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## CANCUN AND AFTER : FROM HOPE TO DESPAIR

### 1. Preamble

By all accounts the summit of the Heads of Governments of twenty-two developed and developing countries held in Cancun, Mexico, on 22 and 23 October, 1981, was a historic event. This was the first such meeting at the highest political level convened to discuss the deteriorating international economic situation. With no formal agenda, it was hoped that the informal summit would generate through a meeting of minds the needed political will for international cooperation in combating effectively the crucial global problems of poverty and hunger, food and energy, trade and industry, financial and monetary reforms.

Despite diverse forecasts and reactions, the proceedings of the meeting raised the hope of reviving the stalemated North-South dialogue and paving the way to the launching of what is known as the Global Round of Negotiations (GRN) under the auspices of the United Nations. Since this summit, over 15 months have elapsed and the 36th and 37th sessions of the United Nations General Assembly met and discussed the issue without being able to get the GRN off the ground. The despair, thus, caused by the events after Cancun is in sharp contrast to the hope expressed by many that if not the substance of the outcome of the deliberations at Cancun, at least the spirit of shared concern and mutual understanding and goodwill observed at this meeting would create a new momentum for starting the GRN and achieving its objectives through fruitful cooperation.

Bangladesh as the newly-elected Chairman of the Group of 77 carries a special responsibility as the spokesman of the developing Third World in seeking ways and means for initiating meaningful

action for launching the GRN. The present paper has a three-fold aim: (i) undertake an appraisal of the objectives and the outcome of the Cancun Summit based on an analysis of the developments leading to the Cancun Summit and its proceedings, (ii) interpret the events after Cancun in the light of the hopes raised by the Cancun Summit against the backdrop of the contemporary world political and economic situation and (iii) explore ways and means of reviving the spirit of Cancun with a view to an early commencement of the GRN.

## 2. Historical Background

The Cancun Summit is placed in perspective when it is viewed against the backdrop of the epoch-making changes that came in the wake of World War II. The political map of the world underwent a radical transformation with the emergence of numerous new independent and sovereign states, many of them former colonies in Asia, Africa and Latin America. A second striking phenomenon was the development movement that swept these nations and raised the expectation that drawing on the accumulated stock of knowledge and technology in the developed countries, they could accomplish in decades what industrially advanced countries took centuries to achieve. The climate for international cooperation appeared to be more favourable than ever before. The decades of development officially declared by the United Nations aimed at providing an added momentum to international cooperation for development.

The movement made an impressive headway during the initial years, but was stymied subsequently by a change in the mood of the industrially developed nations. To their great disappointment the Third World countries found that their access to resources, technology and trade was very much fettered by the existing world economic system and that the market forces also appeared to operate in a manner as to stifle their development efforts. Developed during the colonial era, the prevailing economic system was intended to subservise mainly the interests of the industrial countries (including those with centrally planned economies) which with a fourth of the world population,



have come to command over three-fourths of the world GNP<sup>1</sup> and establish an overwhelming control over world market, trade, industry and financing institutions.

The inequities inherent in the existing economic system were further demonstrated by the fact that while world output tripled in real terms during 1955-1980, the income disparity between the rich and poor nations was further widened. The per capita income in the industrial countries with market economies rose from \$4,640 to \$10,720 and in those with non-market economies from \$4,960 to \$10,610. But, the per capita income in developing countries rose from \$340 to \$730 only (from \$160 to \$260 in low income countries).<sup>2</sup> Ironically enough, despite the apparent increase in the quantum of aid, there was, in fact, a continuing net flow of resources from the poor to the rich countries.

The grotesque distortions in the world economic growth pattern were demonstrated, on the one hand, by the accentuation of the problems of mass poverty, hunger, disease and unemployment in the Third World low-income countries and, on the other, by the stagflation in the rich industrial countries. The intractable nature of the economic malaise indicated that its causes were rooted in the very structure of the present economic system which was totally unsuited to the changing needs of an increasingly interdependent world community.

Negotiations were, therefore, initiated between the developing countries (popularly known as the "South") and the industrially developed countries (known as the "North") with a view to reforming the structure of the present economic system and establishment of a New International Economic Order to ensure a more rational and equitable distribution of resources, allowing a larger capital flow to the developing countries in order to generate more production, more employment and more income in the developing Third World, thus, increasing the total volume of goods and services globally and also

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1. *World Development Report* 1982, World Bank, p. 22.

2. *Ibid* p. 22.

widening the world market to the mutual benefit of the developing as well as the developed countries.

These negotiations were sponsored under the auspices of various organs of the United Nations, such as, the UN Conferences on Trade and Development (UNCTAD), UN Industrial Development Organization (UNIDO), the special sessions of the United Nations General Assembly and also the Commission for International Economic Cooperation (CIEC). The series of debates in these various forums accomplished little or nothing. The debates, in most cases, degenerated into cacophonous filibuster and invariably ended up in deadlocks on substantive issues.

