

Foreign and Commonwealth Office

London SW1A 2AH



13 July 1984

Sir Robert Armstrong GCB CVO
Cabinet Office
70 Whitehall
London SW1

NB PM who has
seen in telegrams.
his adds little or
nothing. CDP 13/7.

Dear Robert,

POST-SUMMIT BRIEFING: AUSTRALIA, INDONESIA AND INDIA

You said you would find useful a personal note about my visits to Australia, Indonesia and India to brief each government on the London Economic Summit. For ease of reference I enclose a clutch of reporting telegrams from the posts concerned. They speak for themselves.

2. All those I saw, at both political and official level, were most grateful and gratified that the Prime Minister should have taken the trouble to send them a personal emissary. The high level at which I was received in all three countries is a measure of the respect in which they hold the Prime Minister and the importance they attach to the Summit. Our diligence in taking account of the comments they had expressed beforehand and in following up their points afterwards will, I am sure, have earned us good will in the wider political arena.
3. As you know, I began my tour in Australia where the Prime Minister and his Treasurer gave me an hour. There was no real disagreement on the issues raised at the Summit. On this occasion Mr Hawke did not deliver his customary plea for less protectionism. He was, I think, as much interested in the Fontainebleau results as in those of the Summit, and obviously hoped that the imposition of financial discipline on the Community budget would lead to a reduction in subsidised exports of Community agricultural products, and therefore to relief for Australian competitors in third country markets. He was firm on the question of Australian participation at future summits, and the Germans may expect lobbying for the next summit at Bonn.
4. My visit to Indonesia coincided with news of the Prime Minister's visit there in September, and I was received with all the more honour as a result. The four Ministers whom I saw separately all looked forward to more substantial Anglo/Indonesian cooperation in the future. Although my ostensible reason for visiting Jakarta was to give the Indonesian Foreign Minister the Foreign Secretary's reply to the communication he sent before the Summit as Chairman of the Asean Standing Committee, the Asean aspect virtually disappeared in our discussions. Dr Mochtar applauded the practical approach which the Prime Minister had

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taken in her management of the Summit, and reserved his criticisms for the United States, in particular the effects of the US public sector deficit on interest rates. His main preoccupations were over trade: in particular the timing and content of a new GATT Round, and the problem of commodity prices. He and his Ministerial colleagues obviously enjoy discussion of macro-economic issues in an academic as well as a practical sense, and welcomed the opportunity my visit provided.

5. Of the three countries I visited the Indians were alone in expressing real disappointment at the Summit results. I detected some measure of self-illusion in which the Indians pressed their points about the so-called North/South Dialogue and the need for an international monetary conference. Fortified by texts from the meeting of the Non-Aligned Movement in Delhi in 1983, Mrs Gandhi argued as its current chairman that there was an increasing sense of frustration which could lead to confrontation between the industrialized and other countries. On this I argued that the international climate had changed a good deal over the last 18 months (we ourselves had individual contact with members of the non-aligned movement and so were in direct touch with their current thinking), that everyone seemed more interested in seeking practical solutions to specific problems rather than creating new international circuses, and that in these circumstances it was best to work through and improve on existing institutions.

6. In particular I put to Mrs Gandhi our familiar point that the current vocabulary of debate was artificial and in many ways misleading. In some respects India was of course a developing country, but in other respects the United Kingdom was one too. We were all undergoing rapid change, and adaptation was not easy either for a hungry Indian peasant or for an unemployed Scottish steelworker. Hence the notion of a formal dialogue between the two groups of countries with two quite different sets of interests was misconceived. Mrs Gandhi first treated these thoughts as an entertaining debating point, but later was prepared to allow that there was something in them and that we should all choose our words with more care. She admitted that global negotiations were no longer a feasible prospect and that what was appropriate for the poorest countries of Africa was not necessarily so for the relatively rich debtor countries of Latin America or for countries with mixed economic characteristics like her own. Both she and the Indonesian Foreign Minister were anxious lest we should be too kind to such prodigal sons as Mexico and Brazil, and neglect those who had kept their affairs in order throughout. I was able to reassure them with the Summit text itself (paragraph 9(5)).

