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MY TELNO 1046: TORONTO SUMMIT

LINE TO TAKE

GENERAL

1. A HIGHLY SUCCESSFUL MEETING, WHICH UNDERLINED THE EFFECTIVENESS OF ECONOMIC POLICIES PURSUED IN THIS SECOND SEVEN-YEAR CYCLE OF SUMMITS THAT TORONTO CONCLUDED. LEADERS EXPRESSED THEIR CONFIDENCE IN THE PERFORMANCE OF THE WORLD ECONOMY, AND COMMITTED THEMSELVES TO CONTINUE SOUND POLICIES.
2. UK VIEWS FULLY REFLECTED IN COMMUNIQUE. WE PARTICULARLY WELCOME THE AGREEMENTS ON DEBT, DRUGS AND TERRORISM. WE NOW NEED TO BUILD ON THESE ACHIEVEMENTS IN THE ORGANISATIONS CONCERNED. COMMUNIQUE LANGUAGE ON TRADE AND AGRICULTURE ALSO POINTS WAY TOWARDS MAKING PROGRESS AT GATT MID TERM MEETING IN MONTREAL THIS DECEMBER.

MACROECONOMIC ISSUES

3. CLEAR REAFFIRMATION THAT PRESENT MACROECONOMIC POLICIES ARE RIGHT. EXISTING ARRANGEMENTS FOR COORDINATION ARE WORKING (CF CAPACITY OF WORLD ECONOMY TO ABSORB SHOCK OF OCTOBER STOCK MARKET COLLAPSE). LEADERS AGREED TO CONTINUE THEIR EFFORTS TO REDUCE EXTERNAL BALANCES, WITH MAJOR SURPLUS AND DEFICIT COUNTRIES ALL PLAYING THEIR PART (PARA 7 OF COMMUNIQUE: TORONTO TELNO 15 REFERS). THEY WARNED OF THE NEED TO MAINTAIN VIGILANCE AGAINST ANY RESURGENCE OF INFLATION.

STRUCTURAL REFORM

4. LEADERS COMMITTED THEMSELVES (PARAS 9 AND 10 OF COMMUNIQUE) TO CONTINUE STRUCTURAL REFORM: SPECIFIC PRIORITIES FOR EACH

COUNTRY WERE SET OUT IN THE ANNEX TO THE COMMUNIQUE. UNNECESSARY REGULATIONS AND BARRIERS TO BUSINESS MUST BE REMOVED IN ORDER TO PROMOTE EFFICIENCY, ENTERPRISE AND COMPETITION AND PROVIDE (PARA 9) THE BASIS FOR MORE ROBUST GROWTH.

TRADE AND AGRICULTURE

5. TORONTO GAVE FRESH IMPETUS TO GATT NEGOTIATIONS. LEADERS GAVE FIRM COMMITMENT (PARA 14) TO RESIST PROTECTIONISM AND TO ROLL BACK AGRICULTURAL SUPPORT. THEY ATTACHED (PARA 16) PARTICULAR IMPORTANCE TO STRENGTHENING GATT DISCIPLINES, AND DISPUTE SETTLEMENT PROCEDURES.

6. THEY ALSO REAFFIRMED THE PUNTA DEL ESTE AGREEMENT TO ALLOW FOR EARLY AGREEMENT WHERE APPROPRIATE, AND SPECIFICALLY RECOGNISED (PARA 19) THAT THE GATT MID TERM MEETING COULD TAKE CONCRETE DECISIONS IF ANY ISSUES WERE RIPE FOR THIS.

7. LEADERS AGREED (PARA 18) THAT 'A DEVICE FOR THE MEASUREMENT OF SUPPORT AND PROTECTION' (IE LIKE THE OECD'S PRODUCER SUBSIDY EQUIVALENT) WOULD FACILITATE A FRAMEWORK APPROACH ON AGRICULTURE. THEY SUPPORTED SUCH A FRAMEWORK WHICH SHOULD INCLUDE SHORT TERM OPTIONS AS WELL AS LONGER TERM OBJECTIVES, CONCERNING THE REDUCTION OF ALL FORMS OF DIRECT AND INDIRECT SUBSIDIES AND PROTECTION FOR AGRICULTURE.

DEBT

8. DISCUSSIONS CONCENTRATED ