE SPEECH (COPIES BY FRIDAY'S BAG) WERE AS FOLLOWS.

2. US FOREIGN POLICY PRECEDED FROM THE JOINT PREMISES OF THE NEED TO REVITALISE THE US AND WORLD ECONOMY AS A BASIS FOR SOCIAL AND ECONOMIC PROGRESS; AND THE NEED TO PROVIDE ADEQUATE DEFENCES. THE US WAS SENSITIVE TO THE PROBLEMS AND DIVERSITY OF DEVELOPING COUNTRIES WHO COULD COUNT ON STRONG US SUPPORT. THE US WOULD GO TO CANCUN READY TO LISTEN AND LEARN, AND WOULD TAKE WITH IT CONSTRUCTIVE IDEAS FOR A COOPERATIVE STRATEGY FOR GROWTH. THIS STRATEGY RESTED UPON AN UNDERSTANDING OF THE REAL MEANING OF DEVELOPMENT: ON A DEMONSTRATED RECORD OF ECONOMIC ACHIEVEMENT, BOTH BILATERAL AND MULTILATERAL; AND ON PRACTICAL PROPOSALS FOR COOPERATIVE ACTIONS IN TRADE, INVESTMENT, ENERGY, AGRICULTURE AND FOREIGN ASSISTANCE. ULTIMATELY, DEVELOPMENT WAS HUMAN FULFILLMENT, AND IN THE US EXPERIENCE FREE PEOPLE BUILT FREE MARKETS. THE DEVELOPING COUNTRIES NOW GROWING FASTEST WERE THOSE PROVIDING MORE ECONOMIC FREEDOM TO CHOOSE, TO OWN PROPERTY AND TO INVEST. THE BEST PROOF THAT DEVELOPMENT AND ECONOMIC FREEDOM GO HAND IN HAND WAS THE EXAMPLE OF THE USSR. THE SOVIETS HAD NOTHING TO OFFER AT CANCUN, ARGUING THAT ALL ECONOMIC PROBLEMS RESULTED FROM CAPITALISM AND THAT ALL SOLUTIONS LAY WITH SOCIALISM.

3. NEXT, THE AMERICAN RECORD AND THAT OF THE INTERNATIONAL ECONOMIC SYSTEM ITSELF IN HELPING DEVELOPING COUNTRIES TO GENERATE GROWTH AND PROSPERITY. THE US HAD AN UNPARALLELED RECORD ON FOOD ASSISTANCE AND DEVELOPMENT ASSISTANCE. THE US ALSO MADE A SIGNIFICANT CONTRIBUTION THROUGH ITS OPEN AND GROWING MARKETS. US BARRIERS TO TRADE WERE AMONG THE LOWEST IN THE WORLD: IN 1980 51 PERCENT OF IMPORTS FROM LDCS ENTERED DUTY FREE. AMERICAN CAPITAL MARKETS WERE ALSO THE MOST ACCESSIBLE. GATT, THE WORLD BANK AND THE IMF REPRESENTED FREE

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ASSOCIATIONS OF INDEPENDENT COUNTRIES WHO ACCEPTED THE FREEDOM AND DISCIPLINE OF A COMPETITIVE ECONOMIC SYSTEM. INTERNATIONAL GROWTH AND DEVELOPMENT UNDER THEIR AUSPICES SHOWED A REMARKABLE RECORD WHICH SHOULD BE A MATTER FOR PRIDE.

4. FINALLY, A PROGRAM OF ACTION. CANCUN WOULD OFFER THE LEADERSHIP OF THE WORLD AN OPPORTUNITY TO CHART A STRATEGIC COURSE FOR A NEW ERA OF INTERNATIONAL ECONOMIC GROWTH AND DEVELOPMENT. THE GUIDING PRINCIPLES SHOULD BE THE STIMULATION OF INTERNATIONAL TRADE BY THE OPENING OF MARKETS; THE TAILORING OF PARTICULAR DEVELOPMENT STRATEGIES ACCORDING TO SPECIFIC NEEDS AND POTENTIAL; THE CHANNELLING OF ASSISTANCE TOWARD THE DEVELOPMENT OF SELF-SUSTAINING PRODUCTIVE CAPACITY; IMPROVEMENTS IN THE CLIMATE FOR PRIVATE INVESTMENT AND TECHNOLOGY TRANSFER; AND THE CREATION OF A POLITICAL ATMOSPHERE IN WHICH PRACTICAL SOLUTIONS COULD MOVE FORWARD. AT CANCUN QUOTE AND ELSEWHERE IN SUBSEQUENT MEETINGS UNQUOTE. (THERE WAS NO MENTION OF GLOBAL NEGOTIATIONS), THE US WOULD EXAMINE COOPERATIVELY OBSTACLES TO DEVELOPMENT IN THE LDCS, AND HOW THESE COULD BEST BE REMOVED.

5 FIVE PRACTICAL STEPS WOULD BE PROPOSED TO IMPLEMENT THESE PRINCIPLES. FIRST, STIMULATING INTERNATIONAL TRADE BY OPENING UP MARKETS AND STRENGTHENING THE GATT. THE US WOULD WORK FOR A SUCCESSFUL GATT MINISTERIAL MEETING IN 1982, FOR AN EFFECTIVE SAFEGUARDS CODE AND FURTHER SUPPORT FOR THE GENERALISED SYSTEM OF PREFERENCES. THE CONTRIBUTION OF TRADE TO DEVELOPMENT COULD BE ENHANCED BY ALIGNING TRADE OPPORTUNITIES MORE CLOSELY WITH PRIVATE INVESTMENT, DEVELOPMENT ASSISTANCE AND TECHNOLOGY SHARING. SECOND, TAILORING DEVELOPMENT STRATEGIES TO THE NEEDS OF INDIVIDUAL COUNTRIES AND REGIONS (EG CENTRAL AMERICA AND CARIBBEAN). THIRD, GUIDING ASSISTANCE TOWARD SELF-SUSTAINING PRODUCTIVE ACTIVITIES, PARTICULARLY IN FOOD AND ENERGY, WITH EMPHASIS ON MARKET-ORIENTED POLICIES. ON FOOD, THIS WOULD INVOLVE REDUCING CONSUMER SUBSIDIES AND GIVING PRICE INCENTIVES TO PRODUCERS; EDUCATION AND JOINT RESEARCH; PLANT IMPROVEMENT; IRRIGATION; MULTIPLE CROPPING; AND HUMAN AND ANIMAL DISEASE CONTROL. ON ENERGY THE US ASSISTANCE WOULD STRESS TECHNICAL ASSISTANCE RATHER THAN RESOURCE TRANSFERS. THE US WOULD SUPPORT ENERGY LENDING BY MULTILATERAL INSTITUTIONS PROVIDED THAT THE PROJECTS WERE ECONOMICALLY VIABLE AND CREATED GREATER PRIVATE INVESTMENT. (NO REFERENCE TO AN ENERGY AFFILIATE.) SELECTED ELEMENTS OF THE ACTION PROGRAMMES OF THE UN CONFERENCE ON NEW AND RENEWABLE RESOURCES OF ENERGY WOULD BE SUPPORTED. FOURTH, IMPROVING THE CLIMATE FOR PRIVATE CAPITAL FLOWS, INCLUDING EFFORTS TO INCREASE CO-FINANCING WITH THE MULTILATERAL DEVELOPMENT BANKS, AND AN ENHANCEMENT OF IFC ACTIVITIES. THE US WOULD ALSO ATTEMPT TO PROMOTE GENERAL INTERNATIONAL AGREEMENTS ON INVESTMENT, AND TAX MEASURES WHICH MIGHT FACILITATE MARKET-ORIENTED INVESTMENT. FIFTH, HOW WE WORK TOGETHER. MANY NATIONS HAD ALREADY ENTERED INTO AN ECONOMIC DIALOGUE. THE CHOICE WAS HOW TO

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TO THAT QUESTION UNQUOTE.

FCO PASS SAVING ATHENS, BRUSSELS, COPENHAGEN, DUBLIN, LUXEMBOURG,
ROME AND THE HAGUE.

HENDERSON

(REPEATED AS REQUESTED)

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TELNO 340 OF 14 OCTOBER 1981

INFO PRIORITY UKMIS NEW YORK, UKREP BRUSSELS AND WASHINGTON

INFO SAVING UKDEL OECD AND EC POSTS

CANCUN AND THE GLOBAL NEGOTIATIONS

1. FROM THE STANDPOINT OF THE MASS OF BUSINESS TRANSACTED DAILY IN GENEVA, PARTICULARLY WITHIN GATT AND UNCTAD, I AM CONSCIOUS OF THE RISK THAT OVER-EMPHASIS ON THE GLOBAL NEGOTIATIONS AS THE MAIN FOLLOW-UP TO CANCUN WILL BE TOO GENERAL TO GIVE US THE FULL MAXIMUM POLITICAL ADVANTAGE. MUCH WILL DEPEND UPON THE SPEED WITH WHICH WE CAN ORGANISE OURSELVES FOR THE FOLLOW-UP. I VENTURE TO MAKE TWO SPECIFIC RECOMMENDATIONS IN PARAS 7 AND 8 BELOW.

2. GLOBAL NEGOTIATIONS IN THE CURRENT FORM ARE OUTMODED. IN BOTH TIME AND IN CONCEPT THEY REPRESENT THE LAST OUTCROPPING OF THE DEVELOPING COUNTRY ATTITUDE OF MIND OF THE 1970S. DURING THAT DECADE IT WAS ASSUMED THAT A BLUEPRINT COULD BE DEvised TO TAKE ACCOUNT OF THE NEEDS AND ASPIRATIONS OF THE DEVELOPING COUNTRIES IN A WORLD ECONOMY WHICH THE DEVELOPED COUNTRIES CONSCIOUSLY CONTROLLED AND WHICH GAVE THEM A MARGIN OF MANOEUVRE FOR ACCOMMODATING NEWCOMERS. IN FACT THE WORLD HAS CHANGED DRASTICALLY SINCE THE IDEA OF GLOBAL NEGOTIATIONS WAS MOOTED 2 1/2 YEARS AGO: THE DEEPENING OF THE RECESSION AND THE FUNDAMENTAL DIFFICULTIES FACED BY DEVELOPED COUNTRIES: THE DISARRAY IN OPEC: INCREASING INSTABILITY AND DEBILITY IN THE DEVELOPING COUNTRIES, WHICH SHIFTS THE EMPHASIS SOMEWHAT TOWARDS IMMEDIATE RESCUE OPERATIONS RATHER THAN THE LONGER TERM: AND HEIGHTENED EAST/WEST TENSION FOLLOWING THE SOVIET INVASION OF AFGHANISTAN.

3. THE INTERVENING PERIOD HAS MOREOVER SEEN A GREATER DEGREE OF ACTIVITY IN THE INTERNATIONAL ARENA THAN IN ANY PREVIOUS SIMILAR TIME-SPAN. IN GATT THE TOKYO ROUND OF MTNS WAS SIGNED AND IS NOW BEING FOLLOWED UP. THERE IS THE PROSPECTIVE MINISTERIAL MEETING. THERE HAVE BEEN EXTENSIVE DEVELOPMENTS IN THE BANK AND THE FUND. WITHIN UNCTAD WE HAVE ACHIEVED A COMMON FUND AND SOME PROGRESS ON COMMODITIES AND ON OTHER SPECIFIC ISSUES. THERE HAS BEEN GREAT ACTIVITY IN THE FOOD SECTOR. THE UN HAS STARTED SERIOUSLY IN THE ENERGY BUSINESS, ABLEIT ON THE NEW AND RENEWABLE SIDE. THE CONFERENCE ON THE LEAST DEVELOPED COUNTRIES MARKED A WELCOME CONCENTRATION ON THE MOST NEEDY DEVELOPING COUNTRIES. HUMANITARIAN EXPENDITURE, ESPECIALLY ON REFUGEES, HAS GROWN ENORMOUSLY.

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4. THE GLOBAL NEGOTIATIONS ARE AS UNSATISFACTORY ON THE PROCEDURAL SIDE AS THEY ARE IN CONCEPT. THE WECHMAR TEXT FALLS IRREDEMIABLY BETWEEN TWO STOOLS. ON THE ONE HAND IT IS INADEQUATE AS AN ATTEMPT TO ANALYSE IN GENERAL TERMS THE WIDE RANGE OF PROBLEMS WHOSE GENERAL INTERDEPENDENCE MOST PEOPLE ARE READY TO RECOGNISE. IT ADDS NOTHING TO OUR UNDERSTANDING OF THESE ISSUES. ON THE OTHER HAND ITS LISTING OF A SCORE OF DIFFERENT ISSUES IS OF NO VALUE IN A MANAGERIAL SENSE. IT OFFERS A GUIDE NEITHER TO WHAT IS ACTUALLY GOING ON IN THE UN SYSTEM NOR TO THE RELATIONSHIP BETWEEN EXISTING ACTIVITIES AND WHAT MIGHT BE ADDED TO THEM.

