

297711 PRDRME G
135612A UNQ A
ZCZC MS1651

.VIENNA (UNDP)28/5 1812
FOREIGN AND COMMONWEALTH OFFICE
DOWNING STREET

LONDON S.W.1 (ENGLAND)

37244 PLEASE FORWARD THE FOLLOWING MESSAGE TO:

THE RIGHT HONOURABLE
MARGARET THATCHER, MP
PRIME MINISTER
EXCELLENCY,

WE ARE SURE YOU MUST BE VERY CONCERNED AT OCCURRENCES IN THE FINANCIAL MARKETS SINCE THE RECENT NEWS REGARDING THE INTERNATIONAL COMMERCIAL BANKING SYSTEM.

WE, TOGETHER WITH OTHER MEMBERS OF THE INTERACTION COUNCIL INTEND TO COMMUNICATE WITH YOU AND YOUR COLLEAGUES IN THE ECONOMIC SUMMIT MORE FULLY SHORTLY BUT MEANWHILE WE STRESS THAT THE MOST URGENT ACTION IS REQUIRED TO SHORE UP CONFIDENCE IN THE INTERNATIONAL FINANCIAL SYSTEM. IT IS OUR VIEW THAT THIS WILL NOT BE ADEQUATELY AND EFFECTIVELY ACHIEVED UNLESS THE UNDERLYING PROBLEMS ARE ADDRESSED. INsofar AS THE INTERNATIONAL BANKING SYSTEM IS CONCERNED, THIS WILL INVOLVE A COMPREHENSIVE APPROACH TO THE PROBLEM OF INTERNATIONAL DEBT IN A MANNER THAT TAKES INTO ACCOUNT THE CAPACITY OF COUNTRIES TO PAY WITHOUT FURTHER REDUCTIONS IN ALREADY DEPRESSED LIVING STANDARDS. THERE WOULD NEED TO BE A COMPLETE UNDERSTANDING THAT GOVERNMENTS AND THEIR INSTRUMENTALITIES WOULD PROVIDE THE LIQUIDITY NEEDED FOR THAT PURPOSE.

IT WILL ALSO INVOLVE A LOWERING OF INTEREST RATES THROUGH REALISTIC FISCAL POLICIES WHICH STEADILY AND SUBSTANTIALLY REDUCE THE DEFICITS OF ADVANCED INDUSTRIAL COUNTRIES.

WE STRESS THAT IF TIMELY AND EFFECTIVE ACTION IS NOT TAKEN A LACK OF CONFIDENCE IN THE FINANCIAL SYSTEM COULD LEAD TO A CRISIS AS SEVERE AS THAT WHICH OCCURED IN THE 1930S.

WE URGE CONSIDERATION OF A STATEMENT NOW INDICATING THAT THESE MATTERS ARE HIGH ON THE AGENDA FOR THE ECONOMIC SUMMIT AND THAT THE PARTICIPANTS WILL COLLECTIVELY TAKE EFFECTIVE ACTION.

BRIONI, 25 MAY 1984

(MALCOLM FRASER)

1718
Mr Fraser
Action or not?
k- 29/5
ADVANCE COPY

Lead ERTS

NO DISTRIBUTION

[PS]
WES.