The principal cause of the repeated deadlocks in the series of North-South negotiations was observed to lie in the psychology of the rich industrial nations who remained captives of concepts, values, and institutions of a by-gone era. Their resistance to change was further hardened by the problems of recession and inflation. These problems were themselves the product of an archaic economic and political order which was inexorably driving the world to an ecological, economic and political cataclysm through a rapid depletion of non-renewable resources, aggravated by an irrational and wasteful application of enormous resources (over \$550 billion dollars in 1980 compared to total capital flow of \$84 million, both official and private, and \$76 million in 1978 prices, to the developing countries)<sup>3</sup> to production of more and deadlier arms, though the existing arsenal was large enough to destroy the planet earth many times over.

In this grim and depressing political and economic scenario, a study of the major international development issues was undertaken by an "Independent Commission" headed by Willy Brandt, former Chancellor of the Federal Republic of Germany with 20 other distinguished members drawn from among leaders in different walks

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3. Ibid p. 29



of life in North and South representing different schools of thought and ideological convictions.<sup>4</sup>

It was, indeed, a pleasant surprise that a commission so diverse in its composition succeeded in presenting a unanimous report under the title "North-South : A Programme for Survival". The recommendations of the Commission are striking not only for the insightful analysis of the deep-seated causes of the problems that plague the contemporary world but also for presenting a concrete action programme including an Emergency Programme based on the priorities as identified by the Commission. The CANCUN SUMMIT sprouted out of the idea of a Summit of World Leaders mooted in the report of the Brandt Commission.

The concise but well-documented report of the Brandt Commission received world-wide attention. The Commission advocated a shift from the strategy of "destruction" to that of "development" for the survival of mankind and presented some tell-tale data<sup>5</sup> in this context. Some examples :

(a) "The military expenditure of only half a day would suffice to finance the whole malaria eradication programme of the World Health Organization.

(b) "For the price of one jet fighter (20 million dollars) one could set up about 40,000 village pharmacies.

(c) One-half of one per cent of one year's world military expenditure would pay for all the farm equipment needed to increase food production and approach self-sufficiency in food deficit low income countries by 1990".

(d) Another harsh reality underscored in the Report was that "the past thirty years have seen peace in the northern hemisphere,

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4. Some examples: Former Socialist Prime Minister, Olof Palme of Sweden (who has again become P.M. recently), Layachi Yaker, a radical leader of Algeria, Edward Heath, a former conservative British Prime Minister, and Peterson G. Peterson, a prominent American business magnate.

5. Brandt Commission Report p. 14.

against a background of military blocs controlling sophisticated arms, while the southern half of this earth has suffered outbreaks of violent unrest and military clashes. Some Third World countries have substantially boosted their armaments, sometimes to protect their legitimate or understandable security interests, but sometimes also for prestige purposes and sometimes encouraged by arms-producing countries. Business has been rewarding for both old and new arms suppliers who have spread an incredible destructive capability over the globe. It is a terrible irony that the most dynamic and rapid transfer of highly sophisticated equipment and technology from rich to poor countries has been in the machinery of death".<sup>6</sup>

It was, thus, evident that the economic malaise that afflicts the contemporary world stemmed as much from the present economic as from the political order because both are inextricably interlocked and interacting.

It was, therefore, imperative to sharpen the awareness of the people of the relationship between problems of disarmament and development and of the fact that the arms race and arms trade were fuelled by a complex 'mix' of motives, namely, of power, influence and commerce.

The message of the Brandt Commission Report was loud and clear: so far as resource and technology needed to combat the economic problems globally (in both South and North) are concerned, mankind has both on a scale ampler than ever before. The task, stupendous as it is, can be accomplished. What is necessary is to mobilise the collective will of the nations.

"In our opinion there are good reasons to propose and organize as rapidly as possible—after thorough preparation—an international meeting at the highest level, perhaps to be followed by others, to discuss North-South emergency matters and, if possible to reach agreements, as concrete as possible, on how to turn certain

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6. Ibid, p. 15.



mutual interests into creative partnerships, immediately and for the longer term.

Such a summit meeting should be in close contact with the UN, but it would have to include only a limited number of heads of states or governments. It should after consultation reflect regional and other main groupings, so as to allow discussions to take place between a manageable number of heads of states or governments each preferably with only one adviser, and behind closed doors<sup>7</sup>.

The Report with a special appeal to the industrial nations, (in particular to the USA, the USSR and Japan) created a new stir within the international community, sharpening the awareness of the serious threats to international peace and security posed by the growing polarization between North and South and between East and West, which was at the root of the deteriorating world economy.

Drawing on the recommendation of the Brandt Report, Chancellor Bruno Kreisky of Austria and former President Lopez Portillo of Mexico took the initiative to explore the possibilities of a summit.

It was made known well in advance that the summit would be informal in character and that the Heads of State/Government of the countries invited to the summit were to participate in their individual capacity. Some of the major concerns that guided the preparations for the summit appeared to be :

- (1) International acceptability of the summit as a body representing different interest groups and regions;
- (2) Participation of the major industrial and Third World countries;
- (3) Willingness of the proposed invitees to participate and mutual acceptability among the countries to be invited (linked to their consent to participate);
- (4) Avoidance of a confrontation or adoption of an adversary posture during the deliberations;

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7. Ibid pp. 26-27.

- (5) Prevention of a deadlock;
- (6) Inclusion of the crucial development issues in the agenda;
- (7) A clear expression of will for launching the Global Round of Negotiations under the UN auspices.