5. WHAT UNDERLINES THE QUEST FOR GLOBAL NEGOTIATIONS, AND WHAT WOULD BE THE OUTCOME OF CANCUN COMMENSURATE WITH ITS IMPORTANCE AS THE FIRST EVER NORTH/SOUTH SUMMIT, WOULD BE AN AGREEMENT TO REINTERPRET IN THE LIGHT OF THE PRACTICAL REQUIREMENTS OF THE 1980S AND 1990S THE DELIBERATELY HAZY RELATIONSHIP WHICH HAS EXISTED FROM THE OUTSET BETWEEN THE GENERAL ASSEMBLY AND ECOSOC ON THE ONE HAND, AND THE COMPETENT AGENCIES OF THE SYSTEM ON THE OTHER. THIS DOES NOT AMOUNT TO "GLOBAL NEGOTIATIONS" IN THE SENSE OF THE TERM HITHERTO USED. BUT IT WOULD CERTAINLY COME UNDER THE CATEGORY OF "COOPERATIONS AND DEVELOPMENT" I.E. THE TITLE OF THE CANCUN MEETING, AND OF "PUTTING INTERNATIONAL ECONOMIC COOPERATION ON A NEW AND CONSTRUCTIVE COURSE", TO QUOTE THE MELBOURNE COMMUNIQUE. THE UN HAS IN THE PAST MADE SOME ATTEMPT TO GRAPPLE WITH ITS OWN RESPONSIBILITIES, MOST RECENTLY IN THE EXERCISE OF RESTRUCTURING (GENERAL ASSEMBLY RESOLUTION 32/197) AND IN THE ADOPTION OF THE INTERNATIONAL DEVELOPMENT STRATEGY FOR THE THIRD DEVELOPMENT DECADE. NEITHER OF THESE DOCUMENTS POSES ANY SERIOUS DIFFICULTIES OF DEMARCATION WITH THE COMPETENT AGENCIES OF THE SYSTEM.

6. IT WOULD NOT BE PRACTICAL POLITICS OPENLY TO SEEK TO REFASHION THE GLOBAL NEGOTIATIONS ON THESE LINES. THE TASK WOULD HAVE TO BE ATTEMPTED INDIRECTLY. IT WOULD BE, AS HAS BEEN FREQUENTLY THE CASE IN UN DISCUSSION IN THE PAST, A MATTER OF WHITTLING DOWN INFLATED G77 DEMANDS. CANCUN GIVES US A GOOD OPPORTUNITY TO ACHIEVE THIS OBJECTIVE, I HAVE NO DOUBT MOREOVER THAT THE COMMUNITY IS THE BEST, AND PERHAPS THE ONLY, GROUPING WHICH CAN ASSUME THE TASK. IT WOULD REQUIRE THE SAME EFFORT AS, UNDER UK LEADERSHIP, THE COMMUNITY PUT INTO THE NEGOTIATIONS OF THE COMMON FUND AND INTO THE RESTRUCTURING AND INTERNATIONAL DEVELOPMENT STRATEGY EXERCISES REFERRED TO ABOVE.

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7. I RECOMMEND THAT AS A FIRST STEP WE EXPLOIT OUR POSITION AS PRESIDENCY BY THE PREPARATION OF A COMPREHENSIVE PAPER REPRESENTING THE COMMUNITY POSITION BOTH ON THE GLOBAL NEGOTIATIONS AND ON THE SUBSTANTIVE ISSUES. THIS CAN BE COMPLIED WITHOUT MUCH DIFFICULTY FROM THE LARGE NUMBER OF COMMON COMMUNITY STATEMENTS, ESPECIALLY THOSE MADE IN OUR PRESIDENCY, AND FROM SUCH MAJOR DOCUMENTS AS THE COMMONWEALTH HEADS OF GOVERNMENT COMMUNIQUE, THE OTTAWA COMMUNIQUE AS WELL AS THE WHITE PAPER ISSUED IN ANSWER TO THE SELECT COMMITTEE (CMND 8369). YOU MAY ALREADY HAVE THIS IN MIND. IT MAY BE THAT OTHER GOVERNMENTS HAVE SIMILAR INTENTIONS. BUT NONE WOULD MAKE AS GOOD A JOB OF IT AS WE COULD. WE HAVE A GREAT DEAL OF VALUABLE MATERIAL WITH WHICH TO WORK. A WELL PRESENTED RESTATEMENT OF THE COMMUNITY POSITIONS AS A DIRECT FOLLOW UP TO CANCUN WOULD HAVE BOTH IMMEDIATE AND LONG LASTING BENEFITS.

8. SECONDLY, I RECOMMEND THAT WE GRASP THE OPPORTUNITY AFFORDED BY THE REQUEST TO THE COMMONWEALTH SECRETARY GENERAL IN PARA 53 OF THE MELBOURNE COMMUNIQUE TO CONVENE A HIGH LEVEL GROUP TO STUDY AND REPORT ON THE NEGOTIATING PROCESS BETWEEN DEVELOPED AND DEVELOPING COUNTRIES. THE UK SHOULD PLAY A FULL PART IN THIS EXERCISE.

9. FCO PLEASE GIVE NORTH/SOUTH DISTRIBUTION.

FCO PASS SAVING ADDRESSEES

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[REPEATED AS REQUESTED]
[THIS TELEGRAM WAS NOT ADVANCED]

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FM MEXICO CITY 142000Z OCT 81
TO IMMEDIATE FCO
TELEGRAM NUMBER 476 OF 14 OCTOBER

CANCUN SUMMIT

1. ON 12 OCTOBER THE MEXICAN FOREIGN MINISTER GAVE A 2 HOUR PRESS CONFERENCE ABOUT THE CANCUN SUMMIT. THE FOLLOWING ARE THE MAIN POINTS OF INTEREST.

(A) HE SAID THAT THE MEETING WOULD BE INFORMAL AND NOT A NEGOTIATING SESSION. THERE WOULD BE NO CONCRETE AGREEMENTS AND NO AGREED COMMUNIQUE. IF ANY QUOTE GENERAL UNQUOTE AGREEMENTS WERE REACHED, THESE WOULD BE ANNOUNCED AT THE END OF THE MEETING BY THE TWO CO-CHAIRMAN. AFTER THE 4 SESSIONS OF TALKS WHICH HAD BEEN ARRANGED, THE CONFERENCE MIGHT DECIDE TO HOLD A FIFTH SESSION IF THIS SEEMED NECESSARY.

(B) THE SUCCESS OF THE SUMMIT WOULD DEPEND NOT ON THE HOST COUNTRY, BUT ON ALL THE PARTICIPANTS. HE HOPED IT MIGHT ACHIEVE A MORE UNIFIED UNDERSTANDING OF THE CENTRAL PROBLEMS OF THE WORLD ECONOMY SEMI-COLON AND A CLEAR POLITICAL RECOGNITION OF THE REALITY OF INTERDEPENDENCE.

(C) LAUNCHING THE GLOBAL NEGOTIATIONS IN NEW YORK WAS NOT FORMALLY ON THE AGENDA. BUT HE HOPED THAT THE MEETING WOULD QUOTE REACH AN UNDERSTANDING WHICH WOULD FACILITATE THE NECESSARY AGREEMENTS UNQUOTE AND GIVE A POLITICAL IMPULSE TO THE EARLY START OF SUCH NEGOTIATIONS.

(D) HE ACKNOWLEDGED THAT THERE WAS CONCERN OVER WHAT HE DESCRIBED AS THE RECENT HARDENING OF THE UNITED STATES POSITION. MEXICO WISHED IT WERE NOT SO, BUT ALL COUNTRIES HAD TO DEAL WITH THE REALITIES THAT EXIST. THE CANCUN MEETING WOULD NOT BE A PLACE FOR RECRIMINATIONS OR FOR PUTTING ANY COUNTRY IN THE DOCK. IT WAS ESSENTIAL TO ESTABLISH AN ATMOSPHERE OF FRIENDSHIP AND UNDERSTANDING, RATHER THAN CONFRONTATION. HE HOPED THAT THE COMBINED WILL OF A MAJORITY OF THE COUNTRIES REPRESENTED AT CANCUN MIGHT HAVE A DECISIVE INFLUENCE IN SECURING GREATER ACCEPTANCE BY THE US OF THE PRINCIPLE OF GLOBAL NEGOTIATIONS. THERE HAD BEEN CHANGES IN THE POSITION OF OTHER COUNTRIES OF THE NORTH, NOTABLY GERMANY AND BRITAIN. IT COULD NOT BE SAID THAT THE US POSITION HAD CHANGED, BUT IT WAS NOT ONE OF RADICAL OPPOSITION.

/ (E) WHEN ASKED

(E) WHEN ASKED WHETHER PRESSURE ON THE US MIGHT NOT BE COUNTER-PRODUCTIVE, CASTENEDA SAID HE HOPED NOT. IT WOULD BE MORE LOGICAL THAT THE WILL OF A LARGE NUMBER OF COUNTRIES, INCLUDING CLOSE ALLIES OF THE US, SHOULD BE A FACTOR INDUCING CHANGE IN THE AMERICAN POSITION, THAN THAT THE US SHOULD FEEL CORNERED AND THEREFORE ADOPT A HARDER POSITION.

(F) THE OFFICIAL VISIT OF PRESIDENT MITTERRAND IMMEDIATELY BEFORE THE CONFERENCE DID NOT MEAN THAT MEXICO AND FRANCE WOULD FORM AN ALLIANCE AT CANCUN. MEXICO HAD HAD CONTACTS WITH A NUMBER OF COUNTRIES OVER THE POSSIBILITY OF PUTTING FORWARD PROPOSALS JOINTLY. HE DECLINED TO SAY WHAT PROPOSALS MEXICO MIGHT PUT TO THE MEETING, SINCE THIS WAS A MATTER FOR PRESIDENT LOPEZ PORTILLO HIMSELF.

(G) HE DENIED THAT THERE HAD BEEN ANY WEAKENING IN MEXICO'S SUPPORT FOR THIRD WORLD POSITIONS. THIS WAS SHOWN BY MEXICO'S DIPLOMATIC EFFORT REGARDING THE GLOBAL NEGOTIATIONS AND BY ITS PROPOSALS FOR A WORLD ENERGY PLAN. BUT MEXICO WAS NOW TRYING TO USE LESS RHETORIC AND PERHAPS TO BE MORE MODERATE IN THE MANNER OF EXPRESSING ITS POSITIONS.

(H) THERE WAS NO INTENTION TO INSTITUTIONALISE A RESTRICTED FORUM SUCH AS THE CANCUN GROUP. THE BEST FOLLOW-UP TO THE CONFERENCE WOULD BE THE MAINTENANCE OF INFORMAL PERSONAL CONTACTS BETWEEN THE PARTICIPATING HEADS OF STATE AND GOVERNMENT.

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TO IMMEDIATE FCO
TELEGRAM NUMBER 477 OF 14 OCTOBER.

TOUR TELNO 403 AND MY TELNO 463: CANCUN BILATERAL MEETING BETWEEN THE PRIME MINISTER AND THE MEXICAN PRESIDENT.

