



Foreign and Commonwealth Office

London SW1A 2AH

17 May 1985

Dear Charles,
Bonn Economic Summit

We received letters or messages to the Prime Minister about the Bonn Summit from:

- (a) the UN Secretary General
- (b) President Ershad of Bangladesh
- (c) President Sanguinetti of Uruguay
- (d) the General Secretary of the TUC
- (e) the Secretary General of the European Parliament; and
- (f) the President of the Union of European Employers.

/ I enclose a short summary of the main points made in the letters. All were included in the briefing for the Summit.

As for replies, it was agreed in Bonn that Chancellor Kohl would reply to President Sanguinetti on behalf of all Summit participants. But depending on the terms of his reply, which we have not yet seen, we may want to recommend that the Prime Minister send a brief follow-up reply herself in due course. The letter from the European Employers has already been acknowledged by our Ambassador to the EC; no further reply is called for.

/ Last year the Prime Minister sent only a brief reply to Mr Perez de Cuellar and other Heads of Government who wrote. Other Summit Heads of Government replied at greater length to Mr Perez de Cuellar. Since all the replies are circulated widely within the UN Secretariat and get back to some third world countries, there is some risk of our appearing indifferent. We have therefore prepared rather fuller draft replies for the Prime Minister this year; these I enclose.

Yours ever,
Peter Ricketts
(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street



MESSAGES TO THE PRIME MINISTER ABOUT THE BONN ECONOMIC SUMMIT

(a) UN SECRETARY GENERAL

Mr Perez de Cuellar focusses on developing country issues. Calling for efforts to achieve and maintain the highest possible level of non-inflationary growth, he concentrates on the problem of debt and the difficulties facing sub-saharan African countries. He advocates the rolling-back of trade barriers, referring specifically to the Multi-Fibre Arrangement, extended multi-year rescheduling of debt and more increased aid flows. Expressing gratitude for our help to Africa, he asks that this help continue. Finally, he suggests that the UN is the appropriate form for a political dialogue to discuss trade, monetary and financial issues, and that this year's General Assembly would be the appropriate place and provide an appropriate occasion.

(b) PRESIDENT ERSHAD OF BANGLADESH

President Ershad expresses concern about the difficulties facing developing countries which result from inadequate concessional aid flows and trade restrictions. He is worried about the level of replenishment agreed for IDA7, and regrets the lack of any supplementary funding. He hopes that the Prime Minister would propose concrete methods for augmenting the resources of IDA7. He also urges the Prime Minister to support the funding and replenishment of Asian Development Fund Resources.

(c) PRESIDENT SANGUINETTI OF URUGUAY

The letter from President Sanguinetti of Uruguay is on behalf of the Cartagena Group of Latin American debtors to all Summit participants. He reiterates Latin American concerns about the debt problem, including worries over protectionism. He calls, in not very precise terms, for a political dialogue with industrialised countries.

(d) SECRETARY GENERAL OF THE TUC

The Secretary General of the TUC's letter to the Prime Minister encloses a statement drawn up by the Trade Union Advisory Committee to the OECD. The Summit host received an International Trade Union Delegation in advance of the Summit itself. In most respects, the TUAC Memorandum runs quite contrary to government policy and the main lines of agreement on economic issues at the Summit. It says a "coordinated framework in which job creating economic growth is possible calls for utilising the whole register of policy



instruments". Jobs, it says, will not be produced only through deregulation and the indiscriminate promotion of market forces. It calls for harmonisation of social security, working time and the working environment in OECD countries.

(e) THE SECRETARY GENERAL OF THE EUROPEAN PARLIAMENT

The Secretary General of the European Parliament wrote enclosing a copy of a Resolution passed by the European Parliament which urges Summit participants to agree to the Latin American request for a political dialogue on debt. The resolution also calls for a reduction in interest rates payable by debtor countries.

(f) THE UNION OF EUROPEAN EMPLOYERS (UNICE)

The President of UNICE wrote enclosing a UNICE Resolution calling for the major industrialised countries to pursue policies to ensure that the recovery is sustained and spread more widely. UNICE's approach is close to the Government's and its recommendations are in line with the Bonn Economic Declaration.

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Reference

The Prime Minister

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

His Excellency
Mr Javier Perez de Cuellar
Secretary-General of the UN

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CO3ASY

CAVEAT.....

Thank you for your letter of 29 April

about the Bonn Economic Summit.

We ~~all~~ agreed at the Summit that the main contribution we as industrialised countries could make to world prosperity was to promote sustained growth in our own economies and higher employment. We also agreed on the need to follow prudent and, where necessary, strengthened monetary and budgetary policies with a view to stable prices, lower interest rates and more productive investment. We ~~all~~ agreed to exercise firm control over public spending in order to reduce budget deficits, when excessive, and, where necessary, the share of public spending in Gross National Product. Sustained recovery as a result of these policies will bring benefits to developing countries.