Predicated on such constraints the task of convening such a summit was far from easy. Between the initiative by Kreisky and Portillo and the summit, the process involved a series of extremely delicate, difficult and skilful diplomatic moves involving four important stages :

- (1) Assembling a Planning Committee (11-members)<sup>8</sup>;
- (2) Consultations on selection of the participating countries;
- (3) Determining the format of F. M.'s Preparatory meeting;
- (4) Framework of discussion for the summit.

Besides, planning and preparing for the summit including the drawing up of an agenda, euphemistically termed a "framework of discussion", the F. M.'s meeting was also an opportunity for them to probe one another as much as possible within the short period regarding positions they were likely to take at the summit.

The countries<sup>9</sup> invited to this International Meeting on Cooperation and Development were: Algeria, Austria, Bangladesh<sup>10</sup>,

8. Eleven-member Planning Committee comprised Algeria, Canada, France, Federal Republic of Germany, India, Nigeria, Sweden, United Republic of Tanzania and Yugoslavia co-sponsored the Summit.
9. I understood from my colleagues on the Planning Committee that the selection of participating countries reflected an informal consensus among the countries consulted.
10. The selection of Bangladesh as a participating country was apparently influenced by the consideration of the active role played by her as a spokesman of the least developed countries, her constructive contributions as a member of the UN Security Council, and the international impact produced by the realistic action-programme for dealing with the world economic crisis presented at the Eleventh Special Session of the UN in 1980, which included *inter alia* a proposal for the creation of a consortium of oil producing and industrial countries to explore and develop the energy resources of developing countries.



Brazil, Canada, China, France, Germany (Fed. Republic), Guyana, India, Ivory Coast, Japan, Mexico, Nigeria, Philippines, Saudi Arabia, Sweden, Tanzania, United Kingdom, United States of America, Venezuela and Yugoslavia.

The country profiles of the participants (Chart I) showed a wide diversity, diversity between the North and the South and also diversity within the North as well as within the South. Eight of these countries were the rich industrial countries of the North, however, far from identical in their economic and political policy objectives. Fourteen developing countries of the South included 5 oil-rich countries and 2 countries with centrally planned economies. Their per capita income ranged from \$130 to \$11,260. Life-expectancy varied from 46 years in Bangladesh to 76 in Japan. Value added in manufacturing (in 1975 dollars) was \$1,079,127 million in 8 industrial countries compared to \$ 114.485 million in 13 developing countries (excluding China). Total volume of trade (imports and exports) of the eight industrial countries amounted to \$1,833,787 million compared to \$328,601 million for all the fourteen developing countries including the five oil exporting countries.

The preparatory meeting of the Foreign Ministers which was held on 1 and 2 August 1982 in Cancun was preceded by an informal meeting of the Foreign Ministers of 14 developing countries in New York on 29 July. This meeting, in my opinion, was extremely helpful in removing many misgivings about the objectives of the summit and paved the way to the smoothness and understanding with which the preparatory meeting of the Foreign Ministers in Cancun succeeded in agreeing upon a format and framework of discussion for the summit. The informal, friendly and cordial atmosphere in which the Foreign Ministers exchanged views and reached an agreement on the shape of the summit held out the prospect that the Heads representing different political and economic interest groups would not meet as adversaries and that their deliberations on international co-operation in tackling the economic problems would reflect the same global concern as characterized the deliberations of the Foreign Ministers.

Chart 1: Profile of Participating Countries

Country	Population (millions) (mid 1980)	Area(thousands of square km.)	Per Capita Income	Life expectancy at birth (years) (1980)	Value added in manufact- uring (millions of 1975 dollars) (1979)	Merchandise trade (millions of dollars)	
						Exports	Imports
1	2	3	4	5	6	7	
<i>The North</i>							
Sweden	8.3	450	13,520	75	18,939	30,914	33,441
Germany	60.9	249	13,590	73	184,140	192,930	188,001
United States	227.7	9,363	11,360	74	448,167	216,668	255,657
France	53.5	547	11,730	74	109,085	111,251	134,912
Canada	23.9	9,976	10,130	74	38,271	64,252	58,545
Japan	116.8	372	9,890	76	207,566	129,248	140,520
Austria	7.5	84	10,230	72	13,409	17,508	24,495
United Kingdom	55.9	245	7,920	73	59,550	115,350	120,095
					Total	1,079,127	788,121 + 955,666 = 1,833,787
<i>The South</i>							
Saudi Arabia	9.0	2,150	11,260	54	3,058	19,111	30,209
Venezuela	14.9	912	3,630	67	5,491	20,600	10,268
Yugoslavia	22.3	256	2,620	70	12,816	8,367	14,029
Brazil	118.7	8,512	2,050	63	40,327	20,131	25,000
Mexico	69.8	1,973	2,090	65	23,429	15,308	19,517
Algeria	18.9	2,382	1,870	56	2,538	12,409	9,600
Ivory Coast	8.3	322	1,150	47	776	2,700	2,650
Nigeria	84.7	924	1,010	49	2,890	26,000	15,000
Philippines	49.0	300	690	64	5,339	5,977	7,727
Guyana	11.7	239	420	49	758	960	900
Tanzania	7.18	943	280	52	273	508	1,258
China	976.7	9,561	290	64	..	18,271	19,550
India	673.2	3,288	240	52	15,595	6,694	12,858
Bangladesh	88.5	144	130	46	1,195	761	2,438
					Total	114,485	157,797 + 170,804 328,601

Source: World Bank, *World Development Report 1982* (Oxford University Press, 1982)



There was an unwritten understanding that this important objective would be kept in view by the Foreign Ministers in briefing their respective Heads.

