



10 DOWNING STREET

THE PRIME MINISTER

Intro. - Signor Cossu - newscaster
Hope to achieve agreement & understanding

RECOVERY OF ECONOMY

Progress - market sustained
- still problems to tackle
not easy need MT strategy

Sustain - reduce inflation
restrain public expenditure
" borrowing
" monetary growth

Not easy or comfortable
but basis to sustain

Strategy right one - first message -
intend to stick to it



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Problems to tackle - inflation not yet
out of system

- unemployment
- high level of I.R. (Recovery with
heavy deficit)
- restoring public expenditure
difficult because of pressures
- expenditure still powerful

Need to limit amounts to those which
can be financed by tolerable levels of
tax on working popl:

Need to curb unrealistic expectations



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INTERNATIONAL DEBT

Level - serious - pressing problem
- need to discuss strategy.

Debt countries - adjustment
unavoidable.

No easy or painless solⁿ

- can talk about ways in which
international financial institutions
often can help.

∴ Problem manageable that way.

e.g. South Korea, Indonesia

Peru.

Now (unlike earlier times)

(i) EFFECTIVE INTERNATIONAL INSTITUTIONS



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and (iii) through the many summits
- means to develop common
understanding of problems
and co-operation needed to
resolve them.

∴ opportunity to pool & discuss
ideas

a) where doubts beginning to erode
confidence
COMMERCIAL BANKERS willing to
contemplate larger loan
rescheduling of debt. - eg. Mexico.
Emergency.

b) and - banks to explore ways
in which own balance sheets
could strengthen



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- c) debtor countries - substantial
reduced reserves
Foreign markets - equity stakes
Need international agreement on
investment protection.
Such investment - help ease
burden of debt. - also
healthier than short term bank
finance. and brings technological
expertise worldwide through
connection
Countries which have welcomed
lenders to be among those
developing most rapidly
- d) - If debtor countries to undertake
way leads to sound position
problems must be discouraged
among our countries



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e) active / financial intervention
from leading more closely to
performance of borrowers -
act as catalyst to attract
private capital.

Each country different - must
be dealt with on a case-by-case
basis.

Joint concern by creating framework
for action which gives hope to
debtor & creditors that problems
can be overcome & confidence
restored

Need adequate flow of aid
help to enhance dev. countries
production

TECHNOLOGICAL CHANGE

Need to adjust.

U.S. - Japan - needed more new jobs.

Lessons → (i) Pub. exp. smaller prop.
 They (ii) - more scope to industry
 + enterprise to promote change?

We - less enthusiasm for change
 legacy of restrictive practices
 job reserves to protect jobs - still not dedicated
 them.

Explore - how to stimulate
 wider industrial response to
 tech. change
 new market demands

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How - encourage people
adapt to new methods
totally different jobs.

Adaptive means to encourage
new innovative business

? Remove or Reduce measures
to prop up declining industries.

Accent on change - message.

International Trade