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7. Under firm prodding from Mr Jha (with whom I had been over these issues at length beforehand) Mrs Gandhi firmly stuck to her idea of some Cancun-style conference to prepare the way for some wider international monetary conference. Mr Jha had obviously given her a misleadingly encouraging interpretation of what the Prime Minister had said to him on the subject on 18 May, and I had to set the record straight. Mrs Gandhi took comfort from the Prime Minister's continued chairmanship of the Summit Group until the end of the year, and I suspect that we may hear more from the Indians on the subject, perhaps after the meetings of the Fund, the World Bank and the Commonwealth Finance Ministers, and before the last meeting of the Summit Personal Representatives under British chairmanship. The Finance Minister laid particular stress on the importance of the September meetings. In my discussions with the Indians I was struck by their greater interest in procedure than in the substance of current world problems.

8. Obviously the Summit results will be judged by what the Summit countries do to give effect to them. Here the twin mandates to Ministers of Finance seem to me crucial (paragraphs 7 and 9(6) of the declaration). If the Finance Ministers can make something more of the Development Committee of the World Bank, and can produce a position report on the international monetary system for the IMF Interim Committee next year, a good many of the doubts and criticisms, expressed in particular by the Indians, will lose force. But if nothing very much seems to happen and the baleful effect of high interest rates continues, then some of Mrs Gandhi's fears about frustration and confrontation could all too easily acquire real substance.

9. As a postscript it may be worth mentioning that all three governments showed interest in the Summit declaration on terrorism, and will hope to be brought discreetly into any discussions which we and the other summit governments may have later in the year. All were willing to cooperate.

Yours ever

Crispin Tickell

Crispin Tickell

cc J G Littler Esq CB, HM Treasury
R W Gray Esq CB, DTI
C D Powell Esq, No 10



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TELEGRAM NUMBER 608 OF 3 JULY
INFO IMMEDIATE JAKARTA, NEW DELHI, ROUTINE WASHINGTON, UKREP
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POST-SUMMIT BRIEFING: SIR C TICKELL'S CALL ON THE AUSTRALIAN
PRIME MINISTER

1. ON 2 JULY I TOOK SIR C TICKELL TO CALL ON MR HAWKE. THE
TREASURER, MR KEATING, WAS ALSO PRESENT. MR HAWKE GAVE TICKELL
AN HOUR OF HIS TIME. THE PRIME MINISTER WAS IN HIS BEST FORM:
SERIOUS, WELL-INFORMED, NOT SEEKING TO MAKE POLITICAL CAPITAL. IT
WAS ALTOGETHER AN IMPRESSIVE PERFORMANCE.

2. TICKELL HAVING HANDED OVER THE PRIME MINISTER'S LETTER,
SUMMARISED THE PROCEEDINGS AND BACKGROUND OF THE ECONOMIC SUMMIT
AND, AT MR HAWKE'S REQUEST, SPOKE SUBSEQUENTLY ABOUT THE EC
COUNCIL AT FONTAINEBLEAU. MR HAWKE MADE LARGELY STANDARD
BUT HELPFUL COMMENTS. THESE COVERED TRADE, DEBT, EAST-WEST
RELATIONS, ETC. HE EXPRESSED THE HOPE THAT OUR AMBITIONS FOR THE
FUTURE OF COMMUNITY FINANCES AND THE CAP WOULD BE REALISED,
BECAUSE THEY WERE OF CONCERN TO AUSTRALIA AS MUCH AS TO THE REST
OF US. HE REMARKED THAT TRADE DEALINGS BETWEEN MEMBERS OF
THE SUMMIT SOMETIMES DAMAGED THIRD PARTIES, HOWEVER PIOUS MIGHT
BE THE ASPIRATIONS EXPRESSED. HE HAD IN MIND THE DISADVANTAGES
WHICH AUSTRALIA HAS RECENTLY SUFFERED FROM BEEF EXPORT DEALS
BETWEEN JAPAN AND THE UNITED STATES.