The framework for discussion was to include (i) Food and Agricultural Development, (ii) Trade and Industrial Development, (iii) Energy and (iv) Monetary and Financial matters. There would be no formal agenda and no general debate. But, a Head of the State or Government would be free (if he so wished) to make a brief opening statement (preferably not exceeding 10 minutes). But, participants might submit in advance papers on any relevant subject. Despite the skeptic views widely expressed in a large section of the press, the prospect for the Cancun Summit was brightened by the fact that at the Ottawa Summit in July (1981), the seven largest industrial countries, all of which were to be at Cancun, pledged to find a mutually agreeable way to begin global negotiations on such issues.

### 3. Objectives and Achievements : an Appraisal

The objectives of the Cancun Summit as outlined in the letter of invitation dated 30 April 1981 issued by President of Mexico, Jose Lopez Portillo and the Federal Chancellor of Austria, Bruno Kreisky, on behalf of the Heads of State/Government of eleven countries<sup>11</sup> co-sponsoring the summit, supplemented by the procedural decisions and discussion-framework adopted at the preparatory meeting of the Foreign Ministers held in Cancun on 1-2 August 1981 indicated the parameters of deliberations during the summit held on 22 and 23 October 1981. A correct appraisal of what was achieved at the summit must therefore be based on an analysis of the objectives and outcome of the summit and not on the speculations and expectations generated by this high-level meeting of 22 Heads of State/Government.

Firstly, this high-level political meeting (as stated in the letter of invitation) was intended to "provide the participating leaders

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11. The eleven co-sponsoring countries who constituted the Planning Committee mentioned in foot-note 8.

an opportunity to have an exchange of views on major issues of international cooperation for development in an open and informal atmosphere.'"

Secondly, it was made clear that there was "no intention of engaging in negotiations. The exchange of views at the meeting should, *inter alia*, lead to a greater understanding and a deeper appreciation of interdependence amongst nations, its relevance and importance." Therefore, this summit was not expected to act as a decision-making group.

Thirdly, "a main objective of the meeting should be to facilitate agreement with regard to the said 'Global Round of Negotiations (GRN)' by means of achieving a real meeting of minds and positive political impetus by Heads of State or of Government for these and other efforts of international economic co-operation in other fora, without in any way preempting or substituting for them".

Fourthly, "the meeting will work within a discussion-framework which would reflect the complexity of the current problems of the world economy as well as the inter-relationship among them. It was expected that useful suggestions for facilitating the work of international cooperation for development will emerge from the deliberations of the meeting; these may be summarised by the chairman, if necessary."

Fifthly, "a preparatory meeting at the level of Foreign Ministers will be held in Cancun, Mexico, early in August" which would finalize the preparation for the meeting and, *inter alia*, "define the main topics." The main topics included in the discussion-framework were: (i) Food and Agricultural Development; (ii) Trade and Industrial Development; (iii) Energy and (iv) Monetary and Financial matters.

#### *What the Summit achieved :*

(1) The 22 Heads of State/Government assembled in Cancun discussed the topics included in the discussion-framework in an open



and informal atmosphere, as envisaged by the sponsors. This was the first ever meeting of the Heads of State/Government representing the North and the South. Its importance towards easing the tension between the North and South can hardly be over-stressed. The participation of Soviet Russia (which declined the invitation) would have, no doubt, added to the importance of this summit.

(2) The exchanges were frank but friendly. What was most striking was that the views expressed on many of the problems appeared to cut across the line of division between North and South. For example, elimination of "hunger" by the year 2000 was viewed as a global problem calling for global co-operation, though there were different views on the strategy to be adopted in order to achieve this goal.

(3) There was also a general agreement on the imperative need and urgency of international co-operation for development of agriculture in the Third World countries as the key to the building up of a world food security system.

(4) There was also a general agreement that access to the present world market and trade was fettered by many barriers, tariff as well as non-tariff. Some of the industrial countries like the USA and the UK felt that GATT was the appropriate forum to deal with this problem.

(5) On the issue of resource flow to the developing nations, an imperative to step up the pace of the development in the Third World countries, the discussion showed a positive trend. Japan announced that her aid programme would be doubled within the next five years. President Mitterrand of France also voiced his strong support to increasing the quantum of aid to the developing countries. President Reagan while reiterating his known position of emphasising the role of "private capital flows in meeting the investment needs of the Third World countries", however, conceded that the prevailing market conditions would not allow the least developed countries to take advantage of such private capital flows and

as such recognised the need for continuing special assistance to such countries.<sup>12</sup> A consensus also emerged on the necessity of providing immediate assistance in a substantial manner for the least developed countries. The initiative in this regard was taken by Bangladesh and Tanzania.

