

DRAFT OPENING STATEMENT

Today is the sixth Anniversary of my taking office as Prime Minister and I think I am entitled to draw considerable satisfaction from this Summit's economic Declaration.

Much of it was readily approved not surprisingly because there is broad agreement throughout the seven nations, whatever our political complexion, on how to manage our economies.

All of us are seeking to build on the progress already made - sustainable non-inflationary growth <sup>leading to a higher standard of living</sup> and the creation of more jobs.

Paragraph 5 of the Communique sets out what we need to do to achieve this. The list of measures very closely reflects what we are trying to do in Britain.

We shall persevere because we believe these are the policies which will create more soundly-based employment.

The Communique perhaps brings out three things:

- The United States' determination to reduce its budget deficit, which President Reagan is getting on with;
- the need for Japan to open its market more - and at a faster pace. I shall be having a bilateral meeting with Mr. Nakasone this evening and I shall of course be reinforcing my anxieties, which I expressed yesterday in the economic debate, about how Japan's failure to act will intensify protectionist forces;
- Europe's need - and in that I include the United Kingdom - to introduce much greater flexibility into our economies in order to make them much more enterprising and job-creating.

/Viewed



Viewed against this background our long argument this morning over when the next GATT round should begin should be kept in perspective.

All of us believe we must stem the tide of protectionism and roll it back. All of us believe the need to do so is urgent. All of us, including France, see the need to get on with the preparatory work. And six of us reckon it should be possible to get a new round under way early next year.

This anti-protectionist work is going ahead. It must go ahead. It is vital that it should.

For the rest, we have acknowledged as May 8th approaches our duty to the memory of those who fell in the second world war to uphold peace, freedom and justice in our countries and in the rest of the world.

We have committed ourselves to work with the developing countries to help them fight hunger and disease and we have recognised the need for continuing action, both short and longer term to relieve famine in Africa and to help put these sorely afflicted countries in a better position to feed themselves.

Finally, I am very pleased we discussed the drugs menace in the world. All of us are deeply worried about the threat which drugs - and especially heroin and cocaine - present to our countries and especially to young people.

They could, if not checked and defeated, undermine our societies and I believe the result of this weekend's discussion will be a resolute drive by all nations, along with others, against the traffickers.

We must wage a ceaseless war against the people who ply this evil and corrupting trade and this Summit has greatly encouraged me to believe that this war will be waged more effectively and vigorously in the future.





10 DOWNING STREET

THE PRIME MINISTER

London Summit

"Our aim is security and the lowest possible level of armaments . . . . . The US has offered to restart nuclear arms control talks anywhere, at any time, without pre-conditions. We hope that the Soviet Union will act in a positive and constructive way."



10 DOWNING STREET

THE PRIME MINISTER

WEU words

They re-affirmed their firm support for, and their confidence in, their American ally in its efforts to achieve a more stable strategic relationship at the lowest possible balanced level of forces and called on the Soviet Union to display a positive attitude.



21  
JOBS

FIRST AND FOREMOST OF OUR PROBLEMS IS THE

CONTINUING AND DISTRESSINGLY

HIGH LEVEL OF UNEMPLOYMENT.

THE PAIN FOR THOSE UNEMPLOYED IS

ALL THE GREATER WHEN THEY SEE THE

PARADOX OF RISING OUTPUT AND RISING

LIVING STANDARDS FOR THOSE IN WORK.

I BELIEVE THAT THE RIGHT WAY TO

TACKLE UNEMPLOYMENT, TO BRING MORE

PEOPLE INTO WORK IN BRITAIN, AND

INDEED IN THE REST OF EUROPE, IS TO DO

ALL WE AS GOVERNMENTS CAN DO TO LET

INITIATIVE AND ENTERPRISE FLOURISH.

WE NEED TO IDENTIFY AND CUT OUT THE

/REGULATIONS

REGULATIONS, PRACTICES AND HABITS

WHICH PREVENT MARKETS FROM WORKING,

ESPECIALLY THE LABOUR MARKET.

GOVERNMENTS MUST LEAVE THE WAY FREE

FOR PRIVATE ENTERPRISE TO TAKE THE

INITIATIVE IN THE CREATION OF WEALTH

AND JOBS.

WE HAVE SEEN THAT IN AMERICA THE LESS

REGULATED ENVIRONMENT HAS ENCOURAGED

THE ENTERPRISE CULTURE AND BROUGHT NEW

JOBS WITH IT ESPECIALLY AMONG SMALL

BUSINESSES.

