

noting that any talks at the United Nations could last forever.

The chief diplomat during those final two hours was Suzuki of Japan. Japanese sources reported that Haig told Sonoda the United States would compromise on procedure "if you back us up on substance when the talks take place."

Reagan had announced in his speech to the conference that the United States was willing to take part in future talks, but the power and authority of the "specialized agencies" must be maintained. For Haig, this was not a question of voting tallies; the point is to maintain the IMF's ability to enforce backwardness.

Similarly, for many of the developing countries, the issue is not merely to switch the talks to the U.N. General Assembly so as to "outvote" the developed countries. The goal is to transform the policies and/or reduce the power of the IMF. This is exactly what Indira Gandhi told a press conference: "We are not wedded to certain phrases. We are more interested in the results and the substance."

Thus, the issue at Cancún was, and remains: will the IMF continue to determine North-South relations? The summit did not resolve this question, but placed it clearly at the top of the agenda.

## Developing nations mount a challenge to IMF austerity

The most important debate in the Cancún summit revolved around proposals to drastically reform the philosophical basis and the functions of the International Monetary Fund. In the words of Philippine President Marcos, there were "bitter remarks" on this issue. "Proposals to resolve this problem were presented," announced Miguel de la Madrid, the presidential candidate of Mexico's ruling PRI party.

The developing countries have for some time considered the IMF the chief obstacle to matching the obvious economic demand in the Third World with the obvious economic production capacities of the advanced countries. The 1976 heads of state meeting of Non-Aligned Nations held in Colombo, Sri Lanka, and the 1979 meeting of the same organization in Havana, had raised the issue of creating a new monetary system to meet the actual needs of the developed and underdeveloped economies. What was striking about Cancún was the sharpness and anger of Third World attacks on the IMF, and

the clarity of their ideas about changing the system. Moreover, Cancún was the first forum for this debate comprising leaders of both the advanced and underdeveloped countries.

The controversy forced French President François Mitterrand to shed his image of "friend of the developing countries." Mitterrand strongly defended the IMF, arguing that the agency is "evolving" its policies to be "more in line" with the needs of the developing countries. Mitterrand's Brandt Commission policies were thus revealed publicly as a soft-sell version of Reagan and Thatcher's "free enterprise."

A particularly heated exchange took place between President Reagan and President Julius Nyerere of Tanzania, who was the spokesman on balance of payments problems for the African nations in attendance. Nyerere, whose country has been ripped apart by IMF "conditionalities," objected to Reagan's constant emphasis on private capital as the key to development. "Mr. President, can you please tell me one American company that will come to my country and construct the power lines, the dams, and other infrastructure that we desperately need? Please tell me which ones, because I would like to invite them." Nyerere went on to emphasize that private capital has been too timid to enter many countries, and official loans from government and international agencies are indispensable.

Reagan responded that, nonetheless, official loans and aid should be the "seed crystal" around which private capital builds. He told Nyerere that if the World Bank or some other international agency finances a project, the project should then be sub-contracted by the recipient country to a private firm.

Insiders say Canada's Trudeau intervened at this time, and asked Nyerere to guarantee against expropriation of foreign capital in his country. Nyerere responded by citing joint ventures that exist in his country with foreign capital.

The development programs of developing countries must be reviewed by the IMF, both Reagan and Thatcher said, in order to instill confidence in foreign investors, who hold the key to success. The developing countries, without exception, protested this demand, as indicated below in excerpts from the statements by Brazil, Yugoslavia, and the Philippines.

The "conditionalities" imposed by the IMF on its borrowers were the biggest target of developing-sector criticism. The Philippines presented an entire background paper on this issue.

Speaking to reporters, Mexico's Industry Minister José Andrés de Oteyza summed up the monetary and financial discussions in this way:

**High interest rates:** Developing countries insisted that high rates are leading the entire world economy into a deep recession, which will only reduce economic activ-

ity, increase inflation, and increase developing sector debts.

**“Linkage”:** Developing countries insisted that there must be a “link” between the solving of balance-of-payments deficits of developing countries and the overall development plans of those countries. So often, they said, the IMF destroys the development plans of nations in the name of “reducing payments deficits.”