(6) There was a clearly visible consensus on the establishment of a "World Bank Affiliate" to assist developing countries in exploring and developing their potential energy resources. The announcement by Crown Prince (now King) Fahd, of Saudi Arabia's endorsement of this suggestion in principle was a departure from its previously known position and, thus, reflected a spirit of accommodation on the part of Saudi Arabia. It evoked no objection from any one. President Reagan remained silent. His silence was naturally construed as his acquiescence, though after the summit, a section of the press interpreted it as a lack of his support. The first initiative in this regard was taken by Bangladesh when at the Eleventh Special Session of the UN she mooted a proposal for a consortium of representatives of the OPEC countries and ICs to assist the LDCs in exploring and developing their potential energy resources.

(7) On financial and monetary issues, no significant progress could be made in developing a consensus. But, the exchange of views highlighted the enormous difficulties experienced by the developing countries under the current rules and practices followed by the financial and monetary institutions. In order to enable the developing countries to take full advantage of the credit facilities provided by IMF and other international financing institutions, the need for reforming and restructuring them was clearly indicated. The aim was not to weaken them but make them functionally more effective. As a matter of fact, Prime Minister Indira Gandhi's statement that the developing countries would like to strengthen the institutions should have dispelled any misgivings regarding the intentions of the Third World favouring reforms in the structure of these institutions.

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12. Subsequently President Reagan circulated a special directive confirming this position.



(8) Though industrial countries like the USA and the UK favoured the GATT as the appropriate forum for considering trade-issues, by and large, there was a better perception of the problems now faced by the developing countries for lack of a fair access to the world market and trade controlled by the industrial countries.

9. In like manner, despite the different schools of economic thought represented at the summit, none questioned the growing economic interdependence of the nations and the need for international cooperation in tackling the major economic problems.

10. Viewed against the backdrop of the events leading to this summit, its most important single objective was to generate a political will favourable to the launching of the Global Round of Negotiations (GRN) under the UN auspices. It was also the most debatable topic in view of the reservations that the USA, the UK and some of the other industrial countries openly expressed on various occasions in the past about the suitability of the UN as the right forum for such negotiations (on the plea that UN was dominated by Third World countries). After considerable behind-the-scene discussion and consultation, the 22 Government leaders gathered at the summit "confirmed the desire of supporting at the United Nations a consensus to launch global negotiation on a basis to be mutually agreed upon and in circumstances offering the possibility of meaningful progress with a sense of urgency."

The foregoing analysis shows that the summit response to the major economic problems was, in most cases, positive, and, in some cases, expressed in the form of a clear consensus. A striking departure from the past North-South dialogues was the spirit of mutual accommodation observed throughout the deliberations, notably in two vitally important but controversial areas such as the creation of a "World Bank Affiliate" for exploration and development of energy resources and the launching of the Global Round of Negotiations (GRN).

The two-day summit was neither intended nor expected to be able to present decisions or concrete action programmes for the

solution of the complex problems that plagued the world economy. But, the friendly and candid exchange of views, the shared concern over the problems that beset both the North and the South and the recognition of the need for international cooperation in tackling them naturally raised new hopes and created a sense of optimism that the summit would breathe new life in the future North-South negotiations.

Such an interpretation of the Cancun deliberations found support in the personal appraisal of the outcome of the summit by the participating leaders. Most of them described the meeting as useful and positive. The observations of some of them are quoted below :-

“All in all, I think, they have been fine meetings and I think great progress has been made” US President Ronald Reagan.<sup>13</sup>

“The summit was a very successful conference”. It was “very practical and positive”,—British Prime Minister Margaret Thatcher.<sup>14</sup>

The summit was “a step forward”—Indian Prime Minister Indira Gandhi.<sup>15</sup>

The summit “achieved a real political impulse to launching global negotiation”.—Mohamed Bedjaoui of Algeria and Chairman of Group of 77.<sup>16</sup>

“The summit had helped to promote greater understanding among its participants”.—Mexican President and Co-Chairman Lopez Portillo.<sup>17</sup>

“The different points of view were better known”—Canadian Prime Minister and Co-Chairman Pierre Trudeau.<sup>18</sup>

The Cancun Summit stood out in contrast with the series of deadlocked North-South meetings held in the past. Its most impor-

13. *Time*, November 2, 1981

14. *The Statesman*, October 26, 1981.

15. *Ibid.*

16. *Bangladesh Observer*, October 26, 1981.

17. *The Statesman*, October 25, 1981.

18. *Ibid.*



tant single achievement was that this meeting at the highest political level, though informal, signalled an end of the deadlock in North-South dialogue and an agreement to launch the GRN under the auspices of the UN. The summit ended on the widely expressed hopeful note that the "spirit of Cancun" would inspire and inform the future talks, a hope that, of course, remained to be tested.

#### 4. Post Cancun Events

The analysis in the foregoing section included only a brief reference to the skepticism expressed in many quarters about the outcome of the Cancun Summit. As earlier mentioned, by and large, such skepticism reflected a lack of correct perception of the purpose of this summit and the international developments that led to this unprecedented summit. During the post-Cancun period, this skepticism, however, came to be widely shared, gradually replacing the initial optimism by a rising sense of despair.