We had considerable discussion about the particular problems facing developing

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Enclosures—flag(s).....

countries and the efforts many of them are making to overcome their difficulties. The question of protectionism is clearly one of very great importance for them, as for all of us. All the Summit participants stressed the threat which protectionism posed to world trade and ~~they~~ agreed that there was a need for a new GATT round as soon as possible. ^{we} ~~They~~ agreed, too, that a preparatory meeting of senior officials could usefully take place in the GATT before the end of the summer.

On the subject of debt, ~~the Summit participants~~ ^{we} reaffirmed ~~their~~ ^{our} willingness to help developing countries continue to tackle their problems. The circumstances of these vary widely and ~~they~~ ^{we} did not believe it would be helpful or practicable to suggest a uniform solution for all countries. But ~~the Summit countries~~ ^{we} recognised the role that multi-year rescheduling agreements could play in appropriate cases. ^{we} ~~They~~ emphasised, too, the crucial role of the International Monetary Fund and the World Bank Group in supporting policies by debtor countries to strengthen the confidence of creditors and investors.

The Summit participants put particular emphasis on the problems of sub-Saharan Africa, and its special requirements arising from famine and drought. Much of the discussion concerned the ways of ensuring that food relief reached those who needed it most. ^{we} ~~But the Summit participants~~ were fully aware that much more than relief was required: there was in particular an urgent need to encourage the development of a healthy agricultural sector. You will perhaps have noted in this context

that the Summit set up an expert group to report to Foreign Ministers in September.

In conclusion, I would like to bring to your attention a British initiative taken at the Summit which concerned the worldwide problem of drug trafficking. Here, too, we agreed to set up an expert group, this time with the object of drawing up a comprehensive and effective strategy to help fight the manufacture and trafficking of illicit drugs. This initiative deserves, I am sure, the widest possible support.

With best wishes.

THE SECRETARY-GENERAL

29 April 1985

Dear Prime Minister,

As your summit meeting in Bonn approaches, I would like to take the opportunity once again to share with you a few thoughts on some of the major issues which will be before you. Fortunately, this meeting coincides with signs of relaxation in international political tensions, and also with improvements in the economic situation. These circumstances should help strengthen international economic co-operation.

The economic situation has obviously improved in the industrial countries. However, serious concerns remain about the unevenness of the recovery, and the uncertain future. The United States economy, after having provided a major and timely stimulus to the rest of the world, has begun to slow down as expected. Recovery in Europe has not been strong enough even to halt the increase in unemployment.

In this context, all industrial countries should make every effort to achieve and maintain the highest possible level of non-inflationary growth. More balanced and concerted fiscal and monetary policies will help reduce interest rates and the instability of exchange rates. Sustained expansion of the industrial countries on this basis would facilitate the adjustment process in the world economy, and ease the burdens involved.

Today, much of the burden of adjusting to current difficulties is being borne by the developing countries,

The Right Honourable
Margaret Thatcher, M.P.
Prime Minister of the United Kingdom
of Great Britain and Northern Ireland
London

especially those with debt problems. Serious declines in the real per capita incomes of many of these countries are generating grave social and political tensions that threaten the fabric of society and create dangerous divisions within the international community. Even on optimistic assumptions, these countries are not expected to regain their pre-crisis levels of real per capita income until the late 1980s or early 1990s. This is particularly true of sub-Saharan Africa.

I recognize the need for adjustment as part of sound domestic policies, but the costs of adjustment should be more equitably shared internationally. This calls for action in the fields of both trade and finance. A new round of trade negotiations, reflecting the interests of all parties, would help stem the tide of protectionism. But there is need for measures to roll back existing trade barriers. The forthcoming renegotiation of the Multifibre Arrangement would be a concrete opportunity to do so in a field of great importance to many developing countries. For those dependent on commodity exports specific action is necessary to strengthen prices and revenues.

The debt problem should be addressed more directly through multi-year rescheduling of official and private debt, including interest and principal. In the case of the official debt of poorer countries a write-off might be the only appropriate solution. Furthermore, the overall decline in aid needs to be reversed, and conditions created to encourage other capital flows including new commercial lending and direct investment.

In my communication to the London summit I had drawn your particular attention to the needs of sub-Saharan African countries. Media exposure last fall of their dramatic difficulties has evoked generous reactions of private and public solidarity. I would like to express my appreciation for your government's contribution. Fortunately, progress has also been made in ensuring a better co-ordination between the donor community and the African countries. But these efforts must persist, for African countries continue to suffer from long-standing structural problems compounded by natural calamities. Their own efforts to mobilize domestic resources, and adapt their policies where required, need to be buttressed by emergency as well as rehabilitation and development aid from external sources. These requirements are far from being met.

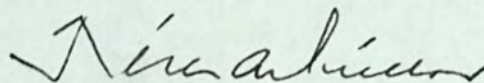
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It is to be hoped that the forthcoming trade negotiations and the discussions on the future of the international monetary system will address the short-term as well as the longer-term structural aspects of many of these problems. This determination to address problems through multilateral co-operation is to be welcomed. It is, however, important that the wider membership of the international community, especially the developing countries, should fully participate in them.

While these discussions and negotiations are taken up in separate technical fora, the inherent connections between the trade, monetary and financial issues should be continuously examined.

The role of the United Nations in this context is highly relevant. Apart from contributing on specific negotiations, the United Nations, including UNCTAD, should be used to provide sustained and high-level political impulse to such talks. I have suggested to heads of state and government of all members of the United Nations that they should consider attending the General Assembly later this year to commemorate the fortieth anniversary of the founding of the Organization, and to recommit themselves to the goals and objectives of the Charter. That would provide them with an excellent opportunity to have wider discussion of the issues raised above, and give the much needed political impetus to the necessary action.

Please accept, Prime Minister, the assurances of my highest consideration.



Javier Pérez de Cuéllar

Beman

DRAFT

Lt Gen Hussain Muhammed Ershad
President
People's Republic of Bangladesh

Thank you for your letter of 22 April about the Bonn Economic Summit. The problems of the developing countries and in particular the poorest countries were very much in our minds during the Summit. I am sending you with this letter a copy of the Bonn Economic Declaration for your records.

We recognised in the Declaration the difficulties which countries such as Bangladesh are facing and we agreed that official development assistance, especially to the poorer countries, should be maintained and wherever possible increased. The World Bank Group has a major role to play in helping developing countries and we agreed to work to ensure that both it and the IMF have the resources necessary to fulfil their important tasks. As you know, we have since agreed, at this week's World Bank Donor Group meeting in Paris to pledge £50m of aid to Bangladesh, covering both new project aid and commodity aid.

We ^{shall} ~~will~~ continue to work with the developing countries in a spirit of ~~true~~ partnership. In this respect, among the most important agreements reached at the Summit were the

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the commitment to maintain non-inflationary growth in our own countries, and our agreement on the need to launch a new GATT round. We aim to sustain the recovery, which has begun to spread from the industrialised countries to the developing world, and to maintain the open trading system which is of such importance to all our countries.

With best wishes
en

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



PRESIDENT
PEOPLE'S REPUBLIC OF BANGLADESH
DHAKA

April 22, 1985

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 \$16 billion, an IDA-7 of only \$9 billion was agreed upon, resulting in a drop of \$3 billion from the level of IDA-6. Underscoring their concerns about the inadequacy of \$9 billion, the majority of donors provided the management of IDA with a mandate to mobilize upto \$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.

3. You are aware that the Asian Development Fund (ADF), the concessional window of the ADB 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 ADB 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, inspite 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.

A handwritten signature in dark ink, appearing to read 'Hussain Muhammad Ershad', is written in a cursive style.

Hussain Muhammad Ershad

The Right Honourable
Mrs. Margaret Thatcher,
Prime Minister of the United Kingdom of Great Britain and
Northern Ireland,
London.

DRAFT

Remans

N Willis Esq
Secretary General
Trades Union Congress
Congress House, Great Russell Street
LONDON W1B 3LS

Thank you for your letter of 24 April with which you enclosed a copy of the Trade Union Advisory Committee statement presented to the Summit. I am encouraged to see from this that we share the same concerns and that we recognise that these can only be overcome through economic growth. ~~Although I am sure that you will already have seen~~ *Endorse, I Endorse* ~~it,~~ I am sending for your records a copy of the Bonn Economic Declaration.

The most striking point about our discussions in Bonn was the degree of unanimity between all of us ^{on} ~~in~~ our policies and how we see progress. We were all agreed that we had to concentrate on continuing to reduce inflation ~~further~~, that we had to keep public spending firmly under control and that this provided the best framework for reducing unemployment.

All participants were united in their agreement on the need to introduce greater flexibility into our economies, to encourage growth and higher employment.

~~There was also agreement~~ *We acknowledged* on the threat posed to the open trading system by protectionism. We therefore agreed that there was a need for a new GATT round as soon as possible.

MDRANG

It is important that we continue, both individually and collectively, to pursue policies conducive to sustained growth and higher employment and that the benefits of recovery are spread as widely as possibly.

I hope you will agree that ~~the Bonn Declaration reflects the~~ importance of achieving this.

MDRANG