3. MORE SPECIFICALLY, IN REPLY TO POINTS MADE BY TICKELL, MR
HAWKE EXPRESSED HIS GOVERNMENT'S FULL SUPPORT FOR THE ANTI-TERRORIST
IDEAS WHICH WE HAVE CONFIDED TO THEM. HE SPOKE EQUALLY POSITIVELY
ABOUT COCOM AND SAID THAT AUSTRALIA WOULD CONSIDER THE
POSSIBILITY OF MEMBERSHIP. ON AUSTRALIAN MEMBERSHIP OF THE
SUMMIT, MR HAWKE MADE THE THREE USUAL POINTS: FIRST, THAT AUSTRALIA
ON QUOTE ECONOMIC AGGREGATES UNQUOTE WAS NEXT IN LINE TO JOIN;
SECOND, THAT AUSTRALIA OF ALL ASPIRANT NATIONS WOULD FIT IN
THE FAMILY BEST; AND, THIRD THAT AUSTRALIA'S GEOGRAPHIC POSITION
WOULD PROVIDE NEEDED BALANCE IN THE SUMMIT COMPOSITION. HE
SAID THAT AUSTRALIA WOULD PURSUE THE QUESTION OF MEMBERSHIP
FIRMLY BUT, AS IN THE PAST, NOT STRIDENTLY.

4. MR KEATING ASKED TICKELL ABOUT MULTI-ANNUAL DEBT RESCHEDULING
(AS INDEED HAD OFFICIALS EARLIER IN THE DAY). HE ACCEPTED TICKELL'S
EXPLANATION OF WHAT LAY BEHIND THIS PHRASE WITH SOME RELIEF.
HE AND MR HAWKE BOTH AGREED WITH TICKELL'S EXPOSITION OF UNITED
STATES' INTENTIONS AND PROSPECTS IN THE DEFICIT AND INTEREST
RATE FIELDS.

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5. THIS WAS MR HAWKE AT HIS MOST CONSTRUCTIVE. TICKELL'S INTERVIEW WITH HIM WILL HAVE MUCH BENEFITTED ANGLO-AUSTRALIAN RELATIONS, AND I AM GRATEFUL TO TICKELL FOR THE SKILL WITH WHICH HE CONDUCTED IT, AS INDEED HIS OTHER CONVERSATIONS DURING HIS SHORT STAY IN CANBERRA.

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POST SUMMIT BRIEFING VISIT BY SIR C TICKELL

SUMMARY

1. SIR C TICKELL'S VISIT HAS BEEN VERY WELL RECEIVED, THE
INDONESIANS LAYING ON AN IMPRESSIVE PROGRAMME AND PRESS
COVERAGE ALMOST UNPRECEDENTED FOR A VISIT BY AN OFFICIAL.

DETAIL.

2. HMG'S GESTURE IN SENDING SIR C TICKELL TO BRIEF THE INDONESIAN
GOVERNMENT ON THE SUMMIT HAS BEEN VERY WELL RECEIVED AND
DESPITE A SUDDEN MEETING OF CABINET AND THEIR OBLIGATIONS
TO THE ASEAN REPRESENTATIVES ALREADY GATHERING HERE THEY
HAVE COME THROUGH WITH AN IMPRESSIVE PROGRAMME INCLUDING CALLS
ON THE THREE MAIN ECONOMIC MINISTERS AS WELL AS THE
MINISTER OF FOREIGN AFFAIRS. MOCHTAR HIMSELF ANNOUNCED
THE VISIT PUBLICLY AND HIS REMARKS ABOUT IT AT HIS PRE-ASEAN
MEETING BRIEFING LED TO QUITE EXCEPTIONAL PRESS INTEREST TO
WHICH HIS MINISTRY RESPONDED (WITHOUT APPROPRIATE WARNING
TO US) BY LAYING ON AN INFORMAL AIRPORT PRESS CONFERENCE WITH
SIR CRISPIN. HIS ARRIVAL STATEMENT ON THE PURPOSE OF HIS VISIT
AND MASTERLY HANDLING OF QUESTIONS (MAINLY ON DEBT, INTEREST
RATES AND GATT) RECEIVED GOOD COVERAGE IN BOTH INDONESIAN AND
ENGLISH LANGUAGE PAPERS.

3. MY IMMEDIATELY FOLLOWING TELEGRAM CONTAINS REPORT ON TODAY'S
MEETING WITH DR MOCHTAR.

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OR 700
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POST SUMMIT BRIEFING : CALL ON THE INDONESIAN FOREIGN MINISTER.