The causes of this shift seem to lie not only in the events after Cancun but also in some of the weaknesses inherent in the very structure of the summit and the modality of conducting it. *Firstly*, without prejudice to the informal character of the summit, a communique embodying the issues discussed, major areas of agreement/consensus, different suggestions or thoughts expressed by the world-leaders assembled at this important meeting could and should have been issued. Such a document, besides its historical importance, would have been of immense value both in setting the direction as well as the stage for future talks. *Secondly*, while well-deserved tribute is due to the two Co-Chairmen for the ability and skill with which they conducted the deliberations of such a high-level meeting, the press-statement issued at the conclusion of the summit was found to be utterly inadequate as a summary of these deliberations. Such vital issues (on which complete unanimity was observed) as, for example, the elimination of hunger by 2000 AD recognized as a global concern and responsibility, the need for immediate and substantial assistance to the least developed countries (Bangladesh

leader sent a written note to the Chairman on conclusion of the discussion on this item for incorporation in the summary) did not find the place they deserved in the press-statement. *Thirdly*, the informal character of the meeting did not preclude discussion and agreement of a mechanism to follow up the work of the summit. Several options were open to the summit in this regard : (i) Reconvening the summit as a whole, (ii) Setting up a Committee of the summit, (iii) Meeting of the participating countries at the level of high officials, The third proposal had actually been mooted by President Reagan but was not taken up for discussion. Viewed in retrospect, the reason why none of the above steps was actually taken appeared to lie in two psychological factors. Firstly, the concern to avoid acrimonious debates and ensure the conclusion of the summit within the time-limit in an atmosphere of friendship and cordiality shifted attention to the cosmetic aspect from the serious purpose of this historic meeting. Secondly, the Third World leaders at the summit were apparently so impressed by the mutual good-will exuded at the meeting and the agreement reached on the launching of the GRN, that they no longer thought of any further impediments to the launching of the GRN at the United Nations. The matter of a time-table for discussion to reach a "consensus" explicitly mentioned in the agreed resolution as the basis for the launching of the GRN was not even raised during the hurriedly concluded session on the afternoon of 23 Oct. 1981. Besides the above pitfalls of the Cancun meeting, a complex set of global phenomena accounted for the unfavourable turn of events after the Cancun Summit that muted the hopes raised at Cancun. The talks at the UNGA in 1981 as well as 1982 and other international forums did not reflect the "spirit of Cancun" and the North and the South were once again found locked in a stalemated debate on the launching of the GRN.

As a result, there was no forward movement after Cancun towards the launching of the GRN, and a renewed sense of frustration and despair gripped the developing countries in their battle



against a deepening economic crisis ; for many of them (the least developed among them), this was, indeed, a grim struggle for their very survival.

## 5. The Outlook for the Future

Viewed against such a depressing backdrop, what is the prospect of reviving the "spirit of Cancun" and the launching of the GRN ?

In any attempt to analyse the events and forces bearing on the future of the GRN, it has to be borne in mind that if the North-South talks after Cancun were stalled, a complex set of forces contributed to it.

(i) The world economy continued to remain at a low ebb. "In the industrial countries, large fiscal deficits, tight monetary policies and concern about inflation...raised interest rates to unprecedented levels, curtailed growth and depressed export earnings of developing countries"<sup>19</sup>

(ii) The pit-falls of Cancun and an unfavourable world situation combined to strengthen the position of the hard-liners. Even ICs who demonstrated a forward-look at Cancun deemed it wise to adopt a "wait and see" policy in the economic scenario after Cancun. Unemployment soared to 30 million persons in the industrial countries naturally causing grave concern. The adequacy of existing policies for achieving the goals of stable prices, full employment and satisfactory growth came to be doubted. Investments necessary for high rate of growth were not forthcoming in many of the industrial countries due to high real interests. The state of the industrial non-market economies had also worsened during 1981 due to the magnitude of their "structural crisis".

(iii) The industrial countries continued to remain shackled to economic doctrines unsuited to contemporary world conditions. The "Monetarists" are as much to blame as the "Keynesians" in this regard. "Both monetarist governments and Keynesian governments

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19. World Bank, Op. cit. p. 1.

in the developed world are accomplices—the first willing, the second involuntary—in a monetary and trading system which unreformed cannot deliver prosperity. Monetarist governments use monetary and fiscal policy in varying degrees of compatibility to deflate other countries' trade. Keynesian governments are effectively constrained from expansion for fear that they will suck in imports, wreck their foreign balances, imperil their currencies, and feed domestic wage-price spirals. In order to improve their balances of payments, the majority of governments are effectively competing to squeeze down the real wages of their people relative to their competitors. It is a game that no one can win"<sup>20</sup>

(iv) Protectionism gained a new momentum. In many industrial countries though conceptually committed to free-trade, protection took the disguised form of non-tariff barriers, such as, quotas, so-called voluntary restraints, price-maintenance agreements, subsidies to industries, etc.