**IMF conditionalities:** Developing countries insisted that conditionalities imposed by the IMF are particularly unacceptable in the case of the poorest nations, whose poverty is so abject that they can not afford to cut imports to “save” foreign currency.

Both Mitterrand and West Germany’s Foreign Minister Hans-Dietrich Genscher adopted the Thatcher-Reagan position. Japan, on the other hand, did not take a stand directly on the IMF debate, but focused on attacking high interest rates, and suggested that government aid be provided to developing countries to ease the burden of interest charges.

## The other agenda items: food, energy and trade barriers

Along with international monetary and financial questions, food, energy, and trade comprised the agenda of the Cancún summit. The themes that ran through discussions: 1) that the issues could only be effectively considered in the context of an overall development approach, and; 2) that short of a major reform of the international monetary system in the near future, the developing countries pragmatically hope discussions will lead to quick, at least marginal increases in the flow of financial resources to them.

**Food:** It was generally agreed that given modern technologies, it is intolerable that hundreds of millions of people are hungry, and the year 2000 was suggested as a target date for the complete elimination of hunger worldwide.

Virtually every developing country insisted that expanding food production in their countries must be the goal, for which necessary provision of emergency food supplies cannot substitute. Expanding production depends on an integrated development program, including especially infrastructure.

Prime Minister Indira Gandhi of India, whose nation has achieved food self-sufficiency, emphasized fertilizers,

technology and improved seeds, together with determination in her nation; with proper resources, she said, other countries could do the same. Nigeria spoke for Africa on this issue, and startled attendees with the fact that in dollar terms, the African continent imports as much food as oil. Japan presented a document on rural development, calling food production the backbone of “nation-building,” and observing that in rural areas improved infrastructure will increase productivity and create financial incentives for farmers to produce. President Reagan made his only specific proposal to the conference at this time, offering to dispatch expert American “task forces” to developing countries. Austria proposed a “Marshall Plan” to mobilize funds for infrastructure development in the developing countries.

**Energy:** There was general agreement on the need for international cooperation, and Mexico proposed an ambiguous World Energy Plan. Discussion focused largely on each country’s developing its own energy plan, which primarily means backward “renewable” resources such as wood-burning and solar. There was no mention of nuclear energy. OPEC nations reportedly urged indexing oil prices to inflation in the OECD, with the nominal support of the other LDCs. LDCs strongly supported establishment of a World Bank energy affiliate, to finance non-OPEC energy resource development. The United States opposed this energy bank, while Britain placed the condition that OPEC provide the bulk of funds.

**Trade and industrialization:** Mrs. Gandhi and other LDC leaders emphasized the importance of these. LDCs strongly emphasized that depressed economic conditions in the OECD nations are raising the costs of LDC import bills and reducing export earnings. LDCs also strongly criticized the Reagan administration for reducing overall economic activity, including LDC exports.

In the expectation of continued OECD recession, the LDCs hope to maximize export earnings through several means, including a “Common Fund” to stabilize raw material export prices (the conference final summary noted that all participants agreed to speed up execution of this plan), and increased export of manufactured products, especially fibers and leathers, to the OECD nations. Virtually every participant called for maintaining and improving the “free-trade” system, and many gave verbal endorsement to the General Agreement on Tariffs and Trade (GATT), and to negotiation of a new Multifiber Agreement; many LDCs have developed a fiber-manufacturing capability.

All these are, at best, stop-gap measures, as most LDCs admit, not an alternative to a genuine revival of the OECD economies. The Common Fund is especially dangerous, as the strategists around Henry Kissinger hope such schemes will lock the LDCs into backward, raw-materials-extraction modes of production.

# The final statement from the summit

*Excerpts follow from the final summary statement of the discussions at the Cancún summit. The statement was read to assembled reporters by President López Portillo and Prime Minister Elliot Trudeau.*

The North/South relationship was seen as one of the most serious challenges to be faced in the coming decade, ranking with and linked to the maintenance of world peace, as a priority for the attention of governments. Our task was to bring our voices to bear at the highest level on the fundamental issues, to identify the major problems and to try to evaluate and promote possible solutions. We were not bound by traditional bureaucratic entanglements:

We believe we succeeded in creating a spirit of genuine confidence and trust amongst ourselves. Our task now will be to ensure that we build upon this, with the aim of revitalizing the world economy and accelerating the development of the developing countries.

