



**PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 120/81**

SUBJECT.

10 DOWNING STREET

THE PRIME MINISTER

20 August 1981

*cc. Master set
off*

Dear Winston,

When you were here on 30 July, you kindly let me see the draft of a declaration which you hoped might be agreed by us all in Melbourne.

I have now had a chance to look at your text more carefully. I have also read with much interest both the speech read for you at the Royal Commonwealth Society on 27 July and your thoughtful article in the Times of 11 August. Having read that article I am sure you would agree that in anything we say at Melbourne it is important to strike the right balance between realism and aspirations.

My comments on your text follow the initial reactions I gave you when we met.

I think that it is most important to avoid arousing unreal expectations or exaggerating what Governments can do by international action. You will recall our discussion about the need for determination and organisation in developing countries, and what I said about the practical limits on the redistribution of wealth. There is much that can usefully be done by Governments acting together.

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It would however be wrong to suggest that the chronic problems of poverty, over-population and underdevelopment can be resolved by a series of international negotiations. It would be a disservice to leave any country with the impression that the main responsibility for its development lies not with itself but with the international community.

I think there is a clear need to concentrate aid on the poorest countries, and to be ready to say so. This seems to me both right and practical. It recognises the very different situation of low income and middle income countries as well as the need for priorities in using limited resources.

I would also like to avoid the implication that inequality of wealth among states endanger the peace of the world. I doubt whether this is true. It seems to me that political rather than economic conditions are responsible for the most serious threats to peace in the world.

Finally, I believe we ought to avoid implying that major institutional changes are necessary to prevent breakdown and conflict. My own view is that the relevant institutions have functioned well and are adapting successfully to difficult and rapidly changing circumstances.

I hope that all this is helpful, and explains why some of your phraseology gives me considerable difficulty. Of course we can talk further about this in Melbourne.

I was very interested to see the account of Mr. Howard's Budget, which received detailed coverage in the British press. Though the circumstances are different your objectives and

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methods are closely in line with ours. You have, as you know, all our good wishes for success in your economic management.

Yours sincerely
Margaret Thatcher

The Right Honourable J.M. Fraser, C.H., M.P.