(v) The widening political polarization between the great power blocs leading to an escalation of the arms race continued to divert a rapidly increasing volume of resources from productive use to unproductive expansion of the war arsenal (Chart II) including introduction of most costly new generation weapons. "In the four years between the first and second special sessions of the General Assembly devoted to disarmament, world military expenditures exceeded 1.6 trillion dollars. This translates into \$1 million being spent on weapons every minute of every hour of every day in 1981. As compared to an annual total of \$350 billion in prevailing prices in 1977, annual world military expenditure in 1981 was \$550-600 billion in today's prices"<sup>21</sup>.

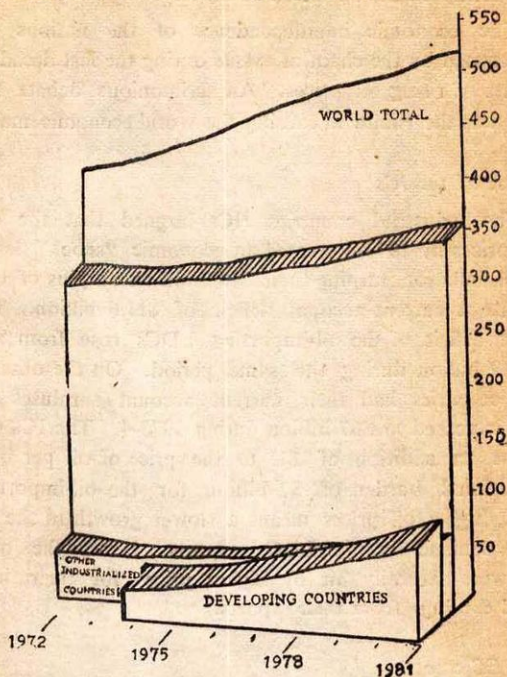
At the root of these forces was the myopic micro-political policy which has hitherto guided international relations both in

20. *The Guardian* (London), November 1, 1981 ;

21. UN "Study on the economic and social consequences of the arms race and of military expenditure;" Report of the Secretary-General to the 37th UNGA. Document No A/37/386 dated 27 September 1982, p. 11.



Chart II. Military Expenditures, 1972-1981 World total and selected groups of countries (US\$ thousand million (1989 Prices))



Source : World Armments and Disarmament, SIPRI Yearbook, 1982 appendix 5B

the political and economic fields. The problems of political security and economic recovery are both inextricably linked and global in character. They can not be solved by any single country or group of countries in isolation.

The transformation of the world-growth scenario is underscored in the World Bank Report of 1982: "The world economy is gradually becoming less dependent on a single source of growth—it

is increasingly an over-simplification to see it as driven exclusively by developments in the advanced countries".<sup>22</sup>

The economic interdependence of the nations was amply demonstrated by the chain of events during the last decade coinciding with that of rising oil prices. An acrimonious debate followed as to who was the villain in causing the world economic malaise.

### *The Case of the ICs*

The industrial countries (ICs) argued that the quadrupling of oil prices in 1973-4 created an economic "shock" leading to the spiral of inflation, turning their \$19.3 billion surplus of the previous year into a current account deficit of \$11.6 billion. The current account deficit of the oil-importing LDCs rose from \$11.5 billion to \$36.9 billion during the same period. On the other hand, the OPEC countries had their current account surpluses from \$6.6 billion increased to \$67 billion during 1973-4. The ICs also pointed out that an addition of \$1 to the price of oil per barrel meant an additional burden of \$2 billion for the oil-importing LDCs. Besides, higher oil prices meant a slower growth in the ICs, reducing the demand for the LDCs' exports. Hence, the oil-importing LDCs were naturally hit by higher prices for their imports and reduced earnings from their exports.

### *The OPEC case*

The OPEC countries contended that the major oil companies in the past followed an artificial oil-price policy to keep the prices at an unrealistically low level and at times, even further reduced it. "For example, a recent OECD study revealed that, in 1970, Saudi Arabia was selling oil at \$1.30 a barrel, which represented a decline of 50 p.c. in real terms of its value in 1950".<sup>23</sup> The OPEC countries also stressed the sharp increase in the prices of food and manu-

22. World Bank or cit p. 32

23. Fehmy Saddy, "OPEC Surplus Funds and Third World Indebtedness" *The Third World Quarterly*, October 1982 p. 741



factured goods imported from ICs more than offsetting the increase in oil prices. In addition, the investment of the OPEC surplus funds in ICs enormously benefited the the latter's economy. In their opinion, the current account deficits of the oil importing LDCs should not be attributed mainly to the increase in the prices of oil because the deterioration of their terms of trade with the ICs was also an important factor responsible for such deficits. In this context, the OPEC countries further pointed out the increase in their concessional assistance to the LDCs to over 4 per cent of their GNP during 1974-79 compared to only 0.34 per cent of the GNP of the industrial nations. Besides, this assistance was being provided not out of their current income, but out of the proceeds of oil, a depleting capital asset. It is further stated by the OPEC countries that the market forces were now operating to erode their income. As a result of the decline in the volume of oil exports which during 1982 is projected to be 40 per cent below its 1979 level, "The surplus of high income oil exporters, \$76 billion in 1981, may fall to about \$35 billion in 1982. In the industrial market economies the contraction of aggregate demand reduced a \$40 billion deficit in 1980 to near balance in 1981 ; a surplus in excess of \$15 billion could emerge in 1982"<sup>24</sup> As a matter of fact, the split in the ranks of the OPEC countries following their recent abortive meeting in Geneva poses a serious threat to the economy of the majority of the oil-producing countries. Diminished earnings from oil-production have spread gloom in oil-producing ICs also, including the U.S. oil business.<sup>25</sup>

An objective examination of the above arguments and an analysis of the developing energy problem as a whole leave no room for doubt that the oil-price phenomenon was a part of the structural transformation and adjustment inevitable in a growingly interdependent world.