The Heads of State and Government confirmed the desirability of supporting at the United Nations, with a sense of urgency, a consensus to launch Global Negotiations on a basis to be mutually agreed and in circumstances offering the prospect of meaningful progress. Some countries insisted that the competence of the specialized agencies should not be affected.

We focused on what we viewed as the major issues: food security and agricultural development; commodities, trade and industrialization; energy, and monetary and financial issues.

**Food:** Within as brief a period as possible, hunger must be eradicated. Food aid should not be used as a permanent replacement for the necessary development of the required food production in the developing countries themselves. The rate of population growth in some countries leads to increases in food demand that are difficult to meet. The experience of a certain number of countries has shown that development of a population policy aids in solving some of the most acute aspects of the food problem. A number of steps should be taken to improve the effectiveness of food-security mechanisms.

**Commodities, trade, industrialization:** Participants agreed on the need to complete procedures for bringing the Common Fund into operation. The need was recognized for continued efforts to resist protectionist pressures. A number of participants referred to the importance of industrialization of developing countries and the contribution which increased trade could make to this objective.

**Energy:** The problem was characterized as a global one. To ensure an orderly transition from the era of hydro-carbons, the proposal for a World Energy Plan was recalled. It was recognized that energy conservation must be pursued by major oil-consuming countries. Support was expressed by many participants for establishment of a World Bank Energy Affiliate.

**Monetary and financial issues:** Participants reviewed the financial difficulties being experienced by developing countries. They discussed conditions of access to the various sources of financing. Points raised in the discussion included the impact of high interest rates, the creation of the SDR as a main reserve asset and in financing development, IMF conditionality, the decision-making process in the international financial institutions, access to capital markets, and the respective role of private and official sources of external capital in development financing. Several suggestions were noted for improved international financial cooperation.

## *Mexico: 'Interdependence'*

*Below are excerpts from the opening statement of President José López Portillo of Mexico. This speech inaugurated the summit.*

The first important achievement of this event is the very fact that we are gathered here together to pursue a common goal, cooperation and development. This meeting is not intended to replace or to compete with existing organizations, but rather to infuse them with new vitality and to strengthen them.

Our world today is still split by a lacerating contradiction between opulence and poverty; between North and South, and between progress, backwardness and sometimes even backsliding. We have not succeeded in agreeing on what is important for all, and attention is still being focused only on what is urgent for some.

I have no wish to dramatize the facts, but I must conclude that unfairness does exist, that injustice is suffered, and that in many parts of the world, which is man's common home, there is hunger, poverty and squalor. Further, all of that, grave in itself, is the cause of widespread instability and the source of confrontations that become vicious circles—veritable whirlpools of worldwide decline.

We are not dealing with transitory circumstances or momentary situations, but rather with matters of structure, and of the type of organization that we have developed for ourselves.

Food is used as a weapon, and its production and distribution is given an overwhelmingly discriminatory priority. Death lurks in both alternatives.

In the matter of energy sources, we have reduced the solution to questions of price and market manipulation,

instead of planning for a reasoned and well-directed transition from the age of petroleum to the following one.

Where financing for development is concerned, there is haggling over the terms of cooperation, and aid, as often as not, is refused because it is thought of as wealth undeserved by peoples who have not created it; or is made subject to conditions favoring vested interests or ideologies. Powerful interests oppose any effective reform of international monetary and financing institutions. Everything seems to indicate that, far from wishing to design a new system, there is every intention of maintaining, or even of turning back the clock on the present system, which has proved to be both inadequate and unfair.

Inflation and recession prevent a harmonious relationship between guided processes of industrialization and trade, and seem aimed at freezing the present structure of trade exchange of the international division of labor.

Due to its lack of harmony, the world in which we live is becoming increasingly dangerous for the rich countries, and implacable and cruel to the poor countries. We had not experienced anything similar since the Great Depression.

In the poor countries economic growth continues to be feeble because they lack the goods and services which are only produced in advanced countries, and which the former are unable to acquire owing to their lack of foreign exchange, since their growth rate is determined by their balance of payments. Demand does exist, but is only potential. Thus the drama of underdevelopment occurs. Not even the most basic needs become demands.

