



10 DOWNING STREET

THE PRIME MINISTER

20 May 1985

Dear Secretary-General.

Thank you for your letter of 29 April about the Bonn Economic Summit.

We agreed at the Summit that the main contribution we as industrialised countries could make to world prosperity was to promote sustained growth and higher employment in our own economies. We also agreed on the need to follow prudent and, where necessary, strengthened monetary and budgetary policies with a view to stable prices, lower interest rates and more productive investment. We agreed to exercise firm control over public spending in order to reduce budget deficits, when excessive, and, where necessary, the share of public spending in Gross National Product. Sustained recovery as a result of these policies will bring benefits to developing countries.

We had considerable discussion about the particular problems facing developing countries and the efforts many of them are making to overcome their difficulties. The question of protectionism is clearly one of very great importance for them, as for all of us. All the Summit participants stressed the threat which protectionism posed to world trade and agreed that there was a need for a new GATT round as soon as possible. We agreed, too, that a preparatory meeting of senior officials could usefully take place in the GATT before the end of the summer.

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On the subject of debt, we reaffirmed our willingness to help developing countries continue to tackle their problems. The circumstances of these vary widely and we did not believe it would be helpful or practicable to suggest a uniform solution for all countries. But we recognised the role that multi-year rescheduling agreements could play in appropriate cases. We emphasised, too, the crucial role of the International Monetary Fund and the World Bank Group in supporting policies by debtor countries to strengthen the confidence of creditors and investors.

The Summit participants put particular emphasis on the problems of sub-Saharan Africa, and its special requirements arising from famine and drought. Much of the discussion concerned the ways of ensuring that food relief reached those who needed it most. But we were fully aware that much more than relief was required: there was in particular an urgent need to encourage the development of a healthy agricultural sector. You will perhaps have noted in this context that the Summit set up an expert group to report to Foreign Ministers in September.

In conclusion, I would like to bring to your attention a British initiative taken at the Summit which concerned the worldwide problem of drug trafficking. Here, too, we agreed to set up an expert group, this time with the object of drawing up a comprehensive and effective strategy to help fight the manufacture and trafficking of illicit drugs. This initiative deserves, I am sure, the widest possible support.

With best wishes,

Yours sincerely
Margaret Thatcher

His Excellency Mr. Javier Perez de Cuellar.