



Subject: Commonwealth  
C/M P/S

Prime Minister  
Wellington  
New Zealand

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T1728/83

2 November 1983

Dear Margaret,

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In preparing for the meeting of Commonwealth Heads of Government in New Delhi next month, I have been giving particular attention to the item on the agenda dealing with the international economy. Although the future of the Commonwealth's role in Grenada is likely to attract considerable attention, I believe the international economy will be the most important underlying issue that we will be discussing in New Delhi. At Mrs Gandhi's invitation, I have sent her some suggestions on how we might approach this issue. I enclose a copy for your information.

The basis of these suggestions is my belief that the Commonwealth can make an important contribution to the debate on the international economy. The issues have been addressed many times in other major international forums since Commonwealth Heads of Government last met. The complexities and linkages between the range of issues that would need to be included in a comprehensive examination of the international economy are well understood. What is lacking is any agreement on a framework for negotiating a realistic strategy for action, based on a common analysis. In this respect, I was encouraged by the decision taken at the Williamsburg Summit to invite the Ministers of Finance of the Summit nations, together with the Managing Director of the IMF, to define the conditions for improving the international monetary system and to consider the

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The Right Honourable Margaret Thatcher  
Prime Minister  
10 Downing Street  
LONDON SW1

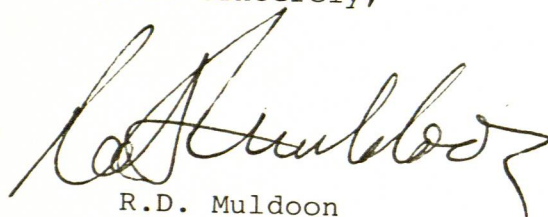


part that might be played by an international monetary conference.

I have no doubt that such a study would conclude that any process designed to improve the international economy will have to acknowledge the fundamental changes that have taken place in the nature of international economic relations since the present system was set in place. If a politically viable strategy for action is to emerge, it will need to take account of the full range of opinions that now exist within the international economy. The Commonwealth, with its broadly representative nature and its capacity for innovative thinking, can provide a crucial political impetus to this process.

I am looking forward to seeing you in New Delhi and discussing these issues with you further.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'R.D. Muldoon', written in a cursive style with a long, sweeping tail.

R.D. Muldoon





Prime Minister  
Wellington  
New Zealand

20 October 1983

Her Excellency Mrs Indira Gandhi  
Prime Minister  
New Delhi  
INDIA

Dear Mrs Gandhi

You suggested in New York that I might set out some thoughts on how Heads of Government at the New Delhi meeting might approach the agenda item dealing with the international economy.

As I understand it, you were not looking to a structured debate - that is not the Commonwealth way - but felt that our colleagues might find it useful to have before them for discussion an "agenda for action" on this subject. I convey the thoughts below to you, as our prospective Chairman, in that spirit.

#### The State of Debate

There is widespread recognition that the timing is right for a Commonwealth initiative to try and channel the widespread concern over aspects of the trade and payments system. The last Non-Aligned meeting, also under your chairmanship, is commonly regarded as having heralded a new mood amongst developing countries - a mood that is increasingly concerned with practicalities and identifying the common ground with the major industrial countries. At Williamsburg these countries for their part also appeared to move towards a view that there are a number of long-term international monetary issues that require measured analysis and consideration of the role that might be played by an international monetary conference.

In the last 12 months or so political leaders have come to share a common analysis of the issues - for example, the realisation that the interdependent world economy has changed the nature of international economic relations in a fundamental way, the awareness of the importance of such linkages as debt and trade, the need to consider some mechanism to rekindle the international community's commitment to trade liberalisation. After so many years of sterile debate, these are encouraging signs. The opportunity now exists to develop an acceptable framework for considering these issues and to get some movement.



## A Role for the Commonwealth : Political Leadership

As the Secretary-General has pointed out in his letter of 29 September to Heads of Government, there will be three major economic reports before the meeting: "Protectionism : Threat to International Order", "North-South Dialogue : Making it Work" and "Towards a New Bretton Woods : Challenges for the World Financial and Trading System". On the last of these, I understand my colleague, the Prime Minister of Trinidad and Tobago, has kindly offered to brief the meeting on the thrust of the Finance Ministers' discussion.

