

GRS 850
UNCLASSIFIED
FM DHAKA 280010Z APR 85
TO PRIORITY FCO
TELEGRAM NUMBER 133 OF 28 APR 85
AND TO PRIORITY ODA

M.I.P.T.

BONN ECONOMIC SUMMIT

1. THE FOLLOWING IS THE TEXT OF A

LETTER OF 22 APRIL FROM PRESIDENT ERSHAD
TO THE PRIME MINISTER:

BEGINS:

EXCELLENCY,

THE DEVELOPED AS WELL AS THE DEVELOPING COUNTRIES
WILL BE WATCHING WITH INTEREST AND CONCERN THE DELIBERATIONS
AND OUTCOME OF THE ENSUING SUMMIT MEETING IN BONN EARLY
NEXT MONTH. THERE IS NO DOUBT THAT THE WORLD ECONOMY HAS
IMPROVED CONSIDERABLY IN RECENT TIMES BUT THE RECOVERY IN
OUTPUT AND TRADE IS YET TO SPREAD TO THE DEVELOPING COUNTRIES
AND THAT MANY DEVELOPING COUNTRIES, PARTICULARLY THE LEAST
DEVELOPED AMONG THEM, CONTINUE TO FACE DIFFICULT PROBLEMS
DUE TO INADEQUATE CONCESSIONAL AID FLOWS AND TRADE RESTRICTIONS.
SOME OF THESE COUNTRIES ARE STILL FACING SEVERE DIFFICULTIES
DESPITE THE FACT THAT THEY HAD ADOPTED COURAGEOUS ADJUSTMENT
PROGRAMMES AT TIMES AT CONSIDERABLE SOCIAL AND ECONOMIC COSTS.
CONCERTED INTERNATIONAL EFFORTS ARE REQUIRED TO IMPROVE THE
FLOW OF FINANCIAL RESOURCES TO DEVELOPING COUNTRIES TO SUPPORT
THE REQUIRED ADJUSTMENTS IN THE CONTEXT OF GROWTH. IN AN
INTER-DEPENDENT WORLD THESE EFFORTS ARE REQUIRED NOT ONLY TO
ASSIST DEVELOPMENT BUT ALSO TO SUSTAIN ECONOMIC RECOVERY.

2. AUGMENTATION OF IDA RESOURCES IS VITALLY IMPORTANT
FOR A LEAST DEVELOPED COUNTRY LIKE BANGLADESH. IDA IS THE
SINGLE LARGEST SOURCE OF CONCESSIONAL ASSISTANCE FOR US IN
HELPING TO BUILD OUR INFRASTRUCTURE. ALTHOUGH IDA MANAGEMENT
PROPOSED FOR A REPLENISHMENT LEVEL OF DOLLARS 16 BILLION, AN IDA-7
OF ONLY DOLLARS 9 BILLION WAS AGREED UPON RESULTING IN A DROP
OF DOLLARS 3 BILLION FROM THE LEVEL OF IDA-6. UNDERSCORING
THEIR CONCERNS ABOUT THE INADEQUACY OF DOLLARS 9 BILLION,
THE MAJORITY OF DONORS PROVIDED THE MANAGEMENT OF IDA WITH
A MANDATE TO MOBILIZE UPTO DOLLARS 3 BILLION THROUGH A
'SUPPLEMENTARY FUNDING' ARRANGEMENT.

IT IS A MATTER OF GREAT REGRET THAT IT HAS NOT BEEN
POSSIBLE TO PUT IN PLACE ANY SUCH 'SUPPLEMENTARY FUNDING'
ARRANGEMENT. IT IS OUR EARNEST HOPE THAT YOUR GOVERNMENT WILL
PROPOSE CONCRETE MEASURES IN THE COMING MEETING FOR AUGMENTING
THE RESOURCES OF IDA-7. IT IS ALSO EXPECTED THAT INITIATIVES
WILL BE TAKEN RIGHT NOW FOR AN ADEQUATE AND SUBSTANTIAL
EIGHTH REPLENISHMENT OF IDA.

Margot
Please put with
Bonn papers
CDM

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3. YOU ARE AWARE THAT THE ASIAN DEVELOPMENT FUND (ADF), THE CONCESSIONAL WINDOW OF THE ADF THROUGH WHICH SOFT TERM LOANS ARE GIVEN TO ITS DEVELOPING MEMBER COUNTRIES, HAS ALSO FACED FUNDING PROBLEMS. BANGLADESH IS THE LARGEST RECIPIENT OF ADF RESOURCES. SHORT-FALLS IN ADF RESOURCES HAS RESULTED DUE TO NON-PAYMENT OF COMMITTED CONTRIBUTIONS BY SOME MEMBERS. THE PRESIDENT OF ADF HAS ALSO EXPRESSED DEEP CONCERN ABOUT THE IMPLICATIONS OF POSSIBLE SHORTAGE OF ADF RESOURCES IN 1985 AND 1986. MAY I URGE UPON YOU, EXCELLENCY, TO GIVE FULL SUPPORT TO THE ADEQUATE FUNDING AND REPLENISHMENT OF ADF RESOURCES AND TO PERSUADE YOUR COLLEAGUES AT THE SUMMIT MEETING FOR SIMILAR SUPPORT ?.

4. IN THIS CONNECTION I WOULD LIKE TO ADD A FEW WORDS ABOUT THE IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION (SNPA) FOR THE LEAST DEVELOPED COUNTRIES ADOPTED BY THE UN CONFERENCE HELD IN PARIS IN SEPTEMBER, 1981. IT IS A MATTER OF CONCERN THAT ABOUT FOUR YEARS AFTER THE ADOPTION OF THE SNPA THE SITUATION OF THE LEAST DEVELOPED COUNTRIES IS NOW WORSE THAN AT THE COMMENCEMENT OF THE DECADE. THE CRITICAL ECONOMIC AND SOCIAL CONDITIONS FACING THE LDCS CALL FOR ADOPTION OF SPECIAL MEASURES BY THE INTERNATIONAL COMMUNITY. THE TARGET OF AID FOR THE LEAST DEVELOPED COUNTRIES (0.15% OF GDP) AGREED AT THE UN CONFERENCE IN PARIS, AND REAFFIRMED AT UNCTAD-VI, AT THE 38TH SESSION OF UNGA AND OTHER FORA, NEED TO BE IMPLEMENTED WITHOUT DELAY. IN THE ABSENCE OF CONCERTED ACTION BY THE INTERNATIONAL COMMUNITY TO REVERSE THE PRESENT TRENDS REGARDING FLOW OF RESOURCES TO THE LDCS, THE LEVEL OF LIVING OF THEIR PEOPLE WILL CONTINUE TO STAGNATE, IF NOT WORSEN, IN SPITE OF THEIR OWN EFFORTS AND DOMESTIC ADJUSTMENT MEASURES. I HOPE THE LEADERS OF THE INDUSTRIAL WORLD MEETING IN BONN WILL NOT LET THIS OPPORTUNITY PASS BY FOR COORDINATING SUPPORT TO THE LEAST DEVELOPED COUNTRIES.

5. PLEASE ACCEPT , EXCELLENCY, THE ASSURANCES OF MY HIGHEST CONSIDERATION.

HUSSAIN MUHAMMAD ERSHAD

ENDS.
BURGESS

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MR MAUD

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