AND I KNOW FROM MY RECENT TALKS WITH

THE CANADIAN PRIME MINISTER THAT HE HAS

/THE SAME



F.R.  
THE SAME AMBITIONS FOR CANADA.

THIS THEN IS THE TASK FOR EUROPE.

/THE UNITED STATES

P.R.  
THE UNITED STATES

3  
THE DYNAMIC RECOVERY OF THE UNITED STATES

ECONOMY HAS ALREADY MADE A GREAT

CONTRIBUTION TO THE IMPROVEMENT OF THE

WORLD ECONOMY AS A WHOLE.

AND THE UNITED STATES MARKET HAS MADE

THE BIGGEST SINGLE CONTRIBUTION TOWARDS

LAST YEARS RAPID GROWTH IN WORLD TRADE .

IT IS NATURAL THAT THAT EXPANSION

SHOULD NOW BE MODERATING, AND RIGHT THAT

THE UNITED STATES SHOULD BE TAKING STEPS

TO PUT ITS CONTINUED ECONOMIC GROWTH ON

A SOLID AND SUSTAINABLE BASIS.

/THE SIZE



THE SIZE OF THE FEDERAL BUDGET  
DEFICIT, THE PRESSURES OF THE  
TRADING DEFICIT, HIGH INTEREST RATES  
AND THE EXCESSIVE RATE OF THE DOLLAR,  
ARE ALL PROBLEMS THAT WILL REQUIRE  
CAREFUL MANAGEMENT AND POLITICAL WILL  
IF THEY ARE TO BE BROUGHT UNDER  
CONTROL.

THE ADMINISTRATION'S ACTIONS IN THIS  
AREA AFFECT US ALL.

I KNOW THAT THIS RESPONSIBILITY IS  
RECOGNISED AND ACCEPTED BY THE  
ADMINISTRATION.

/I WELCOME

15  
R.  
I WELCOME THE STEPS WHICH PRESIDENT

REAGAN HAS ALREADY TAKEN AND WISH

HIM SUCCESS IN HIS EFFORTS.

→ FOR THIS IS THE CENTRAL ISSUE WHERE

ALL THE OTHERS MEET.

/JAPAN



R.  
JAPAN

4  
JAPAN HAS AN ENVIABLE RECORD OF INDUSTRIAL  
GROWTH, OF LOW UNEMPLOYMENT AND OF  
EXPANSION OF EXPORTS.

WOULD THAT SHE OPENED HER MARKETS  
TO WORLD EXPORTS IN THE SAME WAY THAT  
WE OPEN THEM.

OPEN TRADE IF IT IS TO CONTINUE HAS TO  
BE A TWO-WAY STREET.

BARRIERS OF DISTANCE AND LANGUAGE,  
AND LONG HABIT, MEAN THAT THE

JAPANESE ECONOMY IS FAR LESS OPEN  
TO FOREIGN IMPORTS.

FOREIGN BANKS AND FOREIGN DISTRIBUTORS

/FIND

R.  
FIND THEIR ACTIVITIES BLOCKED BY

IMPENETRABLE REGULATIONS.

FOREIGN PRODUCERS OF ELECTRICAL

APPLIANCES FIND THAT INTERNATIONALLY

ACCEPTED SCIENTIFIC TESTS ARE NOT

ACCEPTED IN JAPAN.

OF COURSE THE FOREIGN TRADER SUFFERS.

SO DOES THE JAPANESE CONSUMER WHOSE

CHOICE IS RESTRICTED.

PRIME MINISTER NAKASONE HAS RECOGNISED THE

NEED TO DISMANTLE THESE BARRIERS.

HIS PROGRAMME OF MEASURES TO PROMOTE

IMPORTS IS AN ENCOURAGING DECLARATION

OF INTENT.

/BUT



R.

BUT UNLESS IT LEADS RAPIDLY TO REAL  
INCREASES IN IMPORTS, THE PRESSURE  
FOR PROTECTIONIST MOVES AGAINST  
JAPANESE EXPORTS AND COMMERCIAL  
INTERESTS WILL INEVITABLY GROW IN  
EUROPE AS IN NORTH AMERICA AND RISKS  
BECOMING IRRESISTIBLE.

/A NEW GATT ROUND

R.  
5  
A NEW GATT ROUND

I HAVE NO DOUBT THAT THE TIME HAS COME FOR A NEW ROUND OF TRADE NEGOTIATIONS IN GATT.

THE AGENDA IS CLEAR.