1. I TOOK SIR C TICKELL TO CALL ON THE INDONESIAN FOREIGN MINISTER ON 4 JULY. MOCHTAR WAS SUPPORTED BY SENIOR INDONESIAN OFFICIALS FROM HIS MINISTRY.
2. IN HANDING OVER YOUR LETTER TO MOCHTAR, TICKELL EXPLAINED THAT HIS BRIEFING WAS THE REPLY OF SUBSTANCE TO MOCHTAR'S MESSAGE IN HIS CAPACITY AS ASEAN STANDING COMMITTEE CHAIRMAN. MOCHTAR SAID THAT THE LONDON SUMMIT HAD A SPECIAL QUALITY IN HAVING HAD SO MANY CONTRIBUTIONS FROM THIRD PARTIES INCLUDING ASEAN. TICKELL GAVE A SUMMARY OF THE BACKGROUND TO AND PROCEEDINGS OF THE SUMMIT, PAYING DUE ATTENTION TO THE POINTS IN MOCHTAR'S LETTER, AND COVERING BOTH ECONOMIC AND POLITICAL ISSUES.
3. MOCHTAR LISTENED WITH CLOSE INTEREST AND TOOK NOTES. HE EXPRESSED PLEASURE AT WHAT HAD BEEN SAID BY THE PRIME MINISTER IN HER OPENING SPEECH AT THE SUMMIT ABOUT INDONESIA. HE HOPED NEVERTHELESS THAT THE SUMMIT PARTICIPANTS HAD REGISTERED ASEAN'S POINT OF VIEW ON THE TRADE ISSUES. THERE COULD NOT BE EXACT RECIPROCITY BETWEEN INDUSTRIAL AND DEVELOPING COUNTRIES IN A FUTURE GATT ROUND. NOT ALL DEVELOPING COUNTRIES WERE LIKE HONG KONG, KOREA AND TAIWAN. PICKING UP A POINT ABOUT THE INTERDEPENDENCE OF INDUSTRIAL AND OTHER COUNTRIES, MOCHTAR ARGUED THAT THE NORTH/SOUTH DISTINCTION WAS STILL VALID. TICKELL REPLIED THAT IT WAS MORE IMPORTANT TO DIFFERENTIATE BETWEEN ECONOMIC PROBLEMS AND THE INDIVIDUAL CHARACTERISTICS OF THE COUNTRIES FACING THEM. PRESENT CATEGORIES WERE MISLEADING. MOCHTAR ACCEPTED THAT AS FAR AS THE EBT PROBLEM WAS CONCERNED A NORTH/SOUTH DIVISION WAS NOT APPROPRIATE. HE APPLAUDED THE PRAGMATIC, REALISTIC APPROACH ADOPTED BY THE BRITISH CHAIRMANSHIP IN LONDON.
4. IN THE COURSE OF FURTHER QUESTIONS AND ANSWERS, MOCHTAR AGREED THAT TACKLING THE ISSUES THROUGH GLOBAL NEGOTIATIONS WAS NOT LIKELY TO BE PRODUCTIVE: THIS HAD BEEN REFLECTED AT THE DELHI NON-ALIGNED SUMMIT. THERE WAS A LOT TO COMMEND THE BRITISH METHOD OF GETTING DOWN TO PRACTICAL DISCUSSION ON A LIMITED RANGE OF ITEMS. ON THE OTHER HAND HE DREW ATTENTION TO THE RELATIVE ABSENCE FROM THE SUMMIT PROCEEDINGS OF THE PROBLEMS OF COMMODITIES AND THE COMMON FUND. TICKELL COMMENTED THAT RECOVERY AMONG THE INDUSTRIALISED COUNTRIES WAS FOUND TO IMPROVE THE PRICE OF

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COMMODITIES. ON THE COMMON FUND, MANY SO CALLED DEVELOPING COUNTRIES HAD NOT YET BOTHERED TO SIGN OR RATIFY THE COMMON FUND AGREEMENT OF 1980.

5. MOCHTAR'S MAIN CRITICISMS WERE RESERVED FOR THE UNITED STATES, IN PARTICULAR THE BUDGET DEFICIT AND HIGH INTEREST RATES. HE SAID THAT THE AMERICANS SAW EVERYONE ELSE'S MISTAKES BUT NOT THEIR OWN ('SHORT OF CLUBBING THEM OVER THE HEAD I DON'T KNOW WHAT WE CAN DO'). HE WAS INTERESTED TO HEAR ABOUT THE PERFORMANCE OF THE JAPANESE AT THE SUMMIT, AND SAID THEY WERE DOING MORE THAN A LOT OF COUNTRIES WITHOUT FANFARE.

