

SUBJECT

FILE

SH



cc/ro

10 DOWNING STREET

THE PRIME MINISTER

16 November 1983

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T188/83

Dear Rev.

Thank you for your letter about the discussion on the world economy which we shall have during the Commonwealth Heads of Government meeting in New Delhi later this month, which your High Commission has delivered to me with a copy of your letter of 20 October to Mrs. Gandhi.

I am grateful to you for setting out your thoughts so fully and look forward very much to discussing the issues with you and our other colleagues.

Yours
Ragout

The Rt. Hon. R. D. Muldoon, C.H., M.P.

da
CHOGM PT 5

16/14/37/JWT

Prime Minister.

(2)

A.C. 1/11.



297711 PRDRME G
27678 COMSEC G
83-11-16 14:40

PS/No 10 RST
[PS]

THE RT HON MARGARET THATCHER MP
PRIME MINISTER OF GREAT BRITAIN AND NORTHER IRELAND

FURTHER TO THE VERY THOUGHTFUL COMMUNICATION TO MRS GANDHI FROM MR MULDOON ON INTERNATIONAL ECONOMIC ISSUES, THE TEXT OF WHICH I FORWARDED TO YOU UNDER COVER OF MY CIRCULAR LETTER OF NOVEMBER 10 TO HIGH COMMISSIONERS, I EARNESTLY HOPE THAT THE OPPORTUNITY WILL BE TAKEN IN NEW DELHI TO FIND A GENUINE WAY FORWARD THROUGH PRACTICAL PROPOSALS OF THE KIND SET OUT IN THE THREE COMMONWEALTH REPORTS WHICH WILL BE BEFORE YOU, ESPECIALLY "TOWARDS A NEW BRETTON WOODS".

EXCLUSIVE EMPHASIS ON KNOW[?] POSITIONS OF NORTH AND SOUTH, FAR FROM GENERATING CONSENSUS, WILL ENTRENCH STALEMATE AND CAN ONLY HELP THOSE IN THE INTERNATIONAL COMMUNITY, WHETHER OF THE NORTH OR THE SOUTH, WHO CAN ACCOMMODATE THEMSELVES TO NO REAL PROGRESS ON INTERNATIONAL ECONOMIC ISSUES, LEAVING THE POOREST COUNTRIES OF THE WORLD ECONOMY IN DESPERATE STRAITS.

WITH DEEP RESPECT.

SONNY RAMPHAL

83-11-16 14:43

297711 PRDRME G
27678 COMSEC G

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

11 November, 1983

Dear John,

Typ letter pl.

AD/2.

CHOGM and the International Economy: Letter from Mr Muldoon

Thank you for your letter of 4 November enclosing the New Zealand High Commissioner's text of a letter from Mr Muldoon to Mrs Thatcher. You asked whether the Prime Minister should be advised to reply before CHOGM.

Mr Muldoon has been asked by Mr Ramphal to lead the discussion on economic issues in Delhi. His letter is intended to set the scene; and encloses a copy of a letter he has sent to Mrs Gandhi with suggestions on how Commonwealth leaders might approach the subject.

Mr Muldoon has written to the Prime Minister before on world economic issues. His particular interest has been to promote his ideas for an international monetary conference. We have strong reservations about these, and Mr Muldoon already knows this. His latest letter says nothing new.

Against this background, and given that the Prime Minister will be able to talk with Mr Muldoon in New Delhi, we and the Treasury consider that the Prime Minister need only reply as a matter of courtesy. I enclose a draft. The Foreign Secretary has not seen this letter; I shall be sending him a copy in parallel.

I am copying this to John Kerr (HM Treasury).

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL

POSTAGE AND TELEGRAPH OFFICE

Chogm India Pt 5



DSR 11 (Revised)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:
Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

The Right Honourable R D Muldoon, CH MP

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter about the discussion on the world economy which we shall have during the Commonwealth Heads of Government meeting in New Delhi later this month, which your High Commission has delivered to me with a copy of your letter of 20 October to Mrs Gandhi.

CAVEAT.....

I am grateful to you for setting out your thoughts so fully and look forward very much to discussing the issues with you and our other colleagues.

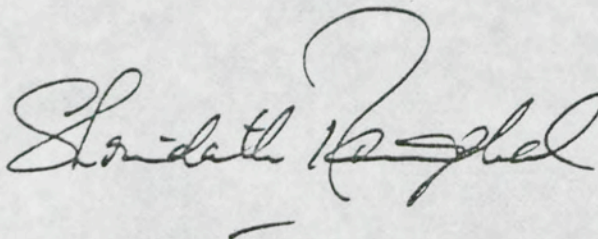
Enclosures—flag(s).....

Covering CONFIDENTIAL

10 November 1983

RECEIVED		
11 NOV 1983		
SECRETARY	SECRETARY	SECRETARY

... I should be grateful if you would kindly transmit the attached message to your Head of Government by the speediest means possible. In view of its confidential character, I would particularly appreciate your assistance in transmitting it through a secure channel if possible.