1. PRESIDENT LOPEZ PORTILLO'S MAIN PREOCCUPATION WHEN HE SEES THE PRIME MINISTER WILL BE THE MANAGEMENT OF THE CANCUN SUMMIT. HE IS NOW ACUTELY AWARE OF HIS RESPONSIBILITIES AS ONE OF THE TWO CO-CHAIRMEN, AND WILL FEEL THEM ALL THE MORE IF, AS IS POSSIBLE, CHANCELLOR KREISKY IS UNABLE TO COME. HIS MAIN ANXIETY SEEMS TO BE THE LIKELY POSITION OF PRESIDENT REAGAN ON MOST SUBJECTS COVERED BY THE AGENDA.
2. PRESIDENT LOPEZ PORTILLO WILL PROBABLY WISH TO ASK THE PRIME MINISTER'S ADVICE ON BOTH THE CONDUCT OF THE MEETING AND WHAT IT MIGHT REALISTICALLY ACHIEVE. HE WILL BE PARTICULARLY INTERESTED IN THE BRITISH - AND EUROPEAN COMMUNITY - ATTITUDE TOWARDS THE LAUNCHING OF THE GLOBAL NEGOTIATIONS, AND MAY SOUND OUT THE PRIME MINISTER ON WAYS OF DEALING WITH THE ENERGY PROBLEM, FROM SOME MODIFICATION OF HIS OWN IDEAS OF 1979 TO THE CREATION OF AN ENERGY AFFILIATE TO THE WORLD BANK. HE MAY ALSO ASK THE PRIME MINISTER FOR A PERSONAL ACCOUNT OF THE COMMONWEALTH HEADS OF GOVERNMENT MEETING AT MELBOURNE.
3. I HAVE ALREADY MENTIONED THE TOPICS REFERRED TO IN YOUR TEL NO 403 TO THE PRESIDENT'S PRIVATE SECRETARY (MY TELNO 465). THE PRIME MINISTER MIGHT SPEAK OF THE CLOSE COOPERATION BETWEEN BRITAIN AND MEXICO IN THE PROCESS WHICH LED UP TO THE INDEPENDENCE OF BELIZE, AND THE RENUNCIATION OF MEXICAN CLAIMS TO PART OF THE TERRITORY. SHE MIGHT EXPRESS THE HOPE THAT THE MEXICAN GOVERNMENT WILL DO ALL IT CAN TO STRENGTHEN ITS POLITICAL AND ECONOMIC RELATIONS WITH BELIZE, NOT LEAST BY ENCOURAGING PEMEX TO CONTINUE ITS OIL EXPLORATION PROGRAMME IN BELIZE. THE OTHER PROBLEMS OF CENTRAL AMERICA ARE MUCH ON THE PRESIDENT'S MIND. BUT IN THE LIMITED TIME AVAILABLE I DO NOT RECOMMEND THAT THE PRIME MINISTER SHOULD RAISE THE SUBJECT. IF SHE DID SO PRESIDENT LOPEZ PORTILLO MIGHT EMBARK ON A DEFENCE OF WELL-WORN MEXICAN VIEWS ABOUT THE NEED TO COME TO TERMS WITH FORCES FOR CHANGE IN THE AREA, INCLUDING NICARAGUA AND THE OPPOSITION IN EL SALVADOR. EVEN SO HE IS INCREASINGLY CONSCIOUS OF THE WEIGHT OF MEXICAN RESPONSIBILITY IN THE AREA, AND PROBABLY FEELS LESS STRONGLY THAN HIS FOREIGN MINISTER ABOUT SUCH VENTURES AS THE FRANCO-MEXICAN DECLARATION ON EL SALVADOR.
4. THE MEXICANS ARE WELL AWARE OF OUR WISH FOR CLOSER BILATERAL RELATIONS WITH MEXICO, ESPECIALLY OVER TRADE AND ENERGY. BUT THE PRESIDENT WOULD WELCOME A FIRM DECLARATION TO THIS EFFECT BY THE PRIME MINISTER. SHE COULD EMPHASIZE THAT BRITISH INDUSTRY IS INTERESTED NOT ONLY IN SELLING TO MEXICO BUT ALSO IN ESTABLISHING

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MANUFACTURING JOINT VENTURES AND IN BUYING MEXICAN GOODS (FOR EXAMPLE THE RECENT OIL CONTRACTS WITH BP AND SHELL, AND THE POSSIBILITY OF GEC BUYING MEXICAN REFINED COPPER). SHE COULD ALSO MENTION THE UNPRECEDENTED FINANCIAL SUPPORT THE GOVERNMENT HAS GIVEN TO DAVY'S BIDS FOR THE SICARTSA PLATEMILL AND THE LA CARIDAD COPPER REFINERY AS ILLUSTRATION OF OUR COMMITMENT TO INDUSTRIAL COOPERATION. AN UP-TO-DATE NOTE ON HOW THINGS STAND ON THE MAJOR COMMERCIAL CONTRACTS FOR WHICH BRITISH INDUSTRY IS BIDDING IN MEXICO WILL BE SUBMITTED NEARER THE TIME. IF DAVY OBTAINS THE SICARTSA 11 CONTRACT, THEN THE REMARKS MADE TO ME TODAY BY OTEYZA (MINISTER OF INDUSTRY) ABOUT THE PROSPECTS FOR FUTURE LARGE-SCALE COOPERATION BETWEEN THE MEXICAN AND BRITISH STEEL INDUSTRIES WOULD BE A POINT OF MAJOR INTEREST (MY TELNO 147 CRED A).

5. FROM MY OWN BRIEF ENCOUNTERS WITH THE PRESIDENT (THE LAST YESTERDAY), I HAVE FOUND HIM CONGENIAL AND OPEN-MINDED. THOSE WHO KNOW HIM WELL SAY THAT HE OPERATES BY INTUITION RATHER THAN THE BOOK, AND HAS AN UNUSUALLY WIDE RANGE OF INTERESTS FROM PRE-COLUMBIAN HISTORY TO AMATEUR PAINTING. AT PRESENT HE LOOKS TIRED. HE IS CONSCIOUS THAT POWER IS ALREADY SLIPPING AWAY TO HIS PROBABLE SUCCESSOR. CUNCUN WILL BE SOMETHING OF AN ORDEAL FOR HIM. ON ITS SUCCESS HANGS MUCH OF HIS OWN FUTURE REPUTATION AS AN INTERNATIONAL FIGURE.

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FROM UKMIS NEW YORK 102200Z OCT 81

TO IMMEDIATE F C O

TELEGRAM NUMBER 1027 DATED 12 OCTOBER 81

INFO UKREP BRUSSELS, WASHINGTON, UKMIS GENEVA, UKDEL OECD

MIPT: GLOBAL NEGOTIATIONS

1. FOLLOWING ARE MAIN POINTS FROM ALGERIAN AMBASSADOR'S SPEECH OF 9 OCTOBER ON DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION (ITEM 69) IN THE SECOND COMMITTEE.
2. BEDJAOUI SAID THAT THE G77 SPOKE WITH UNITY AND SOLIDARITY OF VISION. THEY SAW DAMAGING TENDENCIES IN INTERNATIONAL ECONOMIC COOPERATION. THEIR RESPONSE MUST BE CLEAR. OUTDATED DOCTRINES WERE RAISING THEIR HEAD. THE G77 WERE WORRIED BY A NEW HYMN OF PRAISE FOR LIBERALISM AS A PANACEA AND THE RESURGENCE OF ANACHRONISTIC POLICIES WHICH FAILED TO CORRESPOND TO THE REALITIES OF TODAY.
3. TO REDUCE DEVELOPMENT POLICY TO A FUNCTION OF THE MARKET PLACE WAS TO ENTRUST THE DESTINY OF PEOPLES TO CHANCE. THE SAME WAS TRUE OF THE EMPHASIS ON PRIVATE CAPITAL FLOWS AND TRANSNATIONAL CORPORATIONS. DEVELOPMENT OF THE THIRD WORLD SHOULD BE THE ECONOMIC AND POLITICAL FACT OF OUR DAY. IT WAS THE KEY TO THE FUTURE. FREE MARKET THEORIES DID NOT LEAD TO INTERDEPENDENCE BUT SIMPLY MADE THE RICH RICHER. THE NEW PHILOSOPHIES HAD ALL THE FEATURES OF A BYGONE ERA, INCLUDING ITS EMPHASIS ON TRANSNATIONAL INVESTMENT.

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4. THE WORLD CRISIS WAS GLOBAL, PROFOUND AND TOTAL. SOLUTIONS MUST BE LASTING AND NEGOTIATED. INTERNATIONAL ECONOMIC COOPERATION MUST BE ORDERED, FREE OF EXPLOITATIVE RELATIONSHIPS. IT MUST BE UNDERSTOOD THAT:

- A) THE CRISIS WAS NOT CYCLICAL BUT STRUCTURAL; AND DEVELOPMENT WAS THE KEY TO NEW ECONOMIC GROWTH;
- B) THE NEED FOR CHANGED RULES WAS DICTATED BY HISTORY;
- C) SOLUTIONS MUST BE GLOBAL NOT SELECTIVE, AND IN THIS REGARD THE UN WAS THE ESSENTIAL TOOL;
- D) PROBLEMS WERE TOO GREAT TO BE TREATED BY SUBORDINATE BODIES;
- E) NORTH/SOUTH MUST BE SEPARATED FROM EAST/WEST.

5. THE FUTURE OF THE NORTH/SOUTH DIALOGUE LAY IN GLOBAL NEGOTIATIONS, UNANIMITY ON WHICH HAD BEEN HELD UP, REGRETTABLY, BY A SINGLE COUNTRY. THE G77 ATTACHMENT TO GNS WAS FIRM. THEY CONFIRMED THEIR WILL "TO TAKE PART AT THIS SESSION OF THE CA IN FUTURE CONSULTATIONS ON THE LAUNCHING OF GNS WITH A CONSTRUCTIVE INCLINATION AND MINDS OPEN TO POSITIVE DIALOGUE".

6. BEDJAQUI CLOSED WITH PRAISE FOR SOUTH/SOUTH RELATIONS AND THE COMMENT THAT THE PRESENT SYSTEM OF INTERNATIONAL ECONOMIC RELATIONS WAS MARKED BY INEXORABLE DECOMPOSITION.

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FM UKMIS NEW YORK 122200Z OCT 81

TO IMMEDIATE F C O

TELEGRAM NUMBER 1026 OF 12 OCTOBER 1981

INFO UKREP BRUSSELS, WASHINGTON, UKMIS GENEVA, UKDEL OECD.

YOUR TELNO 584: GLOBAL NEGOTIATIONS.

1. MY TELNO 808 SET OUT THE FRAMEWORK AND MY TELS NOS 835 AND 980 AND BOYD'S TELELETTER OF 8 OCTOBER TO BAYNE REPORTED SUBSEQUENT DEVELOPMENTS. PRESIDENT REAGAN IS NOW EXPECTED TO MAKE HIS STATEMENT IN PHILADELPHIA (NOT NEW YORK) ON 15 OCTOBER. EVERYONE WAITS ON THAT. THE US MISSION SAW A FIRST DRAFT BY MEISSNER WHICH WENT NO FURTHER THAN HAIG'S SPEECH TO THE GA BUT CLEARLY EXPECT IT TO EVOLVE.

2. MEANWHILE, IN A VACUUM, DISCUSSION CONTINUES BETWEEN MISSIONS IN NEW YORK. KAISER (BANGLADESH) HAS ASKED TO SEE ME ON 14 OCTOBER. IN OUR SPEECH FOR THE COMMUNITY IN THE SECOND COMMITTEE WE MADE THE BRIEFEST OF REFERENCES TO THE GLOBAL NEGOTIATIONS (TEXT DESPATCHED BY BAG ON 9 OCTOBER). THE ALGERIAN AMBASSADOR'S SPEECH FOR THE GROUP OF 77 WAS FRENCH IN STYLE AND CONCEPT, BUT THE SUBSTANCE WAS HARD-LINE (SUMMARY IN MIFT). KITTANI SINGLED OUT GLOBAL NEGOTIATIONS FOR SPECIAL MENTION AT CONCLUSION OF THE GENERAL DEBATE (MY TELNO 1024, PARA 4). THE US DELEGATION HAVE NOT UTTERED.

3. SPEAKING TO US ON 9 OCTOBER, RIPERT (SECRETARIAT) AGREED THAT THE KITTANI SCENARIO IN PARAGRAPH 7 OF TELELETTER UNDER REFERENCE WAS ONE POSSIBILITY: BUT A GREAT DEAL OBVIOUSLY DEPENDED ON WHAT KIND OF GREEN LIGHT IF ANY WAS GIVEN AT CANCUN.

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PRIME MINISTER

I am not bothering you with much material for Cancun this weekend, but you may like to be aware of this French attempt to steal a march on the other participants. M. Mitterrand argues that the discussion must have some specific questions to address. He therefore proposes that each Head of Government should say definitively whether global negotiations should be opened before the end of the year; and whether the World Bank should be enabled to have an energy affiliate in place by the end of the year.