- WE NEED TO DEAL WITH THE CLASSICAL BARRIERS OF TARIFFS AND QUOTAS.
- WE NEED TO DEVISE RULES FOR TRADE IN SERVICES WHICH ARE BECOMING INCREASINGLY IMPORTANT IN THE WORLD ECONOMY.
- TRADE IN AGRICULTURE CANNOT BE EXCLUDED FROM GATT RULES.
- WE NEED TO ENSURE THAT THE NEWLY INDUSTRIALISING COUNTRIES, WHOSE COMPETITIVE EDGE CAUSES US ALL MANY DOMESTIC PROBLEMS, ACCEPT THE

/RESPONSIBILITIES



R.  
RESPONSIBILITIES AS WELL AS THE RIGHTS  
WHICH ARE IMPOSED BY THE INTERNATIONAL  
TRADING SYSTEM.

- WE NEED TO MAKE IT EASIER FOR THE  
DEBTORS AND PARTICULARLY FOR THE POORER  
DEVELOPING COUNTRIES TO EARN THEIR LIVING  
BY TRADE RATHER THAN RELYING ON AID FROM  
THE RICH INDUSTRIAL COUNTRIES OF THE  
WORLD.

THE MOVE TOWARDS A NEW ROUND OF TRADE NEGOTIATIONS  
HAS ALREADY BEGUN.

IT IS NOW ACCEPTED THAT A PRELIMINARY  
MEETING SHOULD BE HELD IN GENEVA IN THE  
SUMMER.

THAT IS THE FIRST STAGE.

I SEE NO REASON WHY THE NEW ROUND SHOULD  
NOT BE FORMALLY LAUNCHED <sup>in the first half of</sup> EARLY NEXT YEAR.

I BELIEVE THAT, IF WE GIVE A CLEAR LEAD,  
AND IF WE ARE RESPONSIVE TO THE NEEDS AND  
PROBLEMS OF THE DEVELOPING COUNTRIES, WE  
CAN CARRY THE THIRD WORLD WITH US.

/MONETARY PROBLEMS



6  
MONETARY PROBLEMS

OF COURSE MONEY AND TRADE GO TOGETHER: IT DOES

NOT HOWEVER FOLLOW THAT THERE SHOULD BE A  
LINK BETWEEN NEW TRADE TALKS AND DISCUSSION  
OF THE INTERNATIONAL MONETARY SYSTEM.

THE PRESENT VOLATILITY OF EXCHANGE RATES  
IS CLEARLY UNDESIRABLE.

BUT WE CAN ONLY ACHIEVE MORE STABILITY  
IF WE ALL FOLLOW SOUND AND CONVERGENT  
POLICIES.

AT WILLIAMSBURG WE ASKED THE G10 FINANCE  
MINISTERS TO EXAMINE THE WORKING OF THE  
INTERNATIONAL MONETARY SYSTEM AS IT NOW IS.  
THEY ARE TO HOLD THEIR FINAL MEETING IN  
JUNE.

/I HOPE

I HOPE THAT THEIR REPORT WILL SHOW HOW  
THE WORKINGS OF THE PRESENT INTERNATIONAL  
MONETARY SYSTEM CAN BE IMPROVED.

THAT REPORT WILL THEN BE STUDIED IN THE  
INTERIM COMMITTEE OF THE IMF.

I DO NOT BELIEVE THAT WE NEED GO BEYOND  
THAT TO SEEK OUT SOME RADICAL REFORM.

/ DEBT



U. R.  
DEBT

1  
INCREASED TRADE AND MORE OPEN TRADING ARE THE

MOST IMPORTANT MEANS BY WHICH THE  
DEVELOPING AND DEBTOR COUNTRIES CAN  
IMPROVE THEIR LOT.

DEBTS CANNOT BE SERVICED AND REPAID IF WE  
DENY THE DEBTORS THE MARKETS IN WHICH TO  
SECURE THE NECESSARY EXPORT EARNINGS.

DEBT RESTRUCTURING AGREEMENTS WITH THE  
COMMERCIAL BANKS AND GOVERNMENTS HAVE A  
CONTRIBUTION TO MAKE.

AND THE AID WE GIVE THEM IS OF COURSE  
SUBSTANTIAL AND SIGNIFICANT.

BUT EVEN MORE IMPORTANT IS THE ADOPTION

/BY THE

B. R.

BY THE DEBTOR COUNTRIES OF ECONOMIC  
POLICIES DESIGNED TO USE THEIR RESOURCES  
WISELY AND ATTRACT RESOURCES, WITHOUT FEAR  
OF NATIONALISATION OR EXPROPRIATION, FROM  
THE OUTSIDE WORLD.