There is a wealth of technical detail in these reports. However, the task of Heads of Government is presumably not to analyse that detail but to provide political leadership on the underlying issues.

I believe there is a unifying theme to all these reports: that the world economy faces a number of long-term structural problems which have both a political and economic dimension. Whatever our views may be on the immediate prospects for sustained world recovery, these and many similar studies from non-Commonwealth sources underline the fact that the reality of economic interdependence will eventually compel the international community to establish some form of acceptable framework for analysis, discussion and finally negotiation of the issues contained in these reports and elsewhere.

I believe the need for political leadership in this area has never been greater. The Administration in the United States is committed to advancing two current matters of the greatest immediate importance not only to their own country but to the international economy as a whole - namely, consolidating their recovery and securing the necessary legislative approvals to increase the resources of the IMF and the World Bank affiliate, IDA. I have come to the conclusion that, while the United States is preoccupied with these vital concerns, the initial political leadership on the long-term economic issues will have to come from elsewhere, leaving the way open at an early stage for the full participation and support of the United States.

As has been demonstrated from time to time in the past, the Commonwealth, because of its broad representative nature, can play a valuable catalytic role in mobilising international opinion. We have commissioned experts to study the issues from a technical perspective. I believe we now need to maintain the momentum at a political level. A strong endorsement by Heads of Government of a constructive agenda for action - one which observes well known but seldom stated political and economic realities - would provide a much needed political impetus to this crucial subject.

### An Agenda for Action

I believe that the issues which Heads of Government might usefully address fall under two headings: defining the scope of any comprehensive examination of the trade and payments



system and defining, in general terms, the process to get such an examination underway.

As far as the scope of any examination is concerned, I would suggest the following illustrative checklist which is derived partly from the three studies that will be before us:

- international liquidity and management of outstanding sovereign debt;
- the role of reserve currencies, including the future evolution of the SDRs, substitution account;
- protectionism: reviewing the mandate of the GATT;
- macro-economic policy co-ordination, including institutional implications arising from economic interdependence;
- the role of domestic economic policies in improving the international adjustment process;
- alternative exchange rate regimes;
- the future role and financial requirements of the IMF and its programmes, including the appropriateness of its current approach to conditionality;
- official development assistance, including the need to put ODA on a more predictable footing through methods such as the SDR-aid link;
- improving the climate for long-term finance for development, including direct foreign investment;
- achieving a better co-ordination among the major international economic institutions.

It will not be easy to reach a consensus. Earlier experiences have shown that attempting a really comprehensive agenda and setting up a negotiating process which operates on a one country/one vote system simply will not work - indeed it will not get off the ground. We are going to have to ask ourselves, if we want movement forward, what will be acceptable to those who are least convinced of the need for an examination at all? Many of the reservations held in key industrial countries would be lessened if they had the confidence that any such process would be structured to take account of realities of economic and political power and designed to produce practical proposals for consideration by governments. Some sort of weighted voting system, in a manner similar to the Interim Committee and Executive Boards of the Bank and Fund, would seem to be inevitable. There will need to be a long and careful preparatory process, as our Report notes, before the results can be ratified by a broad-based conference.

#### Communique and Follow-Up Action

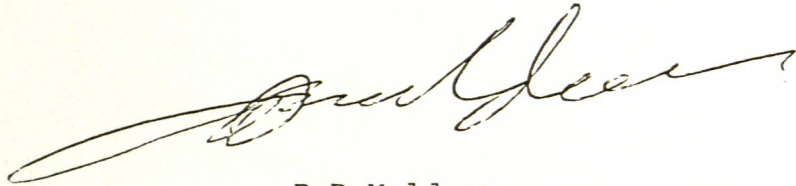
If Heads of Government can reach a consensus on these matters it might well be useful in presentational terms to consider reflecting this in appropriate language in the sort of Declaration we have produced before.



Beyond that expression of political will, it might also be useful to consider the scope for follow-up action. One possibility would be to establish a core group of Heads of Government, with the assistance of the Secretary-General, to take whatever steps it deemed necessary to liaise with other political leaders and a variety of other forums and institutions.

Once again, I must thank you for inviting me to set down my views on a subject which has been of deep concern and interest to me and which may well become a focal point for the forthcoming meeting. I am greatly looking forward to meeting you and all our Commonwealth colleagues next month.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'R D Muldoon', written in dark ink on a light-colored paper.

R D Muldoon