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Subject: Econ Pol
Indebtedness Pt 2

10 DOWNING STREET

THE PRIME MINISTER

30 March 1983

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T43183

Dear Bob,

I was interested to read your address to the European Management Forum Symposium at Davos which you kindly sent me on 4 March.

In my letter of 1 December, I described my own approach to the issues which you have rightly identified for public debate.

I would like to add one general comment to what I said then. I think you may understate the progress that the international community has made.

There are signs that the inflationary habits of the 1970s are being broken. Interest rates have come down. This will, most of us believe, provide room for greater real growth of activity. And lower oil prices should reinforce the prospect of economic recovery.

The Interim Committee meeting in Washington in February also made solid progress. The GAB and Quota decisions were judged by the Managing Director to have effectively doubled IMF resources in terms of usable currencies. The decision

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to implement those increases quickly directly responds to one concern you expressed at Davos. The new initiatives taken by the IMF to encourage commercial banks to play a continuing part in the adjustment programmes of debtor countries is relevant to another. Of course more needs to be done, and this is perhaps particularly true in the trade field, where the current problems are, I agree, inseparable from payments issues. But we have taken some real steps forward, and I think they go beyond what you have called "band aid" solutions!

Warm regards

Yours sincerely

Raymond Beckett

The Right Honourable R.D. Muldoon, C.H., M.P.