I AM SURE THAT THE STRATEGY FOR DEBT ON  
WHICH WE DECIDED LAST YEAR IN LONDON  
REMAINS CORRECT.

WE SHOULD NEVERTHELESS NOT BE BLIND TO THE  
POLITICAL AND SOCIAL PRESSURES THAT THIS  
INEVITABLY PLACES UPON GOVERNMENTS IN  
THE DEVELOPING COUNTRIES THEMSELVES.  
WE NEED TO DEAL WITH EACH CASE INDIVIDUALLY  
BECAUSE THEIR PROBLEMS DIFFER.

/POLITICAL



U. R.

POLITICAL STABILITY IN THE DEVELOPING WORLD  
IS IN OUR INTEREST AS MUCH AS THEIRS.

/AFRICA

R.  
AFRICA

WE HAVE ALSO BEEN FACED IN THIS LAST YEAR WITH THE  
APPALLING SUFFERING IN AFRICA.

TO THIS THERE ARE NO EASY OR EARLY SOLUTIONS.

BRITAIN AND THE REST OF EUROPE, AMERICA,

CANADA AND JAPAN, GAVE GENEROUS FOOD AID

THIS YEAR TO MEET THE IMMEDIATE NEED.

THANKS TO OUR INITIATIVES THE UN

EMERGENCY SYSTEM IS WORKING MUCH BETTER.

BUT IT IS NO GOOD THINKING THAT THE LONG

TERM SOLUTION IS FOR THE UNITED STATES AND

EUROPE TO GROW SURPLUS FOOD, TO SELL OR

GIVE AWAY TO AFRICAN COUNTRIES.

/THAT WOULD BE



THAT WOULD BE FAR TOO EXPENSIVE AND  
WASTEFUL OF RESOURCES.

BUT EVEN MORE, IT WOULD BE A CYNICAL  
SOLUTION.

THE REAL NEED IS TO HELP THE AFRICAN  
COUNTRIES TO GROW THE FOOD TO FEED THEIR  
OWN PEOPLE.

THIS MEANS ENCOURAGING THEM TOWARDS  
SENSIBLE POLICIES WHICH PROVIDE INCENTIVES  
TO FARMERS AS SOME OF THEM HAVE DEMONSTRATED  
SUCCESSFULLY AND ENVIRONMENTAL POLICIES  
WHICH PREVENT THE LAND BECOMING A DESERT.

/CONCLUSION

F. R.  
CONCLUSION

THE CONCLUSION WHICH I REACH IS THAT WE ARE ON

THE RIGHT COURSE AND MUST HAVE THE COURAGE TO  
STICK TO IT.

THERE WILL BE A NEED FOR SOME ADJUSTMENTS

AND I HAVE SAID WHAT I THINK THESE NEED

TO BE, ABOVE ALL

- MEASURES TO ENCOURAGE ENTERPRISE AND

- REMOVE RESTRICTIVE PRACTICES AS

THE BEST WAY TO BRING MORE PEOPLE INTO  
WORK.

- IT MEANS PATIENT AND PERSISTENT PURSUIT

OF THE POLICIES TO WHICH WE HAVE COMMITTED

OURSELVES AT EARLIER SUMMITS.

WE MUST NOT PUT AT RISK THE GAINS WHICH WE HAVE  
MADE.



AT OUR MEETING LAST YEAR, I SAID THAT WE MUST

SEND A CLEAR MESSAGE FROM THE SUMMIT.

WE DID.

WE SAID: "OUR STRATEGY IS THE RIGHT ONE.

WE INTEND TO STICK TO IT."

WE ARE SEEKING REAL GROWTH, REAL JOBS, REAL

PROSPERITY, ALL WITHIN A FREE SOCIETY.

WE ARE NOT INTERESTED IN QUACK REMEDIES

AND QUICK FIXES.

WE MUST STICK TO OUR STRATEGY NOT FOR

ONE YEAR OR TWO YEARS, BUT FOR AS LONG AS

IT TAKES TO ESTABLISH IN OUR OWN COUNTRIES

AND EXTEND TO OTHERS THE BENEFITS AND

REWARDS OF SOUND NON-INFLATIONARY GROWTH.

/SINCE OUR LAST

Objectives

SINCE OUR LAST SUMMIT, THE LEVELS OF INFLATION

HAVE BEEN LOWER AND THE RATES OF

GROWTH HAVE BEEN BETTER IN OUR COUNTRIES

THAN MANY PEOPLE EXPECTED.

