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10 DOWNING STREET

THE PRIME MINISTER

21 June 1985

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T117/85

Dear Mr. President,

Thank you for your letter of 26 April in which you expressed your concerns and those of your Latin American colleagues in advance of the Bonn Economic Summit. I know that the Federal German Chancellor has already written to you in reply on behalf of all Summit participants but I wanted to add a few further comments of my own.

The problem of indebtedness was very much on our minds during our discussions in Bonn. We understand and share your concern about the serious difficulties facing a number of countries in Latin America. We are very much aware too of the courageous efforts which are being made in Latin America to cope with these difficulties. These problems require a comprehensive approach which takes account of all the causes and effects of each individual case. The circumstances of these debt problems vary of course very widely, which is why it is difficult to find a universal solution applicable to all countries.

At the Summit, we recognised and agreed that a lasting solution to the problem can only be achieved if all those involved continue their constructive co-operation. We shall therefore continue to work with debtor countries in a spirit

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of partnership. In particular, we in the developed countries recognise that we have a duty to help countries pursuing economic adjustment. In this respect, among the most important agreements reached at the Summit were the commitment to maintain non-inflationary growth in our own countries, and our agreement on the need to launch a new GATT round. We must sustain the recovery, which has begun to spread from the industrialised countries to the developing world, and maintain the open trading system which is of such importance to all our countries.

But we recognised in Bonn that this alone is not sufficient to help debtor countries overcome their problems. The importance of continuing flows of finance to developing countries was expressly underlined. We therefore agreed to specific measures to help, such as endorsing the role that multiyear rescheduling agreements can play in appropriate cases. We emphasised too the role of the International Monetary Fund and the World Bank Group in supporting policies by debtor countries to strengthen the confidence of the creditors and investors. We therefore agreed to work to ensure that these institutions are equipped with the resources necessary for their task.

We are under no illusions that the problem of debt has been resolved, or that there are any magic solutions. We must work patiently at the different solutions relevant to each case. Continuing the dialogue in the international institutions will help to improve mutual understanding and bring us closer to the lasting solution to these problems which we all seek.

Yours sincerely
Rangaraj Dalal



Foreign and Commonwealth Office

London SW1A 2AH

20 June, 1985

Dear Charles,

Bonn Economic Summit

In our letter of 22^{17th} May we said that Chancellor Kohl would reply to President Sanguinetti on behalf of all Summit participants but that depending on the terms of his reply, we might want to recommend that the Prime Minister send a brief follow up reply herself in due course.

Chancellor Kohl's letter was very detailed and an additional letter from the Prime Minister did not seem necessary. However, we have now been told that President Mitterrand, Prime Minister Nakasone and M. Delors have all sent separate replies. President Reagan, we understand, is also about to do so. We consider that the Prime Minister should now do likewise if we are to avoid the risk of being seen in Latin America as indifferent to Latin American concerns. I enclose a draft.

Yours ever,
P F Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

Bernstein

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

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2. The problem of indebtedness was very much on our minds during our discussions in Bonn. We understand and share your concern about the serious difficulties facing a number of countries in Latin America. We are very much aware too of the courageous efforts which are being made in Latin America to cope with these difficulties. These problems require a comprehensive approach which takes account of all the causes and effects of each individual case. The circumstances of these debt problems vary of course very widely, which is why it is difficult to find a universal solution applicable to all countries.
3. At the Summit, we recognised and agreed that a lasting solution to the problem can only be achieved if all those involved continue their constructive cooperation. We shall therefore continue to work with debtor countries in a spirit of partnership. In particular, we in the developed countries recognise that we have a duty to help countries

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4. But we recognised in Bonn that this alone is not sufficient to help debtor countries overcome their problems. The importance of continuing flows of finance to developing countries was expressly underlined. We therefore agreed to specific measures to help, such as endorsing the role that multiyear rescheduling agreements can play in appropriate cases. We emphasised too the role of the International Monetary Fund and the World Bank Group in supporting policies by debtor countries to strengthen the confidence of the creditors and investors. We therefore agreed to work to ensure that these institutions are equipped with the resources necessary for their task.

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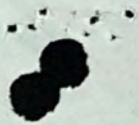
bring us closer to the lasting solution to these problems
which we all seek.

~~Prime Minister~~

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FAIRLY CONFIDENT THAT THE ROUND WOULD START IN 1986 (RECENT REPORTS HERE THAT MR ABE HAD SAID IT WOULD NOT START THEN WERE INCORRECT).

5. ON OTHER ECONOMIC POINTS, THE MFA SAID:

A) THEY SAW LITTLE PROSPECT OF PROGRESS ON MONETARY ISSUES BY CONVENING A SPECIAL MEETING. WORK SHOULD CONTINUE IN THE G10 AND G5 AND THEN AT THE MEETING OF THE IMF IN SEOUL.

B) PROGRESS HAD BEEN MADE OVER THE HANDLING OF DEVELOPING COUNTRIES, PARTICULARLY ON DEBT RESTRUCTURING. JAPAN WELCOMED THE FRENCH INITIATIVE ON FAMINE IN AFRICA.

C) AS FOR THE HANDLING OF THE "JAPAN PROBLEM" THE MFA WERE CONCERNED THAT THE ABSENCE OF REAL CRITICISM AT BONN MIGHT CAUSE OTHER MINISTRIES TO RELAX AND LOSE INTEREST IN PROMOTING IMPORTS. THEY ANTICIPATED A PROGRAMME OF TARIFF REDUCTIONS BY THE END OF JUNE AND THEN THE ACTION PROGRAMME FOR MEDIUM MEASURES BY THE END OF JULY. IF THERE WERE NO RESULTS, THE TOKYO SUMMIT COULD BE VERY DIFFICULT.

6. MANAGEMENT OF TOKYO SUMMIT

THERE ARE THREE POINTS WORTHY OF NOTE HERE:

A) MR NAKASONE SYMPATHISED WITH PRESIDENT MITTERRAND'S DISSATISFACTION WITH THE RUNNING OF THE BONN SUMMIT. HE BELIEVED THAT THERE SHOULD BE LESS BUREAUCRATIC INFLUENCE AT THE TOKYO SUMMIT AND HAD INSTRUCTED OFFICIALS TO LOOK INTO THIS.

B) ON AUSTRALIAN PARTICIPATION AT THE TOKYO SUMMIT (YOUR TELNO 240 TO CANBERRA), THE MFA SAID THAT AT A PRE-SUMMIT SHERPAS' MEETING, THEY HAD ASKED WALLIS ABOUT THE SUGGESTION MADE BY US AMBASSADOR MANSFIELD THAT AUSTRALIA SHOULD BE INCLUDED IN ANY FUTURE ECONOMIC SUMMITS (MY TELNO 257). WALLIS HAD REPLIED THAT HE KNEW NOTHING OF THE PROPOSAL. THE ISSUE WAS NOT RAISED IN BONN. THE PRESENT JAPANESE POSITION IS THAT THEY WILL TAKE NO INITIATIVE OVER THE MATTER AND WILL ONLY DISCUSS IT IF THEY ARE APPROACHED BY THE AUSTRALIANS.

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