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cc: Fco

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THE PRIME MINISTER

6 July 1988

Jean Su Graham

Thank you for your letter of 31 May enclosing a copy of the ICC statement, which you also copied to Sir Geoffrey Howe.

I believe the Toronto Summit was a considerable success. It underlined the effectiveness of the economic policies pursued in this second seven year cycle of Summits. As I said in my statement to the House of Commons, Heads of Government committed themselves to continue the fiscal, monetary and structural policies which have brought six years of non inflationary growth. Existing arrangements for coordination are working well - as demonstrated by the capacity of the world economy to absorb the shock of last October's stock market collapse. External imbalances are falling, and Summit leaders agreed to continue their efforts to reduce them further. They also recognised that this is not just a matter for the major surplus and deficit countries: the newly industrialising economies also have a part to play.

Your point about the need to break down structural rigidities was also reflected in the declaration. We committed ourselves to continue structural reform, with specific priorities for each of our countries set out in an Annex.

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I agree that a successful outcome to the Uruguay Round must be a priority. Toronto gave a further impetus to the Geneva negotiations particularly in the run up to the Montreal Mid Term Meeting of the GATT Round. I was especially pleased that the declaration contained a renewed commitment to standstill and rollback of protectionist barriers, and endorsed the need to strengthen GATT disciplines and dispute settlement procedures. Just as importantly, we all also reaffirmed our commitment to agricultural reform; we pledged to take further steps to make the agricultural sector more responsive to the needs of the market.

We reached agreement at Toronto on rescheduling the official debt of the poorest debtor countries, particularly in Africa. The technical details of the agreed framework of comparability will now be worked out in the Paris Club. The various proposals of Nigel Lawson and others offer an opportunity significantly to help some of the poorest countries, who are seeking to implement internationally agreed programmes of economic reform.

So I am sure you will agree that the Toronto Summit made good progress on the three major areas of concern you identified in your paper: sustainable world growth, the Uruguay Round and debt. In addition, I consider that the agreements reached on drugs and on terrorism will rank as particular achievements at this Summit.

Yours sincerely

Najant Shah

Sir Graham Wilkins