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LONDON SW1A 2AA

THE PRIME MINISTER

24 June 1987

Dear Mr. President,

Thank you for your letter of 24 May, sent on behalf of the members of the Cartagena consensus, about the Venice Summit. This was a welcome and valuable contribution to our discussion of the world's difficult economic problems.

I share your concern about the continuing imbalances in the world economy. I am sure that you will therefore welcome the agreement at Venice to strengthen efforts to reduce these imbalances, and so promote stronger world economic growth and lower interest rates. As the declaration explains, there were clear commitments by surplus countries to stimulate domestic demand, and deficit countries undertook to reduce their fiscal and external imbalances. All participants restated their commitment to build on the recent Louvre and Washington agreements, and Finance Ministers will work closely together to coordinate economic policies. This will be of benefit to all countries, given the interdependent nature of the world economy.

We also renewed our commitment to the new GATT round, which the Ministerial Declaration of Punta del Este so

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successfully launched. We agreed to expand trade and resist protectionism, so that developing countries can have greater access to export markets for their products. You will know that the British Government has actively promoted the cause of reform of world agriculture, a matter of particular importance to many Cartagena members. I can assure you that we shall continue to work for a reduction of domestic support for agriculture in all our countries and for the liberalisation of trade in farm products.

The special problems of individual developing countries were discussed in considerable detail, reflecting the importance that Summit countries attach to their economic progress and stability. I was glad to learn from your message to Signor Fanfani after the Summit that you welcomed the special attention we gave to the problems of external debt and agriculture. I am very conscious of the major effort that many countries have made to achieve economic adjustment, growth and stability. At Venice we agreed that the international financial institutions should help commodity-dependent countries diversify their economies. We reaffirmed our support for the present growth-oriented, case by case debt strategy, based on continued adjustment, financial support from the international financial institutions and effective mobilisation of finance by commercial banks. In this context, you will note that we commended warmly the current efforts by these banks and by various debtor countries to develop a 'menu' of alternative negotiating procedures and financing techniques to ensure continuing support for debtor countries. We looked forward to early discussions on a General Capital Increase for the World Bank, which Britain supports; also to the rapid conclusion of discussions on initiatives, including our own, to help further the poorest countries, primarily in Sub-Saharan Africa.

At the forthcoming UN Conference on Trade and Development a major theme will once again be the revitalisation of growth and development. Venice was a

useful prelude to this, and I hope that next month's UN meeting leads to a common perception of the major problems facing all of us. We shall certainly work for that outcome.

Yours sincerely

Rayan Shante

His Excellency Dr. Julio Maria Sanguinetti

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Copies to:

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

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SUBJECT:

Thank you for your letter of 24 May, sent on behalf of the members of the Cartagena consensus, about the Venice Summit. This was a ^{*welcome and*} valuable contribution to our discussion of the world's difficult economic problems.

PRIVACY MARKING

..... In Confidence

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Enclosures flag(s)

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At the forthcoming UN Conference on Trade and Development a major theme will once again be the revitalisation of growth and development. Venice was a useful prelude to this, and I hope that next month's UN meeting leads to a common ~~and~~ ~~constructive~~ perception of the major problems facing all of us. We shall certainly work for that outcome.

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