MAJ

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9 October 1981

GRS 425

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FM VIENNA 081400Z OCT 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 224 OF 8 OCTOBER

INFO PRIORITY MEXICO CITY, PARIS, BONN AND WASHINGTON

MY TELNO 222: CANCUN SUMMIT

1. FOLLOWING IS TEXT OF FRENCH NOTE DELIVERED TO MINISTRY OF FOREIGN AFFAIRS:-

MEMORANDUM AUX DEUX CO-PRESIDENTS DE LA REUNION DE CANCUN

AUX YEUX DU PRESIDENT DE LA REPUBLIQUE FRANCAISE, LE SOMMET DE CANCUN DOIT ETRE L'OCCASION D'UN ECHANGE DE VUES OUVERT ET CONSTRUCTIF SUR L'ENSEMBLE DES PROBLEMES AVEC LESQUELS SE TROUVENT CONFRONTES LES PAYS DU NORD ET DU SUD DE LA PLANETE. CES PROBLEMES SONT INTIMEMENT LIES, DU FAIT DE L'INTERDEPENDANCE DES ECONOMIES. LEUR SOLUTION DOIT ETRE RECHERCHEE EN COMMUN. NUL PAYS NE PEUT EN EFFET ESPERER CONNAITRE UNE PROSPERITE DURABLE SI SES PARTENAIRES STAGNENT OU DECLINENT. C'EST DONC SUR L'ENSEMBLE DE CES PROBLEMES, SUR LEUR GRAVITE PARTICULIERE QUAND ILS AFFECTENT CERTAINS PAYS EN DEVELOPPEMENT, SUR LES VOIES DE SOLUTION A EXPLORER QUE LE PRESIDENT DE LA REPUBLIQUE FRANCAISE ENTEND S'EXPRIMER.

IL NE CONCOIT CEPENDANT PAS QUE LE SOMMET DE CANCUN DOIVE ETRE EXCLUSIVEMENT CONSACRE A DES ECHANGES DE VUES TRES GENERALES. IL LUI PARAIT SOUHAITABLE QUE SOIENT PRISES QUELQUES DECISIONS CONCRETES ET SIGNIFICATIVES. ELLES PORTERAIENT TEMOIGNAGE DE L'ENGAGEMENT DE TOUS LES PARTICIPANTS A FAIRE RAPIDEMENT PROGRESSER LA COOPERATION INTERNATIONALE.

A CET EGARD, LE PRESIDENT DE LA REPUBLIQUE FRANCAISE POSERA A SES PARTENAIRES DES QUESTIONS PRECISES, AUXQUELLES IL EST NECESSAIRE QUE SOIENT DONNEES DES REPONSES SANS EQUIVOQUE. LES DEUX QUESTIONS SUIVANTES SONT DE CET ORDRE:

I/ "ETES-VOUS D'ACCORD POUR QUE LES NEGOCIATIONS GLOBALES PREVUES PAR LA RESOLUTION 34-139 DE L'ASSEMBLEE GENERALE DES NATIONS UNIES SOIENT EFFECTIVEMENT OUVERTES AVANT LA FIN DE LA PRESENTE ANNEE?" IL EST ESSENTIEL DE METTRE ENFIN EN OEUVRE CETTE RESOLUTION ADOPTEE DEPUIS PRES DE DEUX ANS PAR TOUS LES PAYS DU MONDE REPRESENTES AUX NATIONS-UNIES. LES DIVERGENCES CONSTATEES A L'ISSUE DES TRAVAUX PREPARATOIRES SONT TRES REDUITES ET AISEMENT SURMONTABLES.

II/ "ETES-VOUS D'ACCORD POUR QUE SOIENT DECIDEES AVANT LA FIN DE L'ANNEE LES MODALITES PERMETTANT A LA BANQUE MONDIALE DE MOBILISER DES FINANCEMENTS TRES IMPORTANTS POUR ACCROITRE

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MASSIVEMENT LA PRODUCTION ENERGETIQUE DANS LES PAYS EN DEVELOPP-
EMENT?" LE PROJET, MUREMENT ETUDIE, D'UNE FILIALE SPECIALISEE
DE LA BANQUE MONDIALE REPOND BIEN A CET OBJECTIF. IL CONVIENT EN
TOUT CAS DE GARANTIR DES APPORTS COMPARABLES DE CAPITAUX PAR LES
DIVERSES CATEGORIES DE PAYS EN MESURE D'Y PROCEDER ET UNE PARTICIP-
ATION EQUIVALENTE DES APORTEURS DE CAPITAUX A LA MISE EN OEUVRE
DU PROJET ET PAR CONSEQUENT A LA PRISE DE DECISIONS.

IL EST EVIDENT QUE LES DISCUSSIONS DE CANCUN NE SE LIMITERONT
PAS A CES DEUX SUJETS. MAIS LE PRESIDENT FRANCAIS AIMERAIT QUE
SON INTENTION DE DEMANDER DEUX REPONSES CLAIRES A CES QUESTIONS
PRECISES SOIT COMMUNIQUEE AUX 19 AUTRES PARTICIPANTS.

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FM MEXICO CITY 090130Z OCT 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 463 OF 9 OCTOBER

INFO PRIORITY VIENNA, PARIS, BONN AND WASHINGTON

VIENNA TELNO 222 AND MY TELNO 447(NOT TO ALL): CANCUN SUMMIT.

1. MANY MEXICANS, INCLUDING THE FOREIGN MINISTER, WOULD HAVE FAVOURED THE IDEA OF A DECLARATION OF PRICIPLES TO FOLLOW CANCUN, AND THE MELBOURNE DECLARATION MAY HAVE ACTED AS A SPUR TO THEM. THEY MAY NOW BE HAVING ANOTHER TRY. BUT I SPOKE TODAY TO ANGUIANO ROCH (NAVARRETE'S DEPUTY) WHO FOR WHAT IT IS WORTH CONFIRMED THAT THE MEXICANS HAD NO MORE IN MIND THAN A SUMMARY OF THE SUMMIT PROCEEDINGS, AS AGREED BY THE FOREIGN MINISTERS ON 1 + 2 AUGUST.

2 WE CANNOT RULE OUT FURTHER ZIG-ZAGS IN THE MEXICAN POSITION. PRESIDENT LOPEZ PORTILLO MAY WELL WAIT UNTIL THE CONFERENCE ITSELF TO JUDGE THE MAXIMUM THE OTHER PARTICIPANTS WILL ACCEPT.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 223 OF 8 OCTOBER

INFO PRIORITY MEXICO CITY, PARIS, BONN AND WASHINGTON

MIPT

CANCUN SUMMIT

POSSIBLE FUTURE MEETINGS

1. LENNKH TOLD HEAD OF CHANCERY THAT THERE HAD BEEN A GOOD DEAL OF GENERAL DISCUSSION ON WHAT MIGHT HAPPEN AFTER CANCUN. VARIOUS IDEAS HAD EMERGED. ONE SUGGESTION WAS THAT WORKING PARTIES SHOULD BE CREATED IN THE VARIOUS UN SPECIALISED AGENCIES TO PURSUE IDEAS MOOTED AT CANCUN. ANOTHER SUGGESTION WAS THAT ONE OR MORE WORKING PARTIES SHOULD BE SET UP DIVORCED FROM THE UN APPARATUS. A PROBLEM ABOUT THIS SUGGESTION WAS WHEN AND TO WHAT BODY SHOULD SUCH WORKING PARTY(S) REPORT. A THIRD SUGGESTION WAS THAT THERE SHOULD BE SUBSEQUENT SUMMITS ON CANCUN LINES HELD ANNUALLY OR EVERY TWO OR THREE YEARS: THESE COULD GIVE MOMENTUM TO ANY WORKING PARTIES ESTABLISHED.

2. LENNKH SAID KREISKY HAD DOUBTS ABOUT THE WISDOM OF TRYING TO AGREE ON FUTURE SUMMITS AT THIS STAGE. GOVERNMENTS NOT INVITED TO CANCUN HAD BEEN DIFFICULT TO PLACATE EVEN ON THIS OCCASION. IT WOULD BE UNREASONABLE TO EXPECT THEM TO ACCEPT ANY AGREEMENTS REACHED AT ANY SUBSEQUENT SUMMITS AT WHICH THEY DID NOT HAVE A VOICE. THERE WOULD BE PRESSURE FOR ROTATING MEMBERSHIP AND/OR FOR REPRESENTATION ON GEOGRAPHICAL AND OTHER GROUNDS LEADING ALMOST TO A DUPLICATION OF UN MACHINERY. THIS WOULD BE COMPLICATED EXPENSIVE AND LEAD TO ENDLESS ROWS. FOR THESE REASONS, IF ANY SUBSEQUENT ARRANGEMENT WERE PROPOSED, OF THE SUGGESTIONS ABOVE THE AUSTRIANS TENDED TO FAVOUR THE CREATION OF WORKING PARTIES IN THE UN. RECOGNISED MACHINERY AND PROCEDURES ON REPRESENTATION EXISTED THERE.

3. LENNKH SAID THAT WHATEVER TRANSPIRED AT CANCUN, KREISKY, WHO WAS NOT IN GOOD HEALTH, WHO WAS HEAVILY ENGAGED ON OTHER MATTER AND WHO DID NOT RATE ECONOMIC DEVELOPMENT AS HIS MAIN INTEREST (HE IS CONSCIOUS OF AUSTRIA'S POOR AID RECORD), WOULD NOT PROPOSE THAT AUSTRIA SHOULD BE INCLUDED IN ANY SUBSEQUENT

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/SUMMITS/WORKING

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SUMMITS/WORKING PARTIES. KREISKY FELT HE HAD DISCHARGED HIS DEBT TO BRANDT BY AGREEING TO CO-SPONSOR THE CANCUN SUMMIT. HE WOULD BE SATISFIED IF THERE WERE SOME ACCEPTANCE AT CANCUN OF HIS LONGSTANDING IDEAS ON THE RECYCLING OF OPEC MONEY (VIENNA TELNO 172 AND FREE-GORE'S LETTER OF 15 JULY TO GREEN).

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TO IMMEDIATE FCO

TELEGRAM NUMBER 222 OF 8 OCTOBER

INFO PRIORITY MEXICO CITY, PARIS, BONN AND WASHINGTON

MEXICO CITY TELEGRAM NUMBER 447 (NOT TO ALL).

CANCUN SUMMIT

1. LENNKH, (CHANCELLOR KREISKY'S PERSONAL REPRESENTATIVE FOR THE PREPARATION OF THE CANCUN SUMMIT) MADE THE FOLLOWING POINTS TO HEAD OF CHANCERY YESTERDAY.

COMMUNIQUE/DECLARATION (LAST TWO WORDS UNDERLINED)

2. THE MEXICANS HAD MADE IT CLEAR TO AUSTRIANS THAT THEY STILL HOPED HEADS OF GOVERNMENT WOULD AGREE TO THE ISSUE OF A DRAMATIC DECLARATION AT THE CLOSE OF THE CONFERENCE SETTING OUT A NUMBER OF SPECIFIC PROPOSALS FOR THE FURTHER ECONOMIC DEVELOPMENT OF THE LDC'S. THE MEXICANS HAD NOTED THE LENGTHY MELBOURNE DECLARATION OF 3 OCTOBER AND HOPED THAT SOMETHING EQUALLY IMPRESSIVE WOULD EMERGE AT CANCUN. NAVARRETTE HAD SUGGESTED TO LENNKH ONLY THAT MORNING THAT THE CONCLUDING STATEMENT SHOULD RUN INTO SOME 6 - 7 PAGES. LENNKH HAD REPLIED THAT THE AUSTRIANS FELT THAT IT WOULD BE SUFFICIENT FOR THE CO-CHAIRMAN TO ISSUE A BRIEF SUMMARY AS AGREED AT THE PREPARATORY TALKS IN CANCUN ON 1/2 AUGUST. IF THE CONFERENCE DECIDED HOWEVER THAT A COMMUNIQUE SHOULD BE ISSUED THIS SHOULD BE LIMITED IN THE AUSTRIAN VIEW TO ONE OR TWO PAGES BRIEFLY DESCRIBING THE PURPOSE OF THE CONFERENCE, THE PARTICIPANTS AND THEIR GENERAL CONCLUSIONS. IF IT WERE THE GENERAL WISH THAT THE CO-CHAIRMAN'S SUMMARY SHOULD ALSO BE PUBLISHED IT MIGHT BE ISSUED AS AN ANNEX TO THE COMMUNIQUE. THE SUMMARY COULD DESCRIBE THE MAIN TOPICS DISCUSSED AND INCLUDE BRIEF EXTRACTS PERHAPS ATTRIBUTIVELY, FROM STATEMENTS MADE BY PRINCIPAL SPEAKERS. THE ATTRACTION OF SUCH A SUMMARY WAS THAT IT WOULD PROVIDE A FAIRLY DETAILED RECORD OF THE TALKS AND IT WOULD ENSURE THAT INTERESTED GOVERNMENTS NOT PRESENT OBTAINED AN ACCURATE RECORD OF WHAT HAD TRANSPIRED. AUSTRIAN PREFERENCE WAS HOWEVER FOR ONLY A BRIEF CONCLUDING GENERALISED STATEMENT AT THE CO-CHAIRMAN'S RESPONSIBILITY.