BRITAIN

IN BRITAIN WE HAVE NOW SEEN FOUR YEARS OF

CONTINUOUS GROWTH OF REAL OUTPUT.

WE EXPECT GROWTH THIS YEAR TO REACH

THREE AND A HALF PER CENT.

AND WE EXPECT OUR GROWTH TO CONTINUE IN

1986.

WE BELIEVE THAT OUR SUCCESS COMES FROM

FOLLOWING POLICIES OF FISCAL AND

MONETARY DISCIPLINE.

/WE INTEND



WE INTEND TO MAINTAIN THEM.

BUT WE ALSO NEED TO BE FLEXIBLE,

TO ADAPT TO CHANGES IN DEMAND AND

TO TECHNOLOGICAL OPPORTUNITIES.

/JOBS

CONFIDENTIAL



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MR POWELL

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Speaking Note on Economic Issues

I attach, as requested, a revised draft Speaking Note on economic issues for the Prime Minister's use at the Summit.

2. I am sending copies of this minute and the attachment to Len Appleyard and Rachel Lomax.

*Carl Bowdery.*

pp. R P HATFIELD

1 May 1985

CONFIDENTIAL



SPEAKING NOTE ON ECONOMIC ISSUES

At our meeting last year I said that we must send a clear message from the Summit. We did. We said:

"Our strategy is the right one. We intend to stick to it."

2. The message today must surely be basically the same. Because what we have is a strategy not for one year or two years, but for as long as it takes to establish in our own countries and extend to others the benefits and rewards of sound non-inflationary growth, if an increase in prosperity which is real, not the illusory fix of inflation.
3. We have kept up the economic progress that we have made in recent years. The levels of inflation have been lower and the rates of growth have been better in our countries than many people have expected. This reflects the willingness of all of us to stick to sound financial policies, to face reality, and to adjust to changing circumstances.
4. In Britain we have now seen four years of continuous growth of real output. We expect output this year to reach 3-1/2 per cent. We expect our growth to continue in 1986. We believe that our success is due to our policies of fiscal and monetary discipline. We intend to maintain them. So we need continuity. But we also need to be flexible, to adapt to changes in demand and to technological opportunities. Both in our economies and in the international economy there are weaknesses and problems which we need to identify and to tackle resolutely.
5. First and foremost is the continuing and distressingly high level of unemployment. I believe that the right way to tackle unemployment in Britain, and indeed in the rest of Europe, is to do all we as Governments can to let initiative and enterprise



flourish. We need to identify and cut out the regulations, practices and habits which inhibit the dynamic operation of markets. Especially in labour market. Too often government action has frustrated enterprise, has prevented the creation of jobs, and has inhibited the creation of wealth. Governments must leave the way free for private enterprise to take the initiative. My own Government has already embarked on this course. But, as I suggested at the last European Council, we in the European Community need to act together both within our countries and in order to reduce regulations and barriers in Europe as a whole. We have seen that in America the less regulated environment has encouraged the enterprise culture and brought new jobs with it. This is the task for Europe. And I know from my recent talks with the Canadian Prime Minister that he has the same ambitions for Canada.

6. The United States economy has already made a great contribution to the improvement of the world economy through its dynamic recovery of the last two or three years. The United States market has made the biggest single contribution towards ending the stagnation of world trade and enabling the developing countries to begin expanding their economies and repaying their debts once again. It is natural that that expansion should now be moderating, and right that the United States should be taking steps to put its continued economic growth on a solid and sustainable basis. The size of the Federal budget deficit, the pressures of the trading deficit, high interest rates and the excessive rate of the dollar, are all problems that will require careful management and political will if they are to be brought under control. They are of course primarily matters for the domestic political and economic management of President Reagan and his Administration. But the success of the Administration in this area affects us all. I know that this responsibility is recognised and accepted by the Administration. We shall be



watching with sympathy, but also with self-interest, the urgent manner in which the President is now tackling the Federal budget deficit, the central issue where all the others meet.

7. Japan has a record of consistency in the economic policies it has pursued over the years, and in the success with which it has achieved its economic goals. It has an inevitable record of industrial growth and of low unemployment. But Japanese society and the Japanese economy also suffer from rigidities, even if these are different from the rigidities which now hamper the expansion of European economies. Barriers of distance and language, and long habit, mean that the Japanese economy is less open of foreign imports. Foreign banks and foreign distributors finds their activities blocked by impenetrable regulations. Foreign producers of electrical appliances find that internationally accepted scientific tests are not accepted in Japan. Of course the foreign trader suffers. So does the Japanese consumer whose choice is restricted. So even does the Japanese producer who faces less rigorous competition in his home market.

