

DRAFT SPEAKING NOTES FOR USE BY THE PRIME MINISTER DURING
THE DISCUSSION OF THE ECONOMIC ITEM OF THE AGENDA

1. In our Commonwealth approach to these great international economic issues, I believe we must be guided by some basic propositions.
2. We need to restore a sense of multilateral economic cooperation.
3. We must proceed by way of a consensus. All of us have our own legitimate interests to consider. We have to take full account of each other's preoccupations.
4. We must be realistic in what we, as a Commonwealth, attempt. We need practical results, not endless debates and conferences.
5. We should draw on the work done by the three reports before the Conference, and, not least, follow the advice on improving our negotiating methods.
6. Our domestic economic policies must be consistent with our international economic policies. We cannot have the benefits of an interdependent open trading system if we all go our own way.
7. We must build upon and adapt our international financial

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cc

Mr. Butler
Sir R. Armstrong
Sir A. Acland
Mr. Ainscow
Mr. Goldsmith

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and economic institutions and mechanisms. We must ensure that they have adequate resources. We must ensure that they operate flexibly. We must not undermine confidence in the capacity of those institutions to do their job. We must strengthen the linkage between the handling of financial and trading issues and recognise the interdependence between the two. /we must explore the means of promoting a greater convergence between our respective financial and economic policies.

8. Britain is determined to work, for the common good, on these lines.

9. It will not, therefore, surprise you to know that we welcome much of the analysis in the report "Towards a New Bretton Woods". We have long advocated the central importance of achieving

- ① sustained non-inflationary growth; and the need to
- ② encourage direct private investment. We act on the basis that, in our aid and trading policies we share
- ③ an obligation to give priority to helping the poorest.
- ④ We base our policy on the imperative of maintaining an open international trading system. We want to see
- ⑤ interest rates come down. We recognise the reality
- ⑥ of economic interdependence and we endorse the dominating theme of the report that in shaping our

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financial and economic policies, we must work towards an international consensus.

10. In our work together on the international economic agenda, we are also resolved to ensure that our international institutions and mechanisms operate efficiently to serve all our interests. It is quite right that we should examine these instruments of our economic well-being both critically and constructively.

11. The techniques of international financial management are in fact evolving and adapting all the time. The IMF has been developing a central role in the management of debt. The effective resources of the Fund last year were greatly enlarged while Sir Geoffrey Howe was Chairman of the Interim Committee. The links between the institutions themselves are becoming much closer. And the Helleiner report has suggested other areas where we need to consider further change.

12. Britain will play its full part in this process. Last May, at Williamsburg, the Economic Summit partners invited their Ministers of Finance to define the conditions for improving the international monetary system and to consider the part which might, in due

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course, be played in this process by a high-level international monetary conference.

13. The Helleiner report similarly suggests that an international conference could be the culmination of a process of careful preparation. And it was on this basis that Commonwealth Finance Ministers welcomed the Report when they discussed it at Trinidad in September.

14. I agree on the need for careful study of these issues by our governments. And I can agree with the New Zealand Prime Minister's proposal that a Commonwealth group should be set up to consult with other members of the international community about the trade and payments system. We must, of course, be sure that there exists a genuine consensus within the Commonwealth on how we should follow up the ideas in the studies submitted to us. And this, I suggest, should be the first task of the group.

15. It may be that, as the culmination of the process of consultation and if all were so agreed, an international conference could be appropriate. But I would not want to commit myself to an international monetary conference at this stage. We all know

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how difficult it is to reach agreed conclusions at global meetings where so much is at stake. We must be careful lest we tie ourselves now to a procedure which might, in practice, delay the very ~~reforms~~^{improvements} we want to see. The other report before us, "The North-South dialogue: Making it Work", usefully calls our attention to the desirability of getting away from unworkable conferences ~~on a massive scale.~~^{and negotiating methods}

16. I believe that we in the Commonwealth can help to improve international economic cooperation. We can act together to keep our trade open; to press for lower interest rates; for adequate resources for the international financial institutions. We have much to contribute to strengthening the framework of economic partnership and getting away from sterile confrontation. In this joint process, Britain will play its full part.