With truth, imagination and political will, the world must find ways to *coordinate the actions of countries having technical knowledge, unused productive capacity and unemployed manpower with those of countries having demands but limited purchasing power, and with those others which do possess financial resources, so that all can join in making international cooperation for development a reality.* [emphasis added].

A lasting and stable reactivation of the world economy cannot come from the prosperity of just one of its segments, if the others remain in a state of stagnation. The progress of each is increasingly a precondition for the progress of all. Let us grasp the fact that the growth of advanced economies—provided protectionist pressures can be overcome—results in an expanding market for the exports of the developing world, and sufficient demand to keep the prices of those exports from falling. The development of the peripheral countries is transformed into growing markets for the products of the industrialized countries, thereby stimulating their growth and creating jobs. It also represents sufficient supplies of raw materials and of energy, which in turn

encourage economic revival on a world-wide scale. Domestic economic policies and international cooperation efforts in which everyone joins must be fitted to the new realities of global interdependence.

It would be to our everlasting shame and would irretrievably doom us if we were to prove unable to organize and act together in time.



Zenko Suzuki

## Japan: 'Desire for progress'

*Excerpts from the opening statement delivered by Prime Minister Zenko Suzuki of Japan:*

I believe it would be no overstatement to say that this meeting is a meeting of the foremost importance in the history of mankind and that it is truly a timely and epoch-making event.

Most countries are faced with various difficulties, such as inflation, recession, and a deteriorating international balance of payments. The non-oil producing developing countries, in particular, are faced with large deficits in their current account and accumulating debts. A major part of the deficit is the result of the sharp rise in the price of imported oil, high interest rates, and a slowing down of their exports as a result of the stagnation in the economies of the developed countries. I believe it important that, with regard to these developing countries' difficulties, we should not simply wait for adjustment efforts by the developing countries to take effect, but rather that all countries, particularly the developed countries, should cooperate for the attainment of non-inflationary growth and, thereby, seek steady expansion of the world economy.

The road ahead calls for each of us to abandon the false perception that the interests of North and South conflict with each other, and for both the developed and developing countries to extend the hand of cooperation to one another in order to revitalize the world economy

and to attain the goal of world peace and prosperity. Let us leave to our posterity a world at peace, a world of prosperity, by overcoming the various difficulties.

Japan realizes the political significance of the global round of negotiations at the United Nations and hopes sincerely that, as early as possible, agreement on procedure and agenda acceptable to both North and South will be obtained and every arrangement for its launching will be made.

The modes of international cooperation to assist the self-reliant efforts of the developing countries will need to be made more balanced. It will be very important to make the best use of the vitality of the private sector. However, Official Development Assistance (ODA) has the central role in promoting economic assistance to meet the various needs of the developing countries. The Government of Japan will continue to expand positively its ODA. In implementing our assistance, it is Japan's policy to contribute to the strengthening of the basic infrastructure of the developing countries.

The most important motive force for a country's development and economic growth is that country's own determination to succeed in the task of nation-building and its own self-reliant efforts.

Today, my country is fortunate in being a country with one of the most active economies in the world. However, when Japan began to grapple with the task of modernizing the nation about 100 years ago, it was a poor country, small in area and poor in natural resources, inhabited by 30 million people. It had no advanced technology and very little capital. Its leaders were, however, filled with the ardent resolve to attain progress and growth, believing that education was the most essential prerequisite for the nation-building, and worked with dedication and determination to lay the foundation for education of the people. *High-quality human resources fostered in this way, together with an appropriate leadership, made it possible for us to introduce advanced technologies from foreign countries, to establish an institutional framework for development and to accumulate capital* [emphasis added].

One success led to further aspirations for growth and consolidated the prerequisites for attaining higher objectives. The principle of free competition stimulated the desire of the Japanese people for progress, led to the inflow of foreign capital, raw materials and new technologies from abroad, and high-quality labor forces continued to make full use of them as effective additions to their production capacity. The reason why Japan was able to overcome the serious setback it suffered as a result of World War II and attained a rapid economic growth in the past is widely believed to be the tremendous vitality of the Japanese people. In short, there was first the determination to be self-reliant, and the self-reliant efforts kept turning the wheel of modernization.