8. Prime Minister Nakasone has recognised the need to dismantle these barriers. His programme of measures to promote imports is a courageous but necessary response to the growing pressures in the United States and in Europe for the opening of the Japanese market. Without that the clamour for protectionist moves against Japanese exports and commercial interests is bound to grow in Europe as in North America.

9. The trade problem is not simply a matter of relations between the Summit countries. The recession of the early 1980s increased domestic pressures for protection in all the industrialised countries. The developing countries have claimed that their special status entitled them to protection even when trade was booming. Meanwhile international trade is becoming more complex. There are many matters to be negotiated, and I



*Developing  
countries*

have no doubt that the time has come for a new round of trade negotiations in GATT. The agenda is clear. We need to deal with the classical barriers of tariffs and quotas. We need to devise rules for the more intangible trade in services which is becoming increasingly important in the world economy as well as in our national economies. We need to get a grip on the world trade in agriculture. We need to ensure that the newly industrialising countries whose competitive edge has caused us all so many domestic problems now accept the responsibilities as well as the rights which are imposed by the international trading system. We need to make it easier not harder for the debtors and particularly for the poorer developing countries to earn their living by trade rather than relying on handouts from the rich industrial countries of the world.

10. The move towards a new round of trade negotiations has already begun. It is now accepted by the developing as well as the developed countries that a preliminary meeting should be held in Geneva in the summer. That is the first stage. I see no reason why, with this mechanism, the new round should not be formally launched early next year. I believe that, if we give a clear lead, and if we are responsive to the needs and problems of the developing countries, we can carry the third world with us.

11. Of course money and trade go together: we have to sell our goods to buy others and to pay our debts. I do not however think that it follows that there should be a mechanical link between new trade and trade talks and substantive discussion of a reform of the international monetary system. The old Bretton Woods fixed exchange rate system broke down mainly because too many countries allowed inflation and monetary indiscipline to blow it apart. Since then we have all been through the battle of getting inflation under control. But it is desirable to get back to a more stable - but not fixed, but more stable - relationship between currencies. We have not achieved that in



recent times because of the continued divergence of our domestic economic policies. Only if we all follow convergent policies can we expect more stable exchange rates. At Williamsburg we asked the G10 Finance Ministers to examine the working of the international monetary system as it now is. They are to hold their final meeting in June. The events of recent months have demonstrated that we must pay attention to excessive changes in exchange rates. I hope that the report of the G10 Finance Ministers will show how the workings of the present international monetary system can be improved. That report will then be studied in the Interim Committee of the IMF. I do not believe that we need go beyond that to seek out some radical reform.

12. Increased trade and more open trading, as I have said, are among the most important means by which the developing and debtor countries can improve their lot. But even more important is their adoption of economic policies designed to use their resources widely, and attract resources willingly from the outside world. The aid we give them is of course substantial and significant. But policies to encourage investment, both from their domestic resources and from outside, are even more so. I see this message spreading throughout the developing world. I was struck by the large measure of endorsement it received at the recent meetings of the Interim and Development Committees in Washington. I am sure that the strategy for debt on which we decided last year in London remains correct.

13. Nevertheless we should not be blind to the political and social pressures that this inevitably places upon governments in the developing countries themselves. It is in our interest to sustain them, not only because they will otherwise be less willing and able to repay their debts, but also because of the need to promote political stability in the developing world.



14. Above all we have been faced in this last year with the immense suffering in Africa. To this there are no easy or early solutions. Britain and the rest of Europe, America, Canada and Japan, gave generous food aid this year to meet the immediate need. Thanks to our initiatives the UN emergency system is working much better. The World Bank's Special African Facility and an expanded European Development Fund will begin to help tackle the longer term problems. These are as much political and administrative as they are economic. Africa lacks men as well as money. Africa will remain a special case, apart from the developing world as a whole, for many years to come.

15. Nothing of what I have said is radical or very eye-catching. It will not provide much copy for the press. But in my view it reflects reality. The course we have chosen is the right one and we should stick to it. As time moves on and circumstances change, there is always a need for some adjustments. I have indicated what I think these need to be. But I cannot stress too strongly the importance of patient and consistent pursuit of the correct policies. We must not now put at risk the gains we have made during the last few years.