The same is true of the monetary institutions created under the Bretton Woods system after World War II. The premises of fixed

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24. World Bank, op cit p. 14

25. *Newsweek*, February 7, 1983, p. 28

exchange rates and relatively stable world prices on which this system rested have long ceased to be valid. The new emerging economic realities underscore the need for a new global monetary order within the framework of a restructured world order based on closer international cooperation.

Viewed against this backdrop, the Cancun Summit cannot be dismissed as a non-event. It was convened precisely to discuss these new realities which were not altered but rather brought into a sharper focus by the events after Cancun. Stirrings of a growing public opinion among the leaders of industrial countries (known to be conservative) for urgent action both at the economic and political level to cope with the new realities are becoming increasingly visible. In his recent "State of the Union Address" the reality of the interdependence of the nations (one of the major themes of discussion at Cancun) was stressed by President Reagan in the following words: "We must also recognize that our own economic well-being is inextricably linked to the world economy. We export over 20 per cent of our industrial production, and 40 per cent of our farmland produces for export". An awareness of the political reality appears to be reflected in his statement, "From the Middle East to Southern Africa to Geneva, American diplomats are taking the initiative to make peace and lower arms levels". Regarding the future he quotes Bernard Baruch "America has never forgotten the nobler things that brought her into being and that light her path. Our country is a special place because we Americans have always been sustained, through good times and bad, by a noble vision—a vision not only of what the world around us is today, but of what we, as a free people, can make it be tomorrow".

Henry A. Kissinger in a recent article<sup>26</sup> while expressing his grave concern over the deepening world recession points out that the challenge is not simply economic; at stake is the survival of free societies. He proceeds to say "the theory of free trade is rooted in a world that no longer exists.....Adam Smith first advanced

26. *Newsweek*, January 24, 1983, pp. 18-21



it in 1776, when Great Britain had a near monopoly in industrialisation." But, by contrast the participants in today's world's economy are many nations with diverse economic, political and cultural background. He recognises that "IMF conditions cannot work if applied at the same time in many countries, particularly in a period of global recession.....Austerity in a developing nation is politically bearable only if rapid progress can be shown toward an escape from the vicious circle in which debt service consumes export earnings". Close economic linkage between the ICs and the LDCs is reflected in his statement "Our real objective must be to promote sustained growth in the developing world; without it, all the frantic debt rescheduling simply delays the inevitable crisis. Only America can lead the world to rapid economic recovery, and we cannot fulfill this goal either in isolation or without a long term economic strategy". Advocating the need for decision and action at the political level he states, "For the stakes are high: whether the economic system as we have known it will hold together—as well as the political relationships that go with it. The next economic summit at Williamsburg—or perhaps a less public forum—could serve as the launching pad for a new policy". Though the Williamsburg summit will not be similar to that held in Cancun, the idea of evolving a new strategy of international cooperation through deliberations at the high political level finds a reverberation in the thoughts and suggestions of Henry Kissinger.

In order to implement the Cancun resolution for the launching of the Global Round of Negotiations, a pre-requisite is to reach "a consensus to launch Global Negotiations on a basis to be mutually agreed upon" for meaningful progress. If such a consensus cannot be reached within the United Nations, practical wisdom seems to warrant a pragmatic approach. One such approach would be to try the Cancun strategy of an informal dialogue at a political level on the lines indicated below :-

(i) The 11-member planning committee (for the Cancun Summit) may reactivate itself and explore the possibility of reconvening the Summit of the 22 countries that met in Cancun.

(ii) An initiative may be taken by the Chairman of the Group of 77 in consultation with the two Co-Chairmen of Cancun Summit (namely, Austria and Mexico for convening a meeting of the 22 countries at a high official level to sort out the differences, and pave the way to the desired consensus.

(iii) The 11-member planning committee expanded to include the representatives of USA, UK, USSR, France and Japan and the Chairman of the Group of 77 may meet and thresh out the differences which continue to cause the deadlock in the North-South dialogue (This committee may meet at a level considered appropriate by the Governments concerned.)

(iv) The Chairman of the Group of 77 along with the Permanent Representatives of Austria and Mexico (Co-Chairmen of the Cancun meeting) may form a "Contact Group" and, through informal consultations, try to establish the "consensus" necessary for the launching of the GRN.

It is in the interest as much of the North as of the South that their dialogue be resumed in a meaningful way. The alternative is continuing crisis and chaos, tension and conflict. The speedy end of North-South polarization has an additional value. It is likely to open up a new horizon of international cooperation and create conditions conducive to ending East-West polarization with its favourable impact on the arms race. Thus, the planet earth may see the dawn of an era of progress for the mankind as a whole based firmly on a new and rational ecological, economic and political balance.