## Reagan 'IMF is key'

*Excerpts from the opening statement of U.S. President Ronald Reagan:*

History demonstrates that time and again, in place after place, economic growth and human progress make their greatest strides in countries that encourage economic freedom. In examining our collective experience with development, let us remember that international economic institutions have also done much to improve the world economy.

The IMF remains the centerpiece of the international financial system. It has adjusted its programs and increased its resources to deal with the major pressures and problems of our era.

We are prepared to carry out the commitment in the Ottawa Summit Declaration to conduct a more formal dialogue—bilaterally, with regional groups, in the United Nations and in specialized international agencies. It is our view that “circumstances offering the prospect of meaningful progress” are future talks based upon four essential understandings among the participants:

- The talks should have a practical orientation toward identifying, on a case-by-case basis, specific potential for, or obstacles to, development which cooperative efforts may enhance or remove.
- The talks should respect the competence, functions, and powers of the specialized international agencies upon which we all depend, with the understanding that the decisions reached by these agencies within respective areas of competence are final. We should not seek to create new institutions.
- The general orientation of the talks must be toward sustaining or achieving greater levels of mutually beneficial international growth and development.
- The talks should take place in an atmosphere of cooperative spirit.

But our main purpose in coming to Cancún is to focus on specific questions of substance, not procedural matters. In this spirit, we bring a positive program of action for development concentrated around these principles:

- Stimulating international trade by opening up markets;
- Tailoring particular development strategies to the specific needs and potential of individual countries and regions;
- Improving the climate for private capital flows, particularly private investment;
- And 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.

## Manila: 'IMF is wrong'

*The following document was submitted to the Cancún summit by Philippines President Marcos, with the provision that a "Bretton Woods type of conference" might be needed to deal with the issues raised.*

The burden of adjustment continues to be excessively borne by non-oil developing countries. This is mainly attributable to:

- depressed economic activities in major industrial countries resulting from over-emphasis on anti-inflationary policies.
- perpetuation of trade protectionist measures that hamper manufactured exports from developing countries.
- further deterioration in terms of trade against developing countries.

Thus, in spite of stringent domestic adjustment policies pursued by most non-oil developing countries that further contributed to decline in their growth rates, their current account deficits and prospects continue to grow.

This, in turn, is aggravated by the stiffer terms of financing from both private markets and international financial institutions (IMF, World Bank). Escalation in interest rates and shortening in maturities of loans from private markets further impinge on debt servicing capacity of non-oil developing countries.

The uncertainties of volatile exchange rates compound the problem of programming adequate resources for debt servicing.

In view of these considerations, *it is unreasonable to call for stricter conditionality on non-oil developing countries using IMF resources. The tendency to prescribe traditional adjustment measures in the monetary, interest rate and exchange fields ignores the fact that their deficits are, by and large, external in origin* [emphasis added]. If all deficit non-oil developing countries were to adopt:

- devaluation measures; their exports will not necessarily improve, their foreign exchange receipts may in fact decline.
- increase in interest rates measures; their business cost and inflation rate will continue to rise, increasing disincentives for investments, production and employment.
- other restrictive monetary measures; likewise, will only further depress their economies without correcting the structural problems requiring medium and long-term solutions.

*I urge the heads of state or government to:*

1) Note that successful global adjustment can only be realized if all countries undertook materially reinforcing measures. It must be stressed that it would be inappropriate for the IMF to increase conditionality when

action of other countries renders such conditional programs ineffective.

2) Recognize the importance of greater surveillance of exchange rate behavior.

3) Recall the agreement to establish a centrally managed international reserve system based on SDRs. Further allocation is necessary to enhance this role thus providing additional resources that will enable countries to undertake adjustment measures not destructive of global trade and development.

4) Note that IMF quotas are significantly out of line with global trade.

5) Recognize the interdependence between developed and developing countries noting that sustained growth in the latter would contribute to prosperity in the former. It is therefore agreed that greater assistance be extended to help in the development and restructuring of the economies of developing countries.

6) Stress the urgency of the above-mentioned program of action, that they be undertaken without delay and that if necessary, a global conference on money and financing be convened to hasten their implementation.

