



THE SECRETARY-GENERAL

20 May 1988

Dear Prime Minister,

In anticipation of the summit meeting in Toronto, permit me to share with you my deep apprehension about some aspects of the present state of the world economy.

I do not wish to underestimate the improvement in the overall situation. Indeed, it is highly gratifying that economic co-operation has resulted in the greater measure of stability which seems to prevail in exchange markets, that economic growth is continuing, and that inflation remains by and large contained.

However, as you know, the economic situation in many of the poorer countries of the world is still very disturbing. In sub-Saharan Africa and Latin America and many parts of Asia, standards of living have been going down for several years, and the social and political implications of this state of affairs are deeply troubling.

It is impossible to escape the conclusion that one of the principal reasons for these widely shared difficulties is the international debt situation. At your meeting in Venice a year ago, the seriousness of the debt situation in the low-income and debt-distressed countries in sub-Saharan Africa was recognized. Within six months, important progress towards increasing the resources for Africa was made in the World Bank and IMF. In the Paris Club more generous rescheduling of the debts of some sub-Saharan African countries was agreed upon.

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

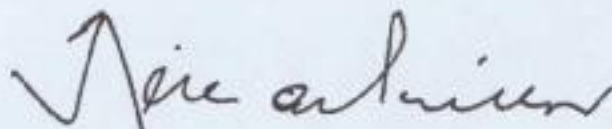
However, the proposal of the Chancellor of the Exchequer of the United Kingdom that African debts should be rescheduled at lower interest rates has so far found little support. I share the view that realism dictates a need for debt relief in those countries which will patently not be able to pay their debts in full, and whose arrears even to the World Bank and IMF are rising.

In the case of the large debts of some middle-income countries, notably in Latin America, the debt crisis has now lasted six years. The financial community in creditor countries seems increasingly to have come to the view that a measure of debt relief is a precondition for the resumption of investment and growth. Market-oriented proposals for such solutions have been put forward, which in my view deserve serious study. In view of the seriousness of the political situation in many of those countries, I appeal to you to do what you can to put this matter on the international agenda. Orderly and negotiated solutions are in these cases surely preferable to unilateral abrogations of obligations.

In the Uruguay round, the preparatory work seems to have advanced satisfactorily. I note the recent reaffirmation in OECD of the will to make progress in the important sector of agriculture. If the momentum is not to be lost, concrete action is now urgently needed in the observation of standstill and rollback commitments. Commodity trade remains a particular preoccupation of developing countries, and the existing mechanisms to deal with those problems certainly need to be greatly strengthened. In doing so appropriate lessons from the past need to be taken into account.

When I plead for great attention to the acute difficulties of many developing countries, I do so out of my profound conviction that these also represent a heavy burden to the world economy as a whole, and that the restoration of more buoyant growth worldwide will require their resolution.

With the assurances of my highest consideration and warm personal regards.



Javier Pérez de Cuéllar