3. LENNKH SAID THE MEXICANS HAD A NATURAL PREDILECTION FOR LONG RHETORIC STATEMENTS. THEIR WISH ON THIS OCCASION TO INCLUDE ALSO DECLARATIONS OF SPECIFIC INTENT WAS BEING ENCOURAGED BY THE FRENCH WITH WHOM THEY WERE IN CLOSE CONSULTATION. THE CANADIANS AND IT WAS BELIEVED TO SOME EXTENT THE WEST GERMANS ALSO APPEARED TO FAVOUR A DECLARATION CONTAINING FIRM COMMITMENTS. CASH SURPLUS COUNTRIES ON THE OTHER HAND SUPPORTED THE AUSTRIAN VIEW FOR OBVIOUS REASONS. THE INDIANS WERE ALSO BEING HELPFUL OVER SEEKING A COMPROMISE FORMULA.

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/4. LENNKH

4. LENNKH UNDERTOOK TO LET US HAVE SIGHT OF ANY MEXICAN DRAFT RECEIVED IN VIENNA BEFORE THE TALKS. HE SAID HE WAS SURE THE CHANCELLOR WOULD WELCOME UK COMMENTS ON IT.

GLOBAL NEGOTIATIONS (LAST TWO WORDS UNDERLINED)

5. THE MEXICANS WERE KEEN TO OPEN ANY CONCLUDING COMMUNIQUE WITH A POSITIVE REFERENCE TO GLOBAL NEGOTIATIONS. THEY ARGUED THAT THERE WAS WIDESPREAD EXPECTATION THAT POSITIVE COMMENT ON THE RESUMPTION OF GLOBAL NEGOTIATIONS WOULD EMERGE AT CANCUN AND THAT IT WOULD BE IMPOSSIBLE TO RESIST PRESSURE IN THIS DIRECTION. THE SAUSTRIANS AGREE THAT GLOBAL NEGOTIATIONS MUST BE REFERRED TO IN ANY COMMUNIQUE BUT BELIEVE THAT IN THE INTERESTS OF ACHIEVING A CONSENSUS IT SHOULD BE GIVEN LESS PROMINENCE IN THE TEXT.

6. LENNKH SAID KREISKY THOUGHT THE AMERICANS HAD MISPLAYED THEIR HAND IN RAISING DIFFICULTIES OVER GLOBAL NEGOTIATIONS AND THAT AS A RESULT THE RESUMPTION OF GLOBAL NEGOTIATIONS HAD TAKEN A GREATER SIGNIFICANCE THAN IT MERITED. PRIVATELY THE AMERICANS HAD ADMITTED TO KREISKY THAT THEY SHARED THIS VIEW.

PRESS CONFERENCE (LAST TWO WORDS UNDERLINED)

7. LENNKH CONFIRMED THAT THE MEXICANS HAD HOPED THAT HEADS OF GOVERNMENT WOULD BE PREPARED TO STAY ON IN CANCUN FOR SATURDAY 24 OCTOBER (MEXICO CITY TELEGRAM NUMBER 426 TO FCO) TO AGREE THE TEXT OF THE PROPOSED DECLARATION AND TO ATTEND A JOINT PRESS CONFERENCE. THE AUSTRIANS HAD DISSUADED THE MEXICANS FROM THIS TIMETABLE. THEY HAD POINTED OUT THAT A NUMBER OF HEADS OF GOVERNMENT WOULD ALREADY HAVE ARRANGED TO LEAVE CANCUN ON 23 OCTOBER. FURTHERMORE THERE WOULD BE NO POINT IN ATTEMPTING TO HOLD A JOINT PRESS CONFERENCE THE DAY AFTER THE TALKS HAD OFFICIALLY ENDED. ON THE EVENING OF 23 OCTOBER HEADS OF GOVERNMENT WOULD COME UNDER PRESSURE FROM THEIR OWN PRESS CORRESPONDENTS TO SPEAK ABOUT THE CONFERENCE. THERE WOULD BE THE INEVITABLE DIFFERENCES IN INTERPRETATION AND OF EMPHASIS. THIS WOULD LEAD TO CHAOS AT ANY JOINT PRESS CONFERENCE ON 24 OCTOBER. LENNKH ADDED THAT CHANCELLOR KREISKY THOUGHT IT WOULD MAKE IT EASIER FOR THE CONFERENCE TO AVOID ISSUING A DETAILED CONCLUDING COMMUNIQUE IF HEADS OF GOVERNMENT AGREED TO ATTEND A JOINT PRESS CONFERENCE ON 23 OCTOBER.

CIRCULATION OF DOCUMENTS (LAST THREE WORDS UNDERLINED)

8. LENNKH SAID THE MEXICANS HAD AGREED THAT THE AUSTRIANS SHOULD BE RESPONSIBLE FOR CIRCULATING IN ADVANCE PAPERS FOR THE CONFERENCE (FCO TELEGRAM NUMBER 1419 TO WASHINGTON). BOTH THE FRENCH AND THE SWEDES HAD SAID THEY WOULD BE ISSUING PAPERS AND AND HE HAD ONLY A FEW MINUTES EARLIER RECEIVED THE FRENCH NOTE (SEE MY TELEGRAM NUMBER 224). LENNKH SAID HE WAS SURE THE

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/CHANCELLOR

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CHANCELLOR WOULD BE VERY DISAPPOINTED BY THIS FRENCH SATTEMPT TO SCREW PARTICIPANTS DOWN TO DEFINITE COMMITMENTS. THIS COULD NOT BE HELPFUL. HE SAID HE WOULD BE CIRCULATING COPIES TO OTHER PARTICIPATING GOVERNMENTS DURING THE NEXT FEW DAYS.

MEETING WITH MRS THATCHER (LAST FOUR WORDS UNDERLINED)

9. CHANCELLOR KREISKY PLANNED TO ARRIVE EARLY IN CANCUN, POSSIBLY ON 19/20 OCTOBER. HE HOPED TO MEET SOME HEADS OF GOVERNMENT BEFORE THE CONFERENCE AND WAS PARTICULARLY KEEN TO MEET MRS THATCHER FOR A PRELIMINARY EXCHANGE OF VIEWS. LENNKH SAID IT WOULD BE HELPFUL TO KNOW WHETHER THIS WOULD BE ACCEPTABLE TO THE PRIME MINISTER AND IF SO TO KNOW HER PROPOSED ARRIVAL TIME IN CANCUN.

10. PLEASE SEE M I F T.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 447 OF 6 OCTOBER

INFO WASHINGTON AND VIENNA

CANCUN SUMMIT

1. IT MAY BE USEFUL FOR YOU IN PREPARING FOR THE CANCUN SUMMIT TO HAVE AN ASSESSMENT OF PRESIDENT LOPEZ PORTILLO'S APPROACH TO IT BOTH AS ONE OF THE TWO CO-CHAIRMEN AND AS PRESIDENT OF MEXICO.
2. FOR LOPEZ PORTILLO THE CANCUN SUMMIT MAY BE HIS LAST OPPORTUNITY TO PLAY A ROLE ON THE INTERNATIONAL STAGE. HIS GOVERNMENT HAS INVESTED MUCH POLITICAL CAPITAL ON ITS SUCCESS, AND HE WOULD CLEARLY LIKE TO GO DOWN IN HISTORY AS A LEADER CLOSELY ASSOCIATED WITH A TURN IN INTERNATIONAL RELATIONS WHICH WOULD DEMONSTRATE MEXICO'S GROWING IMPORTANCE. WITHIN THE CONSTRAINTS SET BY THE FOREIGN MINISTERS AT THEIR PREPARATORY MEETING ON 1-2 AUGUST, HIS AIM SEEMS NOW TO BE TO GIVE A TOP LEVEL PERSONAL IMPULSE TO THE DEBATE BETWEEN THE INDUSTRIAL AND OTHER COUNTRIES ON THE WHOLE RANGE OF DEVELOPMENT PROBLEMS. IN THIS PROCESS THE GLOBAL NEGOTIATIONS HAVE PRIDE OF PLACE. ON 29 SEPTEMBER LOPEZ PORTILLO SAID THAT IF THE CANCUN MEETING FAILED TO REVITALIZE THE UNITED NATIONS THROUGH GLOBAL NEGOTIATIONS, NORTH-SOUTH AND EAST WEST RELATIONS WOULD BE FURTHER COMPLICATED. AND HUMANITY WOULD RUN THE RISK OF CRUCIFYING ITSELF. HIS ADVISERS, WELL AWARE OF THE NEED TO AVOID EXCESSIVE COMMITMENT TO THE GLOBAL NEGOTIATIONS AS SUCH IN VIEW OF THE AMERICAN ATTITUDE TOWARDS THEM, HAVE RECENTLY LAID MORE EMPHASIS ON THE PRACTICAL RATHER THAN INSTITUTIONAL ASPECTS OF THE PROBLEM. FOR HIS PART THE FOREIGN MINISTER HAS DESCRIBED THE OBJECTIVES OF CANCUN AS BEING TO CLEAR THE PATH FOR FUTURE NEGOTIATIONS, INCREASE MUTUAL UNDERSTANDING, AND OPEN THE WAY FOR ACTION.
3. APPARENTLY LOPEZ PORTILLO HELD HIS FIRST MAJOR BRIEFING MEETING WITH MINISTERS AND SENIOR OFFICIALS ON 2 OCTOBER. ALTHOUGH THE GOVERNMENT'S GENERAL APPROACH TOWARDS THE CONFERENCE WAS THEN AGREED, ITS POSITION ON THE SUBJECTS WHICH FORM THE ROUGH AGENDA PRODUCED BY THE FOREIGN MINISTERS IS STILL UNDER DISCUSSION. HERE LOPEZ PORTILLO'S ROLE AS CO-CHAIRMAN IS A COMPLICATING FACTOR. ACCORDING TO ONE OF HIS SENIOR OFFICIALS, LOPEZ PORTILLO SEES HIS MAIN ROLE AT CANCUN AS CO-CHAIRMAN; HENCE HE MAY WISH TO CAJOLE DELEGATIONS INTO MIDDLE POSITIONS BETWEEN FOR EXAMPLE THE AMERICANS AT ONE END OF THE SPECTRUM AND THE ALGERIANS AT THE OTHER TO ENABLE HIM AND CHANCELLOR KREISKY TO MAKE A COHERENT SUMMING UP AT THE END. HE MAY WELL BE CONSCIOUS OF HIS OWN RELATIVE LACK OF EXPERIENCE IN INTERNATIONAL AFFAIRS AND IN CHAIRING INTERNATIONAL MEETINGS. HE DOES NOT EVEN HAVE THE EXPERIENCE OF RUNNING REGULAR CABINET MEETINGS IN MEXICO.

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4. IN THE LAST FEW WEEKS THE MEXICANS HAVE PURSUED A SOMEWHAT ZIG-ZAG COURSE: THE GRAND RAPIDS MEETING WITH PRESIDENT REAGAN AND TRUDEAU, AND THE FRANCO/MEXICAN DECLARATION ARE PART OF A PATTERN. PROBABLY LOPEZ PORTILLO'S MAIN ANXIETY IS THE ATTITUDE OF PRESIDENT REAGAN, AS ILLUSTRATED IN RECENT SPEECHES BY BOTH PRESIDENT REAGAN AND HAIG. LOPEZ PORTILLO MAY HOPE THAT ON THE BASIS OF HIS OWN GOOD PERSONAL RELATIONSHIP WITH HIM AND THE STAKE THE AMERICANS HAVE IN GOOD RELATIONS WITH MEXICO, PRESIDENT REAGAN WILL TAKE A MORE CONCILIATORY LINE THAN IN THE PAST ON SUCH QUESTIONS AS THE ROLE OF THE PUBLIC SECTOR IN ECONOMIC DEVELOPMENT, CHANGES IN THE INTERNATIONAL FINANCIAL INSTITUTIONS, AND MULTILATERAL AGAINST BILATERAL FORMS OF RELATIONSHIP BETWEEN INDUSTRIAL AND OTHER COUNTRIES.