Sustainable growth

1) Own country with
Interest rates - High debt
controlling it

2) Run own with regard to others
and give on
rules that should govern
relations between countries

Oil price shock - (Germany)
(Japan)

3) Global systems

Fundamental changes in pattern of
work

Technological innovation -

~~Rising~~ Increase in population
- and more people working
longer

4) Towards a new Bretton Woods

What is proposed

IMF - which has been enlarged while
Geography have - changing international relations

Techniques have been changing and
adapting

Int. Debt - Lawrence

Can't have
benefits of
open world
system if
all go own
way.

Debt
Financing

Can't go
against the
market place
economic
manipulation
of price
market



DISCUSSION OF IDA 7 REPLENISHMENT UNDER
ECONOMIC ITEM

SPEAKING NOTES

We have long been strong supporters of IDA. We believe it to be an organisation with a fine record of helping to meet the real needs of the poorest countries. It continues to be an excellent example of how existing institutions can grow and change to meet changing conditions.

We give high priority to a seventh IDA replenishment at an adequate level. Agreement on this must be reached soon so that IDA can begin making new commitments from July 1984. We are in the middle of IDA negotiations; the next meeting is set for December. Obviously we cannot settle here the issues which need to be handled there. My Government's position will need to take account of those of other IDA donors.

All aid donors will need to play a full part in line with their present relative economic strength. As I think you know, Britain has historically contributed a disproportionately large share relative to our economic position. It is not realistic to expect any agreement on the level of replenishment without an accompanying agreement on burden-sharing among donors.

/Together



Together with a number of other countries, we will continue to do what we can to persuade the United States to make a big enough contribution to produce an IDA 7 figure significantly greater than \$9 billion. If it proves possible \$12 billion could be the right figure.

At this juncture, given the importance of IDA to the poorer developing countries, it is right that we should declare our support for a timely and adequate IDA replenishment.

28 November 1983

Prime Minister



FROM: Mr Thomas

DATE: 22 November 1983

CC: Sir Robert Armstrong
(with enclosures)

✓ PS/Prime Minister AR 27/11

I attach some Speaking Notes for possible use by the Prime Minister during the discussion on the report, "Towards a new Bretton Woods".

J C Thomas

J C Thomas

SPEAKING NOTES FOR POSSIBLE USE BY THE PRIME MINISTER
DURING THE DISCUSSION OF THE REPORT, "TOWARDS A NEW
BRETTON WOODS"

1. Listened with interest to debate. Have noted broad support for Professor Helleiner's report.
2. Like to add my congratulations to its author, and to Prime Minister of New Zealand whose advocacy inspired it. Commonwealth can be proud to have sponsored so comprehensive an analysis of world Financial and Trading system.
3. I believe all of us accept, without reserve, many of the report's themes and much of its analysis. We recognise the central importance of achieving sustained non-inflationary growth; and the need to encourage direct private investment. We accept that, in our aid and trading policies, we share an obligation to give priority to helping the poorest. We accept the imperative of maintaining an open international trading system. We want to see interest rates come down. We recognise the reality of economic interdependence; and the aim, in shaping our financial and economic policies, of working towards an international consensus that can meet the aspirations of all our people.
4. In our work together on the international economic agenda, we are also resolved to ensure that our

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international institutions and mechanisms operate efficiently ^{to} serve all our interests. It is quite right that we should examine these instruments of ~~the~~ ^{our} economic well-being both critically and constructively. It is essential that the International Financial Institutions are given the resources to meet our present needs. And they must have the flexibility to adapt to changing circumstances.

5. But at the same time we must be careful not to undermine confidence in ^{the} capacity of those institutions to do their job.

6. In fact, international financial management is evolving and adapting all the time. The IMF has developed a central role in the management of debt. The effective resources of the Fund were greatly enlarged, while Sir Geoffrey Howe was Chairman of the Interim Committee; and the techniques of lending are being modified. The links between the institutions themselves are becoming much closer. And the Helleiner report has suggested other areas where we need to consider further change.

