



Foreign and Commonwealth Office

London SW1A 2AH

14 May 1986

Dear Charles

14/5

GR's Please  
Type

Tokyo Economic Summit

We received letters or messages to the Prime Minister about the Tokyo Summit from:

- (a) President Ershad of Bangladesh
- (b) the General Secretary of the TUC
- (c) President Sanguinetti of Uruguay
- (d) the Chairman of ICC UK.

Messages were also received from the UN Secretary-General and the Secretary-General of the Arab League.

The Prime Minister has already replied to the UN Secretary-General in advance of his visit to London this week. The message from the Secretary-General of the Arab League is being dealt with separately. I enclose a short summary of the main points made in the other letters to the Prime Minister, and draft replies to them.

I am copying this letter to Michael Stark (Cabinet Office).

Yours ever

*R N Culshaw*

(R N Culshaw)  
Private Secretary

C D Powell Esq  
10 Downing Street

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:  
Prime Minister

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

His Excellency Dr Julio Maria  
Sanguinetti  
President of the Oriental Republic  
of Uruguay

Copies to:

> JAI ARG

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for you letter of 1 May in which you conveyed your thoughts and those of your colleagues in Latin America about the economic situation in your region.

CAVEAT.....

I share your concern about the continuing macroeconomic imbalances in certain industrialised countries. We therefore agreed in Tokyo that where appropriate, we must continue with our efforts to correct such imbalances if economic growth is to be sustained. But we have already made very real progress. Interest rates have fallen considerably in the last year, exchange rates now more closely reflect economic circumstances, and the decline in oil prices, while creating very real difficulties for a number of countries, should further help to sustain economic growth.

Enclosures—flag(s).....

Nevertheless, I recognise that <sup>a</sup>for number of countries in Latin America face severe problems and that adjustment policies continue to place a heavy burden on them. That it why we support the <sup>1</sup>US programme for sustained growth.

It is encouraging that, working within the principles of this programme, a number of Latin American countries have reached agreement with the World Bank on new lending programmes. We hope that more will be able to do so soon. We in the United Kingdom remain willing to seek new ways of providing financial flows to debtor countries. We have recently signed the convention establishing the MIGA which will help to promote direct investment. We are keen to encourage sound adjustment programmes by providing early resumption of export credit cover.

We hope that indebted countries will also continue to pursue the adjustment programmes necessary to attract new finance. I especially welcome your commitment to pursue measures to curb flight of capital from certain countries in the region. Repatriation of such capital and its investment domestically by the nationals of the countries concerned would be a major signal of confidence, the importance of which <sup>should</sup> cannot be underestimated.

In short, I agree with you that the problem of debt remains serious. But I am confident that if we all continue to approach it in a spirit of constructive cooperation in the appropriate international institutions we can and will overcome the difficulties in a mutually beneficial way.

CRJ.



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CM 145

MESSAGES TO THE PRIME MINISTER ABOUT THE TOKYO ECONOMIC SUMMIT

a) President Ershad of Bangladesh.

President Ershad expresses concern about the difficulties facing developing countries. He is concerned that the benefits of cheaper oil will be offset by a decline in aid from OPEC members and in remittances from expatriate Bangladeshi workers. He urges agreement on the replenishment of IDA VIII at the maximum possible level and while recognising that most of IDA funding will go to sub-Saharan Africa, asks that the needs of the poorest countries in Asia are also protected. He also urges the Prime Minister to give full support to the Fifth Replenishment of the Asian Development Fund.

c) General Secretary of the TUC.

Mr Willis' letter covers a statement drawn up by the Trade Union Advisory Committee to the OECD and prepared for the OECD Ministerial Council as well as the Summit. The Summit host customarily receives an international trade union delegation in advance of the summit. In most respects, the TUAC memorandum runs contrary to government policy and the main lines of agreement on economic issues at the summit. It calls for agreement on major elements of a cooperative strategy to reduce unemployment including the need for faster, more balanced growth, a credible framework for monetary policy, including an international monetary conference, an investment policy initiative, long term monetary policy, a major initiative to develop the quality of the labour force, a reduction of working time for those in employment, policies to stimulate growth and development in debtor countries and a "mutually advantageous multilateral trading system".

c) President Sanguinetti of Uruguay.

President Sanguinetti's letter is on behalf of the Cartagena Group of Latin American debtors and was sent to all summit participants. He reiterates Latin American concern about the debt problem and calls yet again for a political dialogue outside existing fora.

d) Chairman of ICC UK.

The ICC statement for the Tokyo Summit welcomes the Plaza agreement on exchange rates while stressing that "much remains to be done". The paper recommends specific policy initiatives for individual summit countries including measures by the US to reduce its budget deficit, measures by Canada and European countries to further advance deregulation and reduce structural rigidities and action by Japan to reduce its current account surplus and promote domestic demand. It also expresses concern at what it sees as a lack of concrete progress on debt strategy since the announcement of the Baker plan in October and calls for a new round of MTNs and work to remove trade barriers.

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FROM:

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PRIME MINISTER

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

N WILLIS ESQ

SECRETARY GENERAL TRADE UNION

Copies to:

CONGRESS HOUSE

GREAT RUSSELL STREET

*EM (AR)*

SUBJECT:

PRIVACY MARKING

.....In Confidence

LONDON WC1B 3LS

CAVEAT.....

Thank you for your letter of 1 April with which you enclosed a copy of the Trade Union Advisory Committee's Statement prepared for the OECD Ministerial Council and presented to Mr Nakasone in advance of the Tokyo Summit. I enclose a copy of the Tokyo Economic Declaration.

I share your concerns about the problems posed by continuing high unemployment, exchange rate uncertainties and protectionist pressures. We <sup>at Tokyo</sup> therefore agreed that while sustained, non-inflationary growth continues to provide the only sound long term way of reducing unemployment it needs to be reinforced by policies designed to encourage job creation, especially in high technology industries and small businesses.

Enclosures—flag(s).....

We further agreed that the Finance Ministers from Summit participants should work together closely to further strengthen international economic policy coordination with a view to promoting sustained non-inflationary growth, strengthening incentives for employment and productive investment, improving exchange rate stability and opening the international trading system.

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