6. MOCHTAR EXPRESSED MILD GLOOM ABOUT INDONESIA'S FUTURE, INSTANCING INDONESIA'S UNDUE DEPENDENCE ON OIL EXPORTS AND THE POSSIBILITY THAT OIL PRICES WOULD WEAKEN FURTHER.

7. IN GENERAL MOCHTAR WAS RELAXED AND FRIENDLY. HE GAVE US AN HOUR AND A QUARTER BEFORE A CABINET MEETING. HE WAS PLEASED THAT THE POINTS MADE IN THE ASEAN LETTER HAD BEEN NOTED AT THE SUMMIT AND OBVIOUSLY DELIGHTED THAT THE PRIME MINISTER HAD TAKEN THE TROUBLE TO SEND A PERSONAL EMISSARY WHOSE COMMENTS WERE SO WELL INFORMED AND WHO COULD GIVE THE FLAVOUR OF THE INFORMAL TALKS. IT WAS HEARTENING TO HEAR THE MEASURE OF HIS AGREEMENT WITH THE BRITISH PRAGMATIC APPROACH TO THE PROBLEMS DEALT WITH BY THE SUMMIT.

ALL IN ALL, THE EXERCISE HAS BEEN WELL WORTH WHILE.

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AND TO PRIORITY DELHI
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MY TELEGRAMS NUMBER 200 AND 201 : POST SUMMIT BRIEFING.

SUMMARY.

1. SIR C TICKELL ALSO HAD USEFUL AND FRIENDLY DISCUSSIONS WITH THE THREE SENIOR ECONOMIC MINISTERS AND WITH TOP OFFICIALS OF THE MINISTRIES OF FOREIGN AFFAIRS AND TRADE. IN THESE THE SOURCES OF CONCERN REFLECTED IN DISCUSSION WITH THE FOREIGN MINISTER AGAIN EMERGED CLEARLY. THIS VISIT AND THE BRITISH SHOWING AT THE RECENT AID-PLEDGING MEETING AT THE HAGUE (IGGI) HAVE GIVEN US A USEFUL BOOST WITH KEY INDONESIAN DECISION MAKERS WHO NOW FEEL WE ARE TREATING INDONESIA WITH THE ATTENTION SHE MERITS. THIS UNDERLINED BY REPORTS NOW CURRENT OF THE PRIME MINISTER'S PROJECTED VISIT HERE AND THE WARM OFFICIAL FIRST REACTION TO THIS PROPOSAL. THE INTENSE PRESS COVERAGE OF SIR C TICKELL'S VISIT HAS CONTINUED AND MOCHTAR'S REFLECTION OF THE TALKS AND THE SUMMIT REACTION TO THE ASEAN WRITTEN CONTRIBUTION DURING HIS PRE-ASEAN CONFERENCE BRIEFING HAS BEEN APPRECIATIVE.

DETAIL.

2. THE TALKS WITH THE FOREIGN MINISTER WERE FOLLOWED BY A LIVELY WORKING LUNCH WITH SENIOR FOREIGN AND TRADE MINISTRY OFFICIALS. I THEN TOOK TICKELL TO CALL ON THE MINISTER OF FINANCE RADIUS PRAWIRO, THE CO-ORDINATING ECONOMIC MINISTER ALI WARDHANA, AND THE MINISTER OF TRADE RACHMAT SALEH.

3. ALL THESE DISCUSSIONS WERE CONSTRUCTIVE AND FRIENDLY. ISSUES OF PARTICULAR CONCERN TO THESE INDONESIAN MINISTERS EMERGED CLEARLY FROM THEIR QUESTIONS AND COMMENTS: THEIR ANXIETIES ABOUT GROWING PROTECTIONISM AND DISAPPOINTMENT AT LACK OF PROGRESS ON ROLL-BACK; THE EFFECT OF HIGH US INTEREST RATES; INDEBTEDNESS AND THE STABILITY OF THE INTERNATIONAL BANKING SYSTEM; THE CURRENT FRAGILITY OF OIL PRICES; EXPANSION OF IMF SPECIAL DRAWING RIGHTS; AND THE EFFECT ON THEIR TRADE WITH EUROPE OF CURRENT FLUCTUATIONS IN EUROPEAN EXCHANGE RATES AGAINST THE DOLLAR.