Shridath S. Ramphal

CONFIDENTIAL

The following is the text of a letter dated 20 October 1983 from the Rt Hon Robert D. Muldoon to the Hon Mrs Indira Gandhi which is being circulated to Commonwealth Heads of Government at the request of Mrs Gandhi.

BEGINS

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 a 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

/2...

CONFIDENTIAL

CONFIDENTIAL

2.

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.

/3...

CONFIDENTIAL

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.

/4...

CONFIDENTIAL

4.

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

.Signed: R.D. Muldoon

ENDS

CONFIDENTIAL

SUBJECT



PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T1728183

Prime Minister
Wellington
New Zealand

2 November 1983

Dear Margaret,

....

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

.../2

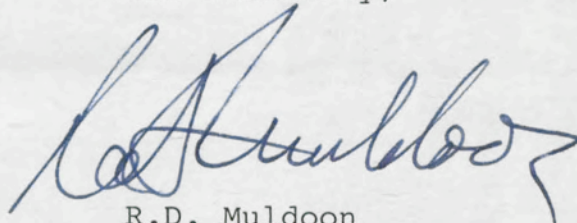
The Right Honourable Margaret Thatcher
Prime Minister
10 Downing Street
LONDON SW1

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 blue ink, appearing to read 'R.D. Muldoon', written in a cursive style.

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.

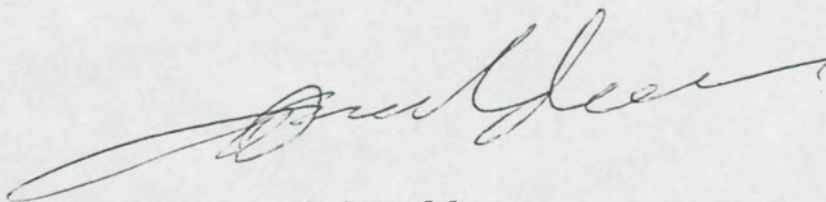
Communique and Follow-Up Action

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



PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 175/83

NEW ZEALAND HIGH COMMISSION

NEW ZEALAND HOUSE · HAYMARKET · LONDON SW1Y 4TQ

Telephone: 01-930 8422 Telex: 24368

From the High Commissioner
H.E. The Hon W. L. Young

4 November 1983

My Dear Prime Minister

I have received by cable the text of the following letter for you from my Prime Minister, the Rt. Hon. R.D. Muldoon, together with the text of a letter which he has sent to the Prime Minister of India, Mrs Gandhi.

"Dear Margaret,

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

The Rt. Hon. Margaret Thatcher, MP
Prime Minister,
10 Downing Street,
Whitehall,
LONDON SW1.

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 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,

(signed) R.D. Muldoon"

A copy of the text of the Prime Minister's letter to Mrs Gandhi is attached.

The original copy of the Prime Minister's letter to you will be sent to you as soon as it is received.

*kindest personal regards
yours sincerely
Bill Young*

CONFIDENTIAL

20 October 1983

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

CONFIDENTIAL

-2-

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 Finance 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

CONFIDENTIAL

-3-

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 coordination, 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

CONFIDENTIAL

-4-

- improving the climate for long-term finance for development, including direct foreign investment;
- achieving a better coordination 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,

R. D. Muldoon

FILE
CONFIDENTIAL

da

Bobg/11



10 DOWNING STREET

From the Private Secretary

4 November 1983

CHOGM: The International Economy

I enclose a copy of a letter which the Prime Minister has received from the New Zealand High Commissioner. You will see that this contains the text of a letter which Mr. Muldoon has sent to Mrs. Thatcher. The text of his letter to Mrs. Gandhi, to which he refers, is also enclosed.

I should be grateful if you could consider, together with the Treasury, whether the Prime Minister should be advised to reply before CHOGM. If so, perhaps you could let me have a draft.

I am copying this letter and enclosure to John Kerr (HM Treasury) and Richard Hatfield (Cabinet Office).

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

4 November 1983

The Prime Minister has asked me to thank you for your letter of 4 November enclosing the text of a letter to her from the Prime Minister of New Zealand and the text of a letter which Mr. Muldoon has sent to the Prime Minister of India.

A J COLES

His Excellency The Hon. W.L. Young



New Zealand High Commission

New Zealand House
Haymarket
London SW1Y 4TQ
Telephone 01-930 8422
Telex 24368

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T175A/83

Reference:

*Subject cc Master
of*

9 November 1983

My Dear Prime Minister,

I refer to the High Commissioner's letter of 4 November in which he sent you the cabled text of a letter from the Rt. Hon. R.D. Muldoon, MP Prime Minister of New Zealand, concerning the Heads of Government Meeting in New Delhi.

In the High Commissioner's absence I enclose the original copy of the Prime Minister's letter, together with the attached copy of his letter to the Prime Minister of India, Mrs Gandhi.

Kind regards,

Yours sincerely,

Bruce Brown

Acting High Commissioner

The Rt. Hon. Margaret Thatcher, FRS, MP
Prime Minister,
10 Downing Street,
Whitehall,
LONDON SW1.

5 NOV 1983



A circular postmark containing the numbers 1 through 9 arranged in a circle. A small arrow points from the center towards the number 8.