## Brazil: 'System out of date'

*Excerpts from the opening statement delivered by Ambassador Ramiro Saraiva Guerreiro of Brazil:*

The economic system established in the postwar years and still in force today in organizations like the IMF, the World Bank and the GATT has never tackled specific problems of the developing countries in a comprehensive and integrated manner. It was based on liberal assumptions according to which it would be possible to achieve in a short period a basic degree of homogeneity among nations and the market would be an essentially efficient mechanism for regulating exchanges and allocating resources.

Underestimated was the fact that the operation of market mechanisms cannot be considered in abstraction of trade, economic, and even political realities which, under the apparent neutrality of the interplay between demand and supply, reflect the often profound inequality between countries of so disparate levels of development. The benefits deriving to the developed countries from a more active presence of the South in international exchanges are clearly brought out if one considers the anti-recessive and anti-inflationary nature of the South's demand for goods and services produced in the North, and of the South's supply of goods and raw materials.

It is tragic that at this very moment 24 million workers in Europe and the United States are being paid not to produce, while in the South so much is left undone due to the lack of resources to import what those very workers could now be producing.

One cannot predicate the objectives of economic and social development on activities which are by definition profit-oriented, and which might not be always available when needed. Even in Brazil, which adopts a philosophy of market economy and of encouragement of its private sector, it has been necessary for the state to pragmatically take over considerable responsibilities in important sectors. What can be said of countries that do not possess a business community, or sufficient capital accumulation or even technical cadres?

The very system that emerged from Bretton Woods no longer seems able to offer solutions with the required urgency and flexibility. The countries of the South have the greatest interest in preserving the stability and credibility of the Bretton Woods institutions. What they ask of those institutions is simply greater sensitivity to the specific conditions and needs of the developing world.

### *Belgrade: 'The debt danger'*

*Excerpts from the opening statement delivered by President Sergej Kraigher of Yugoslavia:*

None of us is spared the difficult problems plaguing the world, from unemployment and inflation, through balance of payments deficits and monetary instability, to the slowing down or even discontinuation of economic growth. The problems confronting us have indeed assumed the most dramatic proportions in the weakest link in the chain of the world economy—in the developing countries.

The current account deficit of the non-oil-developing countries amounted to \$82 billion dollars in 1980, twice as much as compared with 1978. This year it will reach the figure of \$100 billion. Only one-quarter of this deficit was covered by official international assistance. For the rest new commercial loans must be sought.

This makes the position of these countries increasingly difficult, so that new foreign debts, by and large, are used for debt servicing, while only one fifth remains for development financing. Any increase of 1 percent in the interest rate results in an additional outflow of capital from these countries of nearly \$2 billion.

The foreign indebtedness of these countries amounted to \$400 billion at the end of last year, twice as much as the value of their total exports.

All this leads to the curtailment of economic development, decrease in creditworthiness, and, hence, to the danger of repayments moratorium.

All this testifies in favor of the need to develop international monetary cooperation on the basis of new principles. Changes in the international monetary and financial system could produce desired results only if they are conceived as a function of economic development.

## Glimpses of Cancún

I arrived in Cancún early on October 20, and the distasteful aroma of the world's second oldest profession—journalism—was already stifling the air of the small but crowded airport. Reporters from all over the world were pushing and shoving for position at the press reception desk established by the government of Mexico to assign hotels for the reporters. A temporary respite was gained when I suddenly overheard the Mexicans telling an irate *Newsweek* correspondent: "I am sorry, your reservations have been canceled."

But one of the uglier duos in the profession came to the rescue of *Newsweek*. Marlise Simons, the British national who serves as the *Washington Post* correspondent in Mexico, offered temporary lodging to her colleague. Later, while waiting for a bus to our hotels, Simons and her British national husband Alan Riding, who is the *New York Times* correspondent in Mexico, were overheard talking about Central America with an American journalist. Simons: "I have been informed by interesting channels that I am no longer welcome in Central America." Husband Alan: "I don't go there anymore. Let them sink in their own blood. . . . How about that from a revolutionary socialist."

The situation did not get much better with the journalists. One of the more striking things to witness was the White House press corps clinging to the pants of Alexander Haig for a (usually false) statement on Cancún to print. During the conference, Haig generally obliged by giving several briefings per day to the press. Not bothering to cross-check the Secretary's assessment of the conference, the reporters were generally content to fill in the gap between Haig's utterings by taking in the beaches of Cancún.