7. Britain will play its full part in this process. Last May, at Williamsburg, the Economic Summit partners invited their Ministers of Finance to define

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the conditions for improving the international monetary system and to consider the part which might, in due course, be played in this process by a high-level international monetary conference.

8. The Helleiner report similarly speaks of an international conference which could be the culmination of a process of careful preparation. And it was on this basis that Commonwealth Finance Ministers welcomed the Report when they discussed it at Trinidad in September.

9. I agree on the need for careful study of these issues by our governments. I would not want to commit myself to an international monetary conference at this stage. We all know how difficult it is to reach agreed conclusions at global meetings where so much is at stake. We must be careful lest we tie ourselves now to a procedure which might, in practice, delay the very reforms we want to see. The other report before us, 'The North-South dialogue: Making it Work', usefully calls ~~our~~ attention to the desirability of getting away from the confrontations of unworkable conferences on a massive scale. Today we all recognise the need for action, not rhetoric.

10. It was for these reasons that the British Chancellor of the Exchequer proposed at the Commonwealth Finance Ministers' Meeting in September that a group of our

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own people, with our Secretariat, should undertake discussion with representatives of the IMF, World Bank and GATT, to identify the kinds of changes which might find international acceptance, and which could strengthen the authority and scope for action of the international institutions. I believe that this proposal offers a practical way forward and I hope my colleagues could give it their blessing.

1. We will of course be discussing the world economy under two headings. How the world recession has affected each of our own countries. And what each of us can do to support recovery.

2. In this room we span the economic spectrum of industrialised and developing countries. But, because we are interdependent, we share a common interest in discussing how we, through our domestic policies and international cooperation, can fulfil the economic aspirations of our peoples.

3. We have all suffered from a major world recession. And we are not all out of it yet. But there are some signs of improvement. Economic recovery in the industrialised countries is beginning. Inflation and interest rates are down. Growth is expected to pick up next year with inflation remaining moderate. These are welcome portents. But much is still at stake.

4. Over the past year, many of us have been deeply involved in tackling the problems of international debt, and those problems will be with us for some time to come.

5. We have also been concerned to maintain the flows of development aid; to channel it to where the aid is most needed; and to keep open the flows of private capital.

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6. And in our battle for international economic recovery and growth, we have been concerned to fight protectionism and to preserve the open trading system from which all our economies benefit.

7. We shall, over this week, be considering the three Commonwealth reports which so usefully have addressed protectionism, our negotiating attitudes and techniques, and the international financial and trading scene. We shall want to consider how best to translate these ideas into practical politics. There is much in these reports we can build upon.

8. But let us not delude ourselves: there are no magic formulae providing for sustained, non-inflationary economic recovery. There is no quick fix.

9. We need, working together, to commit ourselves to a rigorous programme:-

- the prudent and disciplined husbandry of our own resources;
- a long haul - a sustained effort - in carrying out our programme;
- and a recognition that none of us, in our own countries, can act in isolation from each other. All of us must be concerned with the effects of our own policies on others. Because the truth is that we sink or swim together.

10. We shall be discussing the report on 'Towards a new Bretton Woods' and the ideas associated with it. I believe we all want to see practical progress in making the
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international financial and economic machinery work and develop effectively. Improvements can be made; and the Helleines report offers some valuable suggestions. But I hope we shall not be mesmerised by the notion that holding a global monetary conference is necessarily the way to achieve our purposes. As the authors of the report themselves recognise, there is a risk that a conference which is not properly prepared could delay reform. As the British Chancellor of the Exchequer suggested at the Commonwealth Finance Ministers meeting in September, we believe that the Commonwealth could take a practical initiative by setting up a group with the IMF, World Bank and GATT to identify the kinds of changes which could find international acceptance. We need to restore the sense of multilateral economic cooperation. we need to strengthen, and not to undermine, the authority of the international institutions. I hope that this meeting will endorse this proposal.