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10 DOWNING STREET

From the Private Secretary

15 April 1985

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BONN ECONOMIC SUMMIT

I enclose a letter to the Prime Minister from the International Chamber of Commerce, setting out its priorities for the Bonn Economic Summit. I should be grateful if your Department could co-ordinate a draft reply consulting the Treasury and the Department of Trade and Industry as necessary. It would be helpful to have this by 23 April.

I am copying this letter and enclosure to Rachel Lomax (HM Treasury), John Margy (Department of Trade and Industry) and Richard Hatfield (Cabinet Office).

(C.D. POWELL)

C.R. Budd, Esq.,
Foreign and Commonwelath Office.

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PM/AG

The Rt. Hon. Margaret Thatcher, MP,
10 Downing Street,
London,
SW1.

15 April 1985

Sir Prime Minister,

Bonn Summit

I am enclosing the views of world business, as represented by the International Chamber of Commerce, on the priorities of the participants at the coming Bonn Summit meeting.

More than ever before, international businessmen hope for clear and concrete actions from governments in overcoming closely-linked trade and monetary problems.

As on previous occasions, it is important for you to know that the other participating governments will be receiving an identical brief from their national ICC affiliates.

Comments, before or after the Summit, would be much welcomed by us.

Yours sincerely,

P. Macadam

Sir Peter Macadam.



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Policy and Programme Department

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COMMISSION ON INTERNATIONAL TRADE POLICY AND TRADE-RELATED MATTERS

ICC STATEMENT FOR THE BONN SUMMIT, 2 - 4 May 1985

During the year since the London Summit meeting, world economic recovery and the expansion of international trade have proved stronger than was then anticipated; inflation has generally remained in check; and a number of heavily-indebted developing countries have achieved remarkable improvements on the current account of their external payments.

International business, represented by the ICC, applauds these achievements which, in relation to the depressed and very precarious condition of the world economy only a few years ago, are substantial.

Nonetheless, the current recovery is not without substantial negative elements which constitute a source of serious concern:

a) Although the recovery has been spreading to more and more countries throughout the world, it remains uneven with considerable differences in growth and employment rates among both developed and developing countries. In particular, large-scale unemployment and inadequate job creation continue to be a major problem in Western Europe and many developing countries.

b) In the United States, the large budget and trade deficits and the excessive dependence on capital in-flows raise concern about the sustainability of that country's recovery, which is so important to the rest of the world. The large trade and current account surpluses of Japan with the rest of the world are another source of imbalance and uncertainty for the recovery.

c) Although the worst scenarios feared a few years ago have been successfully avoided, the developing country debt problem remains very serious and very vulnerable to a faltering of economic recovery in the rest of the world.

d) Most important of all, the prospects for achieving sustainable economic growth throughout the world are threatened by the loss of business confidence in the functions of the international trade and monetary systems. Despite the undertakings of the participating governments in the final Declaration of the Williamsburg Summit two years ago "to halt protectionism, and as the recovery proceeds to reverse it by dismantling trade barriers," protectionist measures have been taken in a number of countries. Some of these measures have hindered the efforts of the heavily-indebted developing countries to earn the means to service and repay their loans. Protectionist pressures have been exacerbated in the United States by recent developments in the currency markets and in other countries by the slowness to adjust their domestic structures. Uncertainties in the trade and financial markets and structural rigidities are inhibiting a major expansion of investment in some countries.

The ICC calls upon the governments represented at Bonn to address with determination the current problems in the international trade and monetary systems and to implement their commitments with clear and concrete actions. To achieve improvements, a parallel approach to both trade and monetary matters will be essential.

Specifically, in the monetary field, the ICC believes that governments can and should do more to coordinate the design and implementation of their macro-economic policies with the aim of improving the fundamentals that underlie currency and exchange rate movements. Greater day-to-day cooperation among financial authorities has also become vital as a result of the large volume of international capital movements and the sophisticated communications systems of today's world.

In the trade field, the ICC calls upon governments to give their full support to a new round of trade negotiations under the aegis of the GATT. What is required at an early date is an international commitment to such negotiations and preparatory work to create the widest

possible consensus for a specific agenda. The ICC believes that such an agenda must include steps to:

- a) roll back the protectionist measures that have accumulated in recent years;
- b) liberalize and establish agreed rules for international trade in agricultural products;
- c) open up new areas of trade that are not currently subject to GATT rules and disciplines;
- d) strengthen the machinery of the GATT with the aim of ensuring that countries observe more strictly their obligations under international agreements and the GATT is enabled to deal with the trade-distorting effects of subsidies and other domestic measures; and
- e) spread the benefits and, over time, the disciplines of the open trading system to the developing countries.

Finally, in view of the linkages in the world's trade and financial systems, and in order to facilitate a parallel approach to the interacting problems of both, the ICC urges governments to promote closer working relationships between the trade, industry, and financial ministries within their national capitals and, on the international level, between the GATT, IMF, and World Bank.

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