The result: a rather distorted picture of the conference appeared in the American press. Two examples suffice. Haig told reporters that the meeting between President Reagan and Indian Prime Minister Indira Gandhi included discussion of India's successful "green revolution" in agricultural production. Haig said the President viewed this success as proof of his claim that "private initiative" is the best method of Third World development. "Let the farmers produce," the President is reported to have said. But the Indian delegation reported the Reagan-Gandhi meeting slightly differently. Mrs. Gandhi is said to have told Reagan that India has a "balanced

approach" including the private and state sectors." She pointed out the success of India's nationalized oil industry. No word of this from Haig. "He told more of a half-truth than an actual lie," one Indian commented, "but the effect is certainly the same." Haig also reported a "remarkable convergence" of views between President Reagan and Nigeria's President Shagari, including on the touchy subject of Cuban troops in Angola. Nigeria's response: "Let's just say Mr. Haig was exaggerating," said the country's Foreign Minister. He said Nigeria believes Angola has the right to invite Cuban troops on its soil, especially as long as Angola's national security is threatened. He also said Reagan should use the stick and not the carrot with South Africa.

The Japanese were more active at Cancún than any other recent world meeting, and a little noticed booklet they circulated, "Japan and the Developing Countries," made clear how they are currently operating. The booklet outlined Japan's foreign aid program in detail, and included a section on debt renegotiation with developing countries. "When the commercial debt of a developing country to a private Japanese company cannot be paid due to the deterioration of its international balance of payments, the Japanese government refinances the debt through the central government of the recipient country. When loans from the Japanese Government cannot be repaid by the recipient country, the Japanese Government reschedules the maturity."

This Japanese policy, of course, puts Japan squarely at odds with the International Monetary Fund.

The danger of war was never far from the minds of the assembled heads of state. Most arrived just after President Reagan's much-publicized statement that "limited nuclear war" is a possibility.

Perhaps the most interesting statement on this subject came from Philippines President Ferdinand Marcos. In a booklet widely circulated at the conference, Marcos wrote: "Whether in nuclear war or in conflicts on economic issues, there is nothing for anybody, not even for the neutrals. There is only defeat, for as some of the philosophers have put it, 'for conflict itself is the meaning of defeat.' . . ."

Limited nuclear war cannot be assured to remain limited. Military and strategic considerations make escalation inexorable. Once the first nuclear missile, whether tactical or otherwise, is released, no one knows when the exchange will cease. Again, referring to the philosophers. . . . 'War's necessity is terrible and, once released, its course lies almost wholly beyond the compass of those who seek to make it the servant of their ends.' The same can be said of the issues that divide the North and South that are now called international economic issues. They are starting out in economic terms but actually deteriorating into matters of survival which may ultimately end as causes for war."

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## Papandreou's Victory

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# The Alexandrians take over Greece

by Criton Zoakos, Editor-in-Chief

To get a flavor of the kind of old British intelligence networks that are involved in the management of the new Papandreou government in Greece, one should evoke the heady, sodomy-and-necrophilia-scented atmosphere of Lawrence Durrell's *Alexandria Quartet*, a novel about life in British-run Alexandria in the beginning of this century. The Durrell novel is useful because in it one finds the most accurate portrayal of the kind of mind and world outlook which dominates the government of Mr. Andreas Papandreou.

Lawrence Durrell, however, is not the first to either express or notice this spirit of the *Alexandria Quartet*, a spirit which can best be described as the stench coming out of a Hellenistic-era sarcophagus within which a decomposing, putrescent mummy is being sodomized, amidst dust gathered through millennia and the perspiration of an Alexandrine midsummer noon. The mentality accompanying this horrid image is honored among Greek literati from the 1930s to this day as the "Alexandrian School" of modern Greek philology associated with the names of Constantine Cavafy and Nobel laureate George Seferis, two Greek-Alexandrine "poets" whom T. S. Eliot tried to imitate throughout his life and whom present-day Greek literary society holds as the most exquisite expression of modern Greek thought.

It is this Alexandrine spirit which won during the parliamentary elections in Greece. This spirit is the principal vehicle which British intelligence has employed to control Greek politics.

At least three ministers of Mr. Papandreou's cabinet have close political ties with British intelligence and