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4. THE MINISTER OF TRADE WHO UNTIL LAST YEAR WAS GOVERNOR OF THE CENTRAL BANK AND WHO PLAYED A LARGE PART IN THE DRAFTING OF DR MOCHTAR'S LETTER TO YOU, SAID THAT HE HOPED THAT ATTENTION CURRENTLY BEING GIVEN TO THE DIFFICULTIES OF LARGE DEBTOR COUNTRIES WOULD NOT RESULT IN CUTBACKS IN FINANCIAL FLOWS TO COUNTRIES WHICH HAD MANAGED THEIR AFFAIRS SO AS TO AVOID MAJOR PROBLEMS OF INDEBTEDNESS. TICKELL ASSURED HIM THAT THERE WAS A STRONG DESIRE AMONG THE SUMMIT PARTICIPANTS TO HELP THOSE WHO MOST HELPED THEMSELVES. IN PARTICULAR HMG WISHED TO CHANNEL AID BOTH TO THE POOREST AND TO THOSE WHO HAD DEMONSTRATED THEY COULD USE IT MOST EFFECTIVELY.

5. TICKELL ALSO HAD MEETINGS WITH THE US AMBASSADOR AND EC COLLEAGUES AND SENIOR BRITISH BUSINESSMEN.

ROUND UP.

6. I AM MOST GRATEFUL TO SIR C TICKELL FOR ENDURING, AND HANDLING SO SKILFULLY A VERY HEAVY PROGRAMME OF CALLS AND INTERVIEWS - WHICH INCIDENTALLY OFFERED ME PERSONALLY AN EXCELLENT MEANS OF MAKING SUBSTANTIVE CONTACTS WITH KEY MINISTERS AT THE OUTSET OF MY TOUR. THE PUBLICITY ATTENDING TICKELL'S ARRIVAL HAS CONTINUED THROUGHOUT HIS VISIT. THE PRIME MINISTER'S COMPLIMENTARY REFERENCE TO INDONESIA IN HER SUMMIT STATEMENT HAS BEEN NOTED WARMLY AND WAS RECALLED BY MOCHTAR IN HIS PRESS BRIEFING OF 5 JULY BEFORE THE START OF THE ASEAN MEETINGS. IN THIS HE SUMMARISED APPRECIATIVELY THE BRIEFING HE HAD RECEIVED AND THE CONSIDERED ATTENTION PAID BY THE SUMMIT TO THE ASEAN CONTRIBUTION. PRESS REFLECTIONS OF HIS REMARKS WERE CLEARLY COMPLIMENTARY TO THE SUMMIT PROCEEDINGS.

7. TOGETHER WITH THE BRITISH SHOWING AT THE RECENT IGGI MEETING (TO WHICH THE MINISTER OF FINANCE REFERRED MOST WARMLY; SEE SEPARATE TEL) THIS VISIT HAS RAISED OUR PROFILE WITH TOP DECISION MAKERS HERE. THEY ARE GRATIFIED THAT WE NOW APPEAR TO BE TREATING INDONESIA WITH THE ATTENTION WHICH HER WEIGHT AND IMPORTANCE IN THIS REGION JUSTIFIES. THIS RECENT UPWARD TREND IN OUR RELATIONS AND PLEASURE AT IT WERE CERTAINLY FACTORS IN LEADING MOCHTAR TO HIS PREMATURE BUT ENTHUSIASTIC ANNOUNCEMENT TO THE PRESS ABOUT THE PRIME MINISTER'S WISH TO VISIT INDONESIA IN SEPTEMBER.

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MY TEL 211 PARA 4.