5. BUT THERE IS OF COURSE PRESSURE ON LOPEZ PORTILLO FROM THE OTHER SIDE, AND HE CANNOT AFFORD TO QUALIFY HIS POSITION AS A MAN OF THE SOUTH IN THE NORTH-SOUTH DIALOGUE. THE PRESS HERE IS ALREADY IN FULL CRY ON THIS SUBJECT. HE ALREADY HAS A GUILTY CONSCIENCE ABOUT THE ABSENCE OF PRESIDENT CASTRO FROM THE MEETING, AND HAS HIS OWN LEFT-WING IMAGE, PARTICULARLY IN CENTRAL AMERICA, TO KEEP IN GOOD REPAIR. HE MAY WELL HOPE THAT SUCH PARTICIPANTS AS PRESIDENT MITTERRAND, TRUDEAU AND FALLDIN WILL PLAY SOME ROLE IN COAXING THE AMERICANS SOME WAY TOWARDS A MIDDLE POSITION.

6. HIS ATTITUDE TOWARDS BRITAIN IS AMBIVALENT. ON THE ONE HAND HE PROBABLY BELIEVES THAT THE PRIME MINISTER'S IDEAS ARE CLOSER TO THOSE OF PRESIDENT REAGAN THAN TO THE OTHERS WHO SUBSCRIBED TO THE OTTAWA DECLARATION: ON THE OTHER HE WILL BE AWARE OF THE RESULTS OF THE COMMONWEALTH MEETING AT MELBOURNE AND IN PARTICULAR OF THE DECLARATION OF 3 OCTOBER. HE IS ALSO AWARE OF THE CURRENT BRITISH PRESIDENCY OF THE COMMUNITY AND OF THE TEXT ON NORTH/SOUTH MATTERS AGREED AT THE EUROPEAN COUNCIL IN JUNE. FOR THESE REASONS THE MEXICANS HAVE SHOWN PARTICULAR INTEREST IN THE BRITISH POSITION AND HAVE SCRUTINIZED OUR PUBLIC PRONOUNCEMENTS WITH CARE (SEE FOR EXAMPLE THE GOVERNMENT'S REPLY TO THE REPORT OF THE FOREIGN AFFAIRS COMMITTEE OF THE HOUSE OF COMMONS).

7. ON MATTERS OF SUBSTANCE LOPEZ PORTILLO HAS NOT OF COURSE FORGOTTEN HIS OWN ENERGY PROPOSALS OF TWO YEARS AGO. TODAY I ASKED NAVARRETE (DEPUTY MINISTER IN CHARGE OF SUMMIT MATTERS AT THE MINISTRY OF FOREIGN AFFAIRS) WHETHER THE PRESIDENT WAS LIKELY TO REVIVE THEM IN ONE FORM OR ANOTHER. NAVARRETE REPLIED THAT TIME HAD GONE BY SINCE THE PROPOSALS WERE FIRST PRODUCED BUT SOME OF THE IDEAS IN THEM STILL HAD VALUE. WHETHER LOPEZ PORTILLO WOULD RAISE THE ISSUE AT CUNCUN HAD NOT BEEN DECIDED. CERTAINLY LOPEZ PORTILLO WOULD NOT WISH TO BRING HIMSELF INTO CONFLICT WITH THE OPEC COUNTRIES, OR DIVIDE THE GROUP OF 77. BUT IF HE DID DECIDE TO PUT SOMETHING FORWARD FROM THE CHAIR IT COULD BE IN THIS FIELD.

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8. LOPEZ PORTILLO MAY ALSO FIND DISCUSSION OF FOOD AND AGRICULTURAL MATTERS SOMEWHAT EASIER THAN THE INTRACTABLE PROBLEMS OF TRADE AND FINANCE. SUCH ISSUES AS CEREAL STOCKS, EMERGENCY SUPPLIES TO THE POOREST COUNTRIES, AND THE STRENGTHENING OF INTERNATIONAL INSTITUTIONS CONCERNED WITH AGRICULTURE MIGHT BE A UNIFYING POINT IN WHAT OTHERWISE COULD BE A DIVISIVE MEETING. NONE OF THOSE CONCERNED WITH THE PREPARATIONS FOR CANCUN HAS SO FAR INDICATED IDEAS OF ANY ORIGINALITY, AND I DOUBT IF THERE WILL BE A MAJOR MEXICAN CONTRIBUTION OF SUBSTANCE.

9. PROBLEMS OF PROCEDURE LOOM LARGER FOR THEM. ONE IS HOW THE SUMMIT SHOULD BE FOLLOWED UP. NAVARRETE TOLD ME THAT THE RESUMPTION OF GLOBAL NEGOTIATIONS WAS ONE FRAMEWORK AMONG OTHERS. AS FOR THE IDEA OF OTHER SUMMIT MEETINGS, HE SAID THAT THE MEXICANS WOULD PROBABLY AIM AT CANCUN TO AVOID ANY REFERENCE TO THE POSSIBILITY FOR FEAR THAT IT MIGHT DIMINISH THE PRESSURE FOR PROGRESS THROUGHOUT THE NORMAL CHANNELS. BUT HE SAID THAT THE CANCUN PARTICIPANTS MIGHT INFORMALLY KEEP IN TOUCH WITH EACH OTHER AFTER CANCUN, AND ONE DAY HOLD ANOTHER MEETING IF CIRCUMSTANCES SO REQUIRED. HE WAS OF COURSE AWARE OF THE FEELINGS OF COUNTRIES NOT INVITED TO CANCUN WHO MIGHT OBJECT TO THE EXISTENCE OF A CONTINUING CANCUN GINGER GROUP.

10. LOPEZ PORTILLO WOULD PROBABLY HAVE LIKED TO SEE CANCUN CROWNED WITH A DECLARATION OF PRINCIPLES. INDEED HE MAY REGARD THE MELBOURNE DECLARATION WITH SOME ENVY. BUT I THINK ALL HERE ACCEPT THAT THIS WILL NOT BE POSSIBLE AND THAT THE MOST THAT THE CO-CHAIRMEN CAN ACHIEVE WILL BE A RESOUNDING SUMMARY ISSUED ON THEIR OWN RESPONSIBILITY. I GATHER THAT IN THE LAST SESSION OF THE CONFERENCE LOPEZ PORTILLO IS LIKELY TO ASK THE OTHER PARTICIPANTS WHAT SORT OF IDEAS MIGHT GO INTO THE SUMMING UP, AND WILL THEN TRY TO MAKE THE MOST OF IT.

11. PLEASE SEE MIFT (NOT TO ALL).

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From the Minister

5 October 1981

Dear Mike, MAP

We spoke about your letter of 28 September to Roderic Lyne enclosing a sample of letters which the Prime Minister has received from MPs about the Mexico Summit.

... We, too, have had a good many letters, and I enclose two copies of a note prepared by the FCO (and approved by Mr Marten and Lord Trefgarne) which answers most of the points raised. Mr Marten has asked for copies to be placed in both Government and Opposition Whips' Offices, and we can easily let you have copies for your own use if you need them.

You will wish to note that the FCO leaflet covers the pre-Summit situation and may need to be updated in the light of the outcome of the Cancun meeting.

Copies of this letter and enclosure go to Roderic Lyne and to John Macgregor in Lord Trefgarne's office.

(Miss S E Unsworth)
Private Secretary

M Pattison Esq
10 Downing Street

2 October 1981

THE MEXICO SUMMIT AND THE BRANDT COMMISSION REPORT

THE BRITISH GOVERNMENT'S ROLE

The Government are deeply aware of the importance of improved co-operation with the Third World, so strongly advocated in the Brandt Commission Report. The Government recognise their responsibilities in this regard.

Like most people in Britain, they believe that the relatively rich countries should be helping their poorer neighbours. They must take part in the fight against poverty and assist those in the Third World to achieve a better life. This is not only a humanitarian imperative; it is also a matter of mutual economic interest. All will benefit from the working out of better international economic arrangements. This interdependence is not simply an economic matter; there is a link between economic advance and political stability.

The Government therefore accept the human, economic and political challenges set by the Brandt Commission Report. They do not agree with everything in the Report. But these differences concern methods not goals.

The Prime Minister will take part, together with the leaders of 21 other countries, in the Cancun Summit, Mexico, on 22-23 October, 1981.

Those at the Cancun Summit will not engage in negotiations. There will be a frank and informal exchange of views to achieve the maximum understanding and a meeting of minds. This should have a positive impact on the national policies of the participating countries - whatever their level of development - and give a powerful impetus to international activity across a wide range of co-operation and joint action. Its deliberations will be pursued in existing international organisations competent to deal with them.

The Government has already announced new aid initiatives to help the poorest countries. Within existing resources:-

- (a) £1.5 million is to be earmarked over the next three years to assist a number of African countries to strengthen their national agricultural research systems.
- (b) £4 million to 1983-84 to strengthen institutional support in the field of water supply.
- (c) £1.5 million to step up support for population programmes.
- (d) £2 million for energy resource planning.

FOOD SECURITY AND AGRICULTURAL DEVELOPMENT

The British Government will advocate that high priority be given to stimulating food production and improving food supplies in developing countries. This requires emphasis on food production and on supporting action - on such matters as land tenure, extension advice, achieving a good balance between food and cash crops, sensible pricing policies, efficient distribution and related infrastructure. Action should be concentrated in the poorest countries.

The Government will continue to provide official aid for food, agriculture and rural development, especially in the poorest food-importing countries. The Government would like to increase the proportion of bilateral aid devoted to these purposes when recipients favour this.

The Government support the use of existing international organisations, such as the Food and Agricultural Organisation and the World Food Programme, and are encouraging multilateral financial institutions to give high priority to food and agriculture. The multilateral development banks (to most of which Britain contributes) committed over \$5 billion in their 1980 financial year to agricultural projects.

The Government will work in favour of global food security arrangements, concentrating on practical measures. The United Kingdom, with its European Community partners, remains strongly in support of a new and effective International Grains Agreement. The Government support efforts to achieve the target of 500,000 tonnes for the International Emergency Food Reserve and to provide the Reserve with greater predictability of resources. The United Kingdom is again this year contributing to the International Emergency Food Reserve. Under the Food Aid Convention, the Community and its Member States together have undertaken to provide a total of 1.65 million tonnes of cereals annually, an increase of about 30% on the previous year. Of this, the United Kingdom is providing 117,000 tonnes as bilateral aid.

COMMODITIES, TRADE AND INDUSTRIALISATION

The Government recognise both the importance to developing countries of international trade, which is their largest single source of external revenue, and also the mutual advantage from trade for developed and developing countries. The Government are committed to maintaining liberal trading policies and an open multilateral trading system and will continue to resist protectionist pressures. The Government hope that developing countries will themselves act to reduce trade barriers.

Increased trade can bring problems of adjustment and care is required to ensure that change does not take place so fast as to provoke social disruption. In this spirit the Government are helping to prepare the European Community's position for the renewal of the GATT Multi-Fibre Arrangement. There has been strong growth in exports from developing countries, which now provide about 27% of world textile exports as against approximately 17% in 1970.

Considerable progress has been made internationally:

(a) The GATT Multilateral Trade Negotiations which ended in 1979, reduced tariffs and produced ten specific agreements removing non-tariff barriers to trade. Many of the Agreements provide for differential treatment for developing countries, who will enjoy the benefits without having to take on, at least at the beginning, the full range of obligations.

(b) Under the Second Lomé Convention (January 1981) between the European Community and sixty-one African, Caribbean and Pacific countries, all industrial exports and about 90% of agricultural exports from the ACP signatories enter the Community duty-free.

(c) The United Kingdom signed the Agreement establishing the Common Fund for Commodities (June 1980) and has pledged £4.3 million as a voluntary contribution to its Second Account.

(d) The European Community's revised Generalised Scheme of Preferences (January 1981) gives preferential entry into Community markets to exports from all developing countries, and offers greater benefits to the low-income countries: For example, duty-free access or preferential rates for agricultural products.

ENERGY

Energy conservation has a central place in United Kingdom energy policy. Rational energy pricing is a key element in this, as are the provision of information and advice, incentives for switching from oil to other fuels and for the development of new technologies for improving fuel efficiency, and the setting of efficiency standards.

The United Kingdom will continue to work to reduce oil dependency. There was a reduction of 14.0% in the United Kingdom oil consumption in 1980, with the result that oil now represents 39% of total United Kingdom energy consumption, including non-energy uses. In this respect, the United Kingdom has already achieved more than is laid down in the international targets.

The Government will work to secure agreement on new arrangements to promote energy exploration and development in the developing countries. This could include the establishment of an energy affiliate of the World Bank, whose new lending for coal, gas and oil projects in the year ending June 1980 totalled about US\$460 million. The World Bank's programme for energy for 1981-85 amounts to US\$13 billion - 17% of its total lending commitments over this period. The Government believe that any measures should be designed to attract the investible surpluses of oil-producing countries, and consider it important to ensure that multilateral finance should be associated with private capital.

