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THE SECRETARY-GENERAL

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29/5

27 May 1987

Dear Prime Minister,

As you prepare for the summit meeting in Venice, may I wish you well in your forthcoming deliberations. The decisions you reach will not only be of great consequence to your countries, they will also have a direct impact on the well-being of the entire community of nations.

When I sent a message to the Tokyo summit last year, there were grounds for optimism regarding the international economic situation. There had been several reaffirmations at a high political level of the need for co-operative approaches towards harmonising policies and reducing the existing imbalances. Similarly, specific actions were to be taken regarding the difficulties confronting developing countries.

Since the Tokyo summit, progress has indeed been made in harmonising policies and reducing imbalances. Nevertheless, major problems persist, generating uncertainties. These are reflected in the international financial markets, and growth forecasts have recently had to be revised downwards.

In these circumstances, I feel I must join the appeals already made to you to take additional steps to co-ordinate fiscal and monetary policies, and to remove trade barriers.

Such action would help to extricate large parts of the developing world from their continuing difficulties especially those related to debt. In an increasingly interdependent world, action in favour of less developed countries needs, in my view, to be regarded as an integral part of the overall strategy. Thus, at a time when some industrial countries have very large financial surpluses, I would suggest that part of these surpluses be directed to the developing countries, particularly through multilateral institutions.

Her Excellency
The Right Honourable
Margaret Thatcher, M.P.
Prime Minister of the United Kingdom
of Great Britain and Northern Ireland
London

A large number of the poorer developing countries are currently experiencing serious consequences of prolonged adjustment in an unfavourable external environment. Data show that the hardships inflicted by cuts in public spending on vulnerable groups like women and children, even in middle-income developing countries, are particularly poignant. This was recognised at the recent meetings of the Bretton Woods institutions.

Given this situation, it would appear to me that specific action on finance and commodities would be of particular importance. In the present context, I am encouraged by indications that you may be seeking agreement on steps to ease the financial situation in African countries, for which a Programme of Action was adopted in the United Nations last year. Many of these countries are clearly incapable of recovering from their present impasse without additional long-term concessional finance, including reduction of their debt burden. Effective implementation of the agreement reached on the resources of International Development Association (IDA) will also be essential in this context.

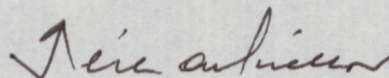
The current depression in commodity prices is the core of the problem in many of the poorer countries, where low commodity earnings are critically damaging their brave efforts to adjust and grow. I recognise that the difficulties are due to low demand in industrial countries as well as technological changes among other factors. In the long run, developing countries have to diversify their economies and process their raw materials. But the prolonged unfavourable situation requires international action to improve commodity markets through commodity agreements and the Common Fund. The international community also has at its disposal the IMF compensatory financing facility to stabilise earnings. If made available at appropriate terms, it could greatly help at the present juncture, as it did in the past.

A specific concern of many developing countries relates to the impact on their domestic agriculture, and on their exports, of agricultural support policies in industrial countries. I welcome the agreement reached in the OECD to address this problem by cutting subsidies and removing trade barriers. If your deliberations confirm the agreement, early action will be greatly facilitated. This is an area of great mutual benefit to both the North and the South.

Many of the issues before you are also on the agenda of the seventh session of the United Nations Conference on Trade and Development (UNCTAD) in July, where the main theme will be the revitalisation of growth and development. The Conference offers an opportunity to all countries to agree upon an appropriate strategy of action, involving international and national dimensions, and the interaction between them.

I would hope your meeting in Venice will provide political support for the Conference, and that your government will participate actively in it at a high level.

May I conclude with the assurances of my highest considerations and warm personal regards.



Javier Pérez de Cuéllar