1. AT END OF HIS MEETING WITH TICKELL YESTERDAY PADIUS
PRAWIRO (MINISTER OF FINANCE) SAID THAT INDONESIAN GOVERNMENT
WERE "VERY HAPPY" WITH THE NEW LEVEL OF INTEREST AND SUPPORT
SHOWN BY UK AT THIS YEAR'S IGGI MEETING. THIS WAS EXCELLENT.
QUOTE AT LAST YOU ARE REALLY JOINING IN OUR CLUB UNQUOTE.
HE REFERRED APPROVINGLY TO THE SUCCESSFUL RESCHEDULING OF THE
MRICA PROJECT AND TO OUR DIESEL GENERATORS ATP OFFER IN SUPPORT
OF HAWKER SIDDELEY

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THIS TELEGRAM
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TO PRIORITY FCO

TELEGRAM NUMBER 605 OF 10 JULY 1984

INFO ROUTINE CANBERRA, JAKARTA, WASHINGTON

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

1. SUMMARY. TICKELL WAS WELL RECEIVED HERE BY MRS GANDHI, L K JHA, FOREIGN AND FINANCE MINISTERS. THE INDIANS WERE DISAPPOINTED ABOUT THE SUMMIT OUTCOME ESPECIALLY THE LACK OF MOVEMENT TOWARDS A CONFERENCE ON MONEY AND FINANCE OR ANOTHER CANCUN-STYLE MEETING. BUT THEY GAVE TICKELL A GOOD HEARING AND THE INDIANS OBVIOUSLY APPRECIATED THE FACT OF HIS VISIT.

2. I TOOK SIR C TICKELL TO CALL ON MRS GANDHI ON 9 JULY. SHE HAD ALEXANDER (PRINCIPAL PRIVATE SECRETARY) AND L K JHA WITH HER. TICKELL HAD PREVIOUSLY MET THE FOREIGN MINISTER ON 7 JULY AND CALLED ON THE FINANCE MINISTER LATER ON THE 9TH (RECORDS BY BAG).

3. TICKELL HANDED OVER MRS THATCHER'S LETTER TO MRS GANDHI WHICH SHE READ ON THE SPOT. HE THEN GAVE HER A FAIRLY FULL ACCOUNT OF THE SUMMIT DISCUSSIONS, STRESSING THE EXTENT TO WHICH DEVELOPING COUNTRY ISSUES HAD AFFECTED THE WHOLE TONE OF THE DISCUSSION AND WAS REFLECTED IN REPEATED REFERENCES TO THEM IN THE FINAL DECLARATION. THE PARTICIPANTS HAD TAKEN CAREFUL NOTE OF THE POINTS MADE IN MRS GANDHI'S LETTERS, AS WELL AS THE MESSAGES FROM THE AUSTRALIAN PRIME MINISTER, FROM ASEAN AND FROM THE SEVEN LATIN AMERICAN PRESIDENTS. ON INTERDEPENDENCE, THE SUMMIT PARTICIPANTS HAD TRIED TO USE A MORE REALISTIC VOCABULARY THAN WAS FASHIONABLE HITHERTO: THE PROBLEMS OF THE MAJOR DEBTORS WHICH WERE ONLY DEVELOPING COUNTRIES IN A LIMITED SENSE HAD TO BE DISTINGUISHED FROM THE PROBLEMS OF THE POOREST COUNTRIES. THE FINANCE MINISTERS HAD BEEN TASKED TO PREPARE FOR THE MEETINGS OF THE IMF INTERIM COMMITTEE IN SPRING 1985 AND FOR THE DEVELOPMENT COMMITTEE OF THE WORLD BANK SO AS TO TACKLE THE TWO MAIN GROUPS OF ECONOMIC PROBLEMS FACING THE DEVELOPING COUNTRIES.

4. TICKELL ALSO REFERRED TO THE POLITICAL DISCUSSIONS WHICH HAD TAKEN PLACE IN THE MARGINS OF THE SUMMIT, ESPECIALLY ON EAST/WEST RELATIONS AND STATE TERRORISM, ON WHICH MRS THATCHER HOPED FURTHER DISCUSSIONS COULD BE HELD WITH LIKE-MINDED GOVERNMENTS. HE STRESSED THAT IN GENERAL MRS THATCHER WAS HAPPY WITH THE OUTCOME OF THE SUMMIT, WHICH HAD FOUND USEFUL NEW WAYS OF TACKLING THE PROBLEMS FACED BY BOTH INDUSTRIAL AND OTHER COUNTRIES.

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

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

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

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

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

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

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

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