The Government took an active part in the recent United Nations Conference on New and Renewable Sources of Energy which reached agreement on a Programme of Action, particularly in the developing countries.

FINANCE

The Government strongly endorse the view that the experience of the World Bank and IMF, built up over the last 35 years, provides the basis upon which to expand official international financial flows. They are ready to advocate practical measures in both institutions which will benefit developing countries.

The Government will continue to back the growth of the World Bank's lending and the provision of sufficient resources for this purpose. The first priority should be to bring into effect the \$40 billion general capital increase of the World Bank, with a 7.5% paid-in element. A possible change in the capital lending ratio could be considered provided that the Bank's ability to borrow at acceptably keen terms was not endangered.

The Government support the changes recently introduced in the IMF, which have greatly increased the amounts that the Fund can lend to finance balance of payments deficits and promote adjustment. The IMF staff expect to make commitments up to \$15 billion in financial year 1981-82, all to developing countries. The borrowing countries benefit from interest rates well below market rates and the poorest countries are usually eligible for a special rate. Poorest countries who are members and are faced with temporary increases in cereal import costs can benefit from the recent changes in the Compensatory Financing Facility.

The Government will advocate an increase in quotas in the IMF's 8th quota review appropriate to the large imbalances of its members. The 8th review should be used as the occasion to reflect in the quotas and hence in voting powers the development of the individual members' positions. At present, developing countries (including those belonging to OPEC) hold over 40% of the votes in the IMF. They occupy half the seats in the Boards of the Fund and the Bank, which normally take decisions by consensus.

OFFICIAL AID

The Government intend to maintain a substantial aid programme. The gross programme in 1981-82 is over £1,000 million. Only four OECD countries gave more aid than the United Kingdom in 1980. About two thirds of our bilateral aid programme went (in 1980/81) to the poorest countries which find it more difficult to gain from trade or private investment. The United Kingdom and other Community Member States aim to allocate 0.15% of GNP as aid to least developed countries. The United Kingdom was, by 1979 already close (0.14%) to the target.

The Government will respect its existing multilateral commitments, including that to provide 10% of the 6th Replenishment of the IDA (£555 million) and 18% of the 5th European Development Fund (about £500 million).

The size of the United Kingdom's aid programme must depend in large part on the strength of the United Kingdom's economy. When the health of the economy improves, the Government hope they will be able to do more.

The Government believe it is important to encourage private lending and direct investment to developing countries since this now makes up two-thirds of all financial flows to these countries. As the Brandt Report acknowledges such private flows in aggregate now form a much more important component of total financial flows than official development assistance. In 1980, the flow of net private capital to developing countries from the United Kingdom - about £4,800 million - was second among flows from all OECD countries, whether measured in absolute terms or as a percentage of GNP. The role of the United Kingdom financial institutions has been an essential factor in this. Combined official and private flows in 1980 totalled almost £5,500 million, equivalent to roughly 2.5% of GNP - well above the UN 1% of GNP target for combined flows.

Direct investment depends very largely on the policies adopted by developing countries and on creating confidence between host governments and investing firms. The United Kingdom has signed 15 bilateral investment promotion and protection agreements (8 of them in the last 18 months) with several more under negotiation.

2 October 1981

THE MEXICO SUMMIT AND THE BRANDT COMMISSION REPORT

THE BRITISH GOVERNMENT'S ROLE

The Government are deeply aware of the importance of improved co-operation with the Third World, so strongly advocated in the Brandt Commission Report. The Government recognise their responsibilities in this regard.

Like most people in Britain, they believe that the relatively rich countries should be helping their poorer neighbours. They must take part in the fight against poverty and assist those in the Third World to achieve a better life. This is not only a humanitarian imperative; it is also a matter of mutual economic interest. All will benefit from the working out of better international economic arrangements. This interdependence is not simply an economic matter; there is a link between economic advance and political stability.

The Government therefore accept the human, economic and political challenges set by the Brandt Commission Report. They do not agree with everything in the Report. But these differences concern methods not goals.

The Prime Minister will take part, together with the leaders of 21 other countries, in the Cancun Summit, Mexico, on 22-23 October, 1981.

Those at the Cancun Summit will not engage in negotiations. There will be a frank and informal exchange of views to achieve the maximum understanding and a meeting of minds. This should have a positive impact on the national policies of the participating countries - whatever their level of development - and give a powerful impetus to international activity across a wide range of co-operation and joint action. Its deliberations will be pursued in existing international organisations competent to deal with them.

The Government has already announced new aid initiatives to help the poorest countries. Within existing resources:-

- (a) £1.5 million is to be earmarked over the next three years to assist a number of African countries to strengthen their national agricultural research systems.
- (b) £4 million to 1983-84 to strengthen institutional support in the field of water supply.
- (c) £1.5 million to step up support for population programmes.
- (d) £2 million for energy resource planning.

FOOD SECURITY AND AGRICULTURAL DEVELOPMENT

The British Government will advocate that high priority be given to stimulating food production and improving food supplies in developing countries. This requires emphasis on food production and on supporting action - on such matters as land tenure, extension advice, achieving a good balance between food and cash crops, sensible pricing policies, efficient distribution and related infrastructure. Action should be concentrated in the poorest countries.

The Government will continue to provide official aid for food, agriculture and rural development, especially in the poorest food-importing countries. The Government would like to increase the proportion of bilateral aid devoted to these purposes when recipients favour this.

The Government support the use of existing international organisations, such as the Food and Agricultural Organisation and the World Food Programme, and are encouraging multilateral financial institutions to give high priority to food and agriculture. The multilateral development banks (to most of which Britain contributes) committed over \$5 billion in their 1980 financial year to agricultural projects.

The Government will work in favour of global food security arrangements, concentrating on practical measures. The United Kingdom, with its European Community partners, remains strongly in support of a new and effective International Grains Agreement. The Government support efforts to achieve the target of 500,000 tonnes for the International Emergency Food Reserve and to provide the Reserve with greater predictability of resources. The United Kingdom is again this year contributing to the International Emergency Food Reserve. Under the Food Aid Convention, the Community and its Member States together have undertaken to provide a total of 1.65 million tonnes of cereals annually, an increase of about 30% on the previous year. Of this, the United Kingdom is providing 117,000 tonnes as bilateral aid.

COMMODITIES, TRADE AND INDUSTRIALISATION

The Government recognise both the importance to developing countries of international trade, which is their largest single source of external revenue, and also the mutual advantage from trade for developed and developing countries. The Government are committed to maintaining liberal trading policies and an open multilateral trading system and will continue to resist protectionist pressures. The Government hope that developing countries will themselves act to reduce trade barriers.

Increased trade can bring problems of adjustment and care is required to ensure that change does not take place so fast as to provoke social disruption. In this spirit the Government are helping to prepare the European Community's position for the renewal of the GATT Multi-Fibre Arrangement. There has been strong growth in exports from developing countries, which now provide about 27% of world textile exports as against approximately 17% in 1970.

Considerable progress has been made internationally:

(a) The GATT Multilateral Trade Negotiations which ended in 1979, reduced tariffs and produced ten specific agreements removing non-tariff barriers to trade. Many of the Agreements provide for differential treatment for developing countries, who will enjoy the benefits without having to take on, at least at the beginning, the full range of obligations.

(b) Under the Second Lomé Convention (January 1981) between the European Community and sixty-one African, Caribbean and Pacific countries, all industrial exports and about 90% of agricultural exports from the ACP signatories enter the Community duty-free.

(c) The United Kingdom signed the Agreement establishing the Common Fund for Commodities (June 1980) and has pledged £4.3 million as a voluntary contribution to its Second Account.

(d) The European Community's revised Generalised Scheme of Preferences (January 1981) gives preferential entry into Community markets to exports from all developing countries, and offers greater benefits to the low-income countries: For example, duty-free access or preferential rates for agricultural products.

ENERGY

Energy conservation has a central place in United Kingdom energy policy. Rational energy pricing is a key element in this, as are the provision of information and advice, incentives for switching from oil to other fuels and for the development of new technologies for improving fuel efficiency, and the setting of efficiency standards.

The United Kingdom will continue to work to reduce oil dependency. There was a reduction of 14.0% in the United Kingdom oil consumption in 1980, with the result that oil now represents 39% of total United Kingdom energy consumption, including non-energy uses. In this respect, the United Kingdom has already achieved more than is laid down in the international targets.

The Government will work to secure agreement on new arrangements to promote energy exploration and development in the developing countries. This could include the establishment of an energy affiliate of the World Bank, whose new lending for coal, gas and oil projects in the year ending June 1980 totalled about US\$460 million. The World Bank's programme for energy for 1981-85 amounts to US\$13 billion - 17% of its total lending commitments over this period. The Government believe that any measures should be designed to attract the investible surpluses of oil-producing countries, and consider it important to ensure that multilateral finance should be associated with private capital.

The Government took an active part in the recent United Nations Conference on New and Renewable Sources of Energy which reached agreement on a Programme of Action, particularly in the developing countries.

FINANCE

The Government strongly endorse the view that the experience of the World Bank and IMF, built up over the last 35 years, provides the basis upon which to expand official international financial flows. They are ready to advocate practical measures in both institutions which will benefit developing countries.

The Government will continue to back the growth of the World Bank's lending and the provision of sufficient resources for this purpose. The first priority should be to bring into effect the \$40 billion general capital increase of the World Bank, with a 7.5% paid-in element. A possible change in the capital lending ratio could be considered provided that the Bank's ability to borrow at acceptably keen terms was not endangered.

The Government support the changes recently introduced in the IMF, which have greatly increased the amounts that the Fund can lend to finance balance of payments deficits and promote adjustment. The IMF staff expect to make commitments up to \$15 billion in financial year 1981-82, all to developing countries. The borrowing countries benefit from interest rates well below market rates and the poorest countries are usually eligible for a special rate. Poorest countries who are members and are faced with temporary increases in cereal import costs can benefit from the recent changes in the Compensatory Financing Facility.

The Government will advocate an increase in quotas in the IMF's 8th quota review appropriate to the large imbalances of its members. The 8th review should be used as the occasion to reflect in the quotas and hence in voting powers the development of the individual members' positions. At present, developing countries (including those belonging to OPEC) hold over 40% of the votes in the IMF. They occupy half the seats in the Boards of the Fund and the Bank, which normally take decisions by consensus.

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Commonwealth Information

CHOGM MEDIA BACKGROUNDER I

North-South Issues

North-South relations link this year's three summits: Ottawa, Melbourne and Cancun.

The condition of the global economy and prospects for development are always an important part of the agenda at Commonwealth summits. This year, the fact that the North-South summit in Cancun follows in two weeks, with a third of its participants drawn from the Commonwealth heightens the significance of the economic discussions among Commonwealth leaders.

Deadlock at the UN

The UN is the main forum for the global negotiation of North-South issues arising from the search by developing countries for a new international economic order.

The North-South dialogue stands stalemated after a Special Session of the United Nations failed last year (August/September 1980) to agree on the procedure and agenda for a Global Round of negotiations. The Global Round should have started early this year. The stand taken by three countries - the United States, Britain and West Germany - led to deadlock at the UN.

Mexico Summit

Hopes for a resolution of the impasse, clearing the way for negotiations to start, are now pinned on the summit to be held in Cancun, Mexico. A representative group of world leaders - from eight industrialised countries and 14 others - will meet there on 22 and 23 October.

This meeting was first suggested by the Brandt Commission on International Development Issues in its Report, North-South: A Programme for Survival, issued in 1980. The Commission said that the summit could not be a substitute for the United Nations in negotiating North-South issues, but it could 'change the international climate and enlarge the prospects for global agreement', 'provide guidelines and a new impetus for future negotiations' and 'launch ideas for a world recovery programme'.

The Commission expressed the hope that ' a summit could enable political leaders to take the first steps towards committing themselves and their people to a global agreement for the benefit of the whole world'.

In its concluding paragraph, the Brandt Report said:

'Whatever their differences and however profound, there is a mutuality of interest between North and South. The fate of both is intimately intertwined. The search for solutions is not an act of benevolence but a condition of mutual survival'.

The importance of the summit, involving national political leaders themselves, has been enhanced by the deadlock at the UN after the Brandt Commission issued its Report.

The Brandt Commission, or the Independent Commission on International Development Issues to give it its full title, had twenty members serving as individuals and not as national representatives. Its chairman was Willy Brandt, former West German Chancellor. Former British Prime Minister Edward Heath and Commonwealth Secretary-General Shridath Ramphal were among six members from Commonwealth countries, the other four coming from Canada, India, Malaysia and Tanzania.

The leaders of seven Commonwealth countries will attend the summit in Mexico:

Bangladesh, Britain, Canada, Guyana, India, Nigeria, Tanzania.

The other countries at Mexico will be:

Algeria, Austria, Brazil, China, West Germany, France, Ivory Coast, Japan, Mexico, Philippines, Saudi Arabia, Sweden, United States, Venezuela, Yugoslavia.

Ottawa Summit

North-South relations received considerable attention at the Seventh annual summit (Ottawa, July) of the seven major industrialised countries: Britain, Canada, France, West Germany, Italy, Japan and the United States. The chairman, Canadian Prime Minister Pierre Trudeau, is believed to have been largely responsible for the greater concern about relations with developing countries.

The outcome of the Ottawa summit has been seen in some quarters as raising the chances of success at the North-South summit in Cancun. Particular significance is attached to the association of President Reagan with the summit statement looking forward to "constructive and substantive discussions" with developing countries, and affirming readiness "to participate in mutually acceptable process of global negotiations in circumstances offering the prospect of meaningful progress".

The summit also expressed a commitment to "maintaining a substantial and, in many cases, growing levels of official development assistance" and to "direct the major portion of aid to poorer countries". A strong commitment was also expressed to the international financial institutions and to the maintenance of liberal trade policies.

Summit Links

Australian Prime Minister Malcolm Fraser, in preparation for the Melbourne meeting, has had discussions with Mr Trudeau, who chaired the Ottawa summit, and with President

Lopez Portillo of Mexico who will be co-chairman of the Cancun summit. Secretary-General Ramphal has also been in close touch with preparations for Cancun.

Issued by the
Commonwealth Secretariat
Royal Exhibition Building
Melbourne Australia
1 October 1981



file

given by hand JS
30/9

10 DOWNING STREET

THE PRIME MINISTER

29 September 1981

Dear Mr. Ranshof

Thank you for your letter of 16 September enclosing a letter which you and Herr Willy Brandt have sent to the participants at the Cancun Summit meeting. The meeting is taking place as a direct result of a suggestion made by the Brandt Commission; it is therefore both appropriate and valuable to have your ideas in advance.

I entirely agree that both developed and developing countries share many interests in common. We in Britain with our far flung economic and cultural links, are particularly conscious of this. The Report of the Brandt Commission has made a valuable contribution to widening understanding of the issues involved. I also agree that the plight of the poorest demands major efforts from the industrialised countries. About two-thirds of our bilateral aid goes to countries in that category.

As regards your specific suggestions, Britain's position on the Global Negotiations has already been made clear both at the European Council in Luxembourg and in the Declaration of the Ottawa Summit. On areas of discussion, I agree broadly with the four fields which you identify and I welcome the fact that the procedures agreed for Cancun are sufficiently flexible to encompass them.

Finally, as regards future meetings, I am indeed keeping an open mind. The meeting at Cancun is, as you say, a unique occasion. I very much hope that it will lead to a new and constructive approach to these issues. For my part, I shall be looking to make progress wherever possible.

/ Meanwhile,

BK.

Meanwhile, the Commonwealth Heads of Government Meeting in Melbourne will provide a valuable opportunity for informal discussion. I hope that it will set the tone for Cancun.

Yours sincerely
Margaret Thatcher

His Excellency Mr. Shridath S. Ramphal, Kt., CMG, QC.

00 KUWAIT

GPS 500

CONFIDENTIAL
FM WASHINGTON 271835Z
TO IMMEDIATE KUWAIT
TELNO 3 OF 27 SEPTEMBER 1981,
INFO PRIORITY MELBOURNE.

FOLLOWING PERSONAL FOR PRIME MINISTER FROM CHANCELLOR OF THE
EXCHEQUER.

CANCUN

1. BEFORE YOUR MEETINGS START IT MAY BE USEFUL FOR YOU TO HAVE A SHORT REPORT ON WHAT HAS BEEN SAID IN WASHINGTON AND NASSAU ABOUT THE CANCUN MEETING. I KNOW THAT YOU ARE CONSIDERING WHETHER I SHOULD GO WITH YOU THERE - AND I UNDERSTAND THAT THE MEXICANS HAVE ASKED TO BE TOLD BY 30 SEPTEMBER WHO PLANS TO COME.
2. IN MY TALKS BOTH IN NASSAU AND HERE, I HAVE DETECTED MILDLY ENCOURAGING INDICATIONS THAT THE EXPECTATIONS OF DEVELOPING COUNTRIES HAVE MODERATED: AND THAT IT MAY BE POSSIBLE TO SHIFT SOME OF THE DISCUSSION AT CANCUN AWAY FROM A NORTH/SOUTH EXCHANGE AND TOWARDS A TRILATERAL ONE. IN NASSAU THERE WAS WIDE SUPPORT FOR A DIALOGUE WITH THE OIL PRODUCERS AS PART OF SOMETHING THAT COULD BE DESCRIBED AS GLOBAL NEGOTIATIONS.
3. AMONGST THE GROUP OF FIVE FINANCE MINISTERS HERE, THERE WAS UNANIMITY ABOUT AVOIDING ANY INSTITUTIONALISATION OF CANCUN, EITHER THROUGH CREATION OF CONTINUING SUB-GROUPS OR THROUGH FURTHER NORTH/SOUTH SUMMITS: AND MORE GENERALLY ABOUT AVOIDING ANY NEW BUREAUCRACY. (WORRYINGLY, HOWEVER, REGAN'S SOUNDNESS ON THIS ISSUE DOES NOT SEEM TO BE WHOLLY REFLECTED BY STATE DEPARTMENT OFFICIALS, AMONG WHOM THERE IS TALK OF A SUB-MINISTERIAL WORKING GROUP: THEY SEE THIS AS A MEANS OF AVOIDING GLOBAL NEGOTIATIONS IN THE U.N.
4. SUPPORT WAS ALSO EXPRESSED IN G5, ESPECIALLY FROM THE FRENCH AND GERMANS, FOR PURSUING IN CANCUN THE THEME OF ENERGY DEVELOPMENT IN THE POORER NON-OIL DEVELOPING COUNTRIES, PERHAPS THROUGH AN ENERGY AFFILIATE. THAT WOULD BE ANOTHER ELEMENT OF DIALOGUE WITH OPEC REPRESENTATIVES.
5. IN GENERAL, I AM SLIGHTLY LESS SCEPTICAL THAN I WAS ABOUT THE CANCUN PROSPECTS.
6. IT EMERGED THAT, FROM FINANCE MINISTERIES, REGAN AND SPRINKEL (US): DELORS AND HABERER (FRANCE): SCHULMAN (GERMANY): AND THE JAPANESE VICE-MINISTER, INTEND TO GO. YET IF I GO TOO, YOU AND THE FOREIGN SECRETARY AND I WILL AGAIN ALL BE ABSENT TOGETHER FROM LONDON, IN WHAT WILL STILL BE UNCERTAIN TIMES, AND, WHILE I OBVIOUSLY MUST BE HERE NOW, AND HAD TO BE IN NASSAU LAST WEEK, THE CASE FOR MY PRESENCE IN CANCUN WILL NOT BE SO OBVIOUS, OR THAT THE DISCUSSIONS THERE WILL BE PARTICULARLY PRODUCTIVE.
7. ON THE OTHER HAND, THE DISCUSSIONS THERE NOW SEEM LIKELY TO BE OF A MAINLY ECONOMIC CHARACTER, AND TO BE MUCH CONCERNED WITH THE ROLE AND CONTROL OF THE INTERNATIONAL FINANCIAL INSTITUTIONS. THE THEMES - AND SUCH PRACTICAL STEPS AS CAN EMERGE - SEEM LIKELY TO BE A CONTINUATION OF OTTAWA, NASSAU AND WASHINGTON, AS WELL AS OF DISCUSSION IN ECOFIN. (AND IN THE PERIOD OF OUR PRESIDENCY, IT MAY NOT BE QUITE RIGHT TO LET DELORS BE THE ONLY COMMUNITY FINANCE MINISTER ATTENDING.)
8. AT THE END OF ALL THIS, I THINK I PROBABLY OUGHT TO BE THERE: BUT POLITICAL, OR CONCEIVABLY ECONOMIC, CONSIDERATIONS AT THE LONDON END MIGHT TIP THE BALANCE THE OTHER WAY WHEN THE TIME COMES. PERHAPS THE BEST COURSE WOULD BE TO TELL THE MEXICANS NOW THAT I PLAN TO GO, WHILE OURSELVES KEEPING THE QUESTION UNDER REVIEW?
9. COULD YOU LET ME KNOW BY 29 SEPTEMBER WHAT YOU DECIDE, SO THAT I CAN INFORM COLLEAGUES HERE?

HENDERSON

NNNN



Foreign and Commonwealth Office

London SW1A 2AH

Type for PM's signature

25 September 1981

Dear Michael,

Letter to the Prime Minister from Mr
Ramphal

Thank you for your letter of 18 September.

The enclosure to Mr Ramphal's letter paints a fairly predictable picture of what he and Herr Brandt would like to see emerge from Cancun, principally the launching of Global Negotiations and the implementation of the Brandt Emergency Programme.

We believe that the best way to deal with it is to send off a quick reply in general terms. I
/ enclose a suggested draft.

Yours ever,

F N Richards

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON
SW1

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM: Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO: Mr Ramphal

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

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/As

Enclosures—flag(s).....

As regards your specific suggestions, Britain's position on the Global Negotiations has already been made clear both at the European Council in Luxembourg and in the Declaration of the Ottawa Summit. ^{On} ~~As for~~ areas of discussion, I agree broadly with the four fields which you identify and I welcome the fact that the procedures agreed for Cancun are sufficiently flexible to encompass them.

Finally, as regards future meetings, I am indeed keeping an open mind. The meeting at Cancun is, as you say, a unique occasion. I very much hope that it will lead to a new and constructive approach to these issues. For my part, I shall be looking to make progress wherever possible.

Meanwhile, the Commonwealth Heads of Government meeting in Melbourne will provide a valuable opportunity for informal discussion. I hope that it will set the tone for Cancun.



Foreign and Commonwealth Office

London SW1A 2AH

24 September 1981

Dear Michael,

You asked me yesterday for a table showing the private flows from developed to developing countries ranked by percentage of GNP and in absolute terms. I enclose the table that you requested.

You will see that Britain ranks first in absolute terms for 1980 but, as you know, this figure should be used with care. As column six indicates, approximately 60% of flows from Britain are accounted for by recycling OPEC surpluses. Even so, the figures are very creditable.

The latest figures we have for private direct investment are for 1979. You will see that Britain's contribution was greater than that of France and Germany combined. This point has been incorporated in the Prime Minister's briefs.

Yours ever,

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

PRIVATE FLOWS TO DEVELOPING COUNTRIES 1980 (EXCLUDING VOLUNTARY GRANTS)

Countries ranked by % of GNP	\$ billion	% of GNP	% Rank	Absolute Rank	Share of* Foreign Currency Claims	Private Direct Investment (1979)
Switzerland	4.2	4.0	1	5	-	0.4
UK	11.1	2.1	2	1	59% in 1980	1.9
Belgium	2.1	1.7	3	7	59% in 1979	0.3
France	est. 6.7	1.0	4	2	35% in 1979	0.7
Germany	6.0	0.7	5	3	nil in 1979	0.8
Italy	2.8	0.7	6	6	-	0.4
Sweden	0.9	0.7	7	10	-	negligible
Norway	0.3	0.6	8	12	-	negligible
Netherlands	0.6	0.4	9	11	-	negligible
Canada	1.0	0.4	10	9	-	0.2
Denmark	0.2	0.3	11	13	-	negligible
Japan	2.0	0.2	12	8	-	0.7
Finland	0.1	0.1	13	16	-	negligible
Australia	0.2	0.1	14	14	-	0.1
New Zealand	-	0.1	15	17	-	negligible
Austria	0.1	0.1	16	15	-	negligible
USA	4.3	0.004	17	4	-	8.0

*\$6.5 billion of the UK's \$11.1 billion was accounted for by recycled funds in foreign currency, eg UK-based banks recycling OPEC surpluses. (Only UK, French, German and Belgian statistics provide such a breakdown.)

UK flows in 1980 comprised: export credits (\$2.8 billion), direct investment (\$1.0 billion), foreign currency (\$6.5 billion), other (\$0.7 billion).

24 SEP 1987

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PART 2 ends:-

Ind to WR
nodba to FEO of 24/9/87.

PART 3 begins:-

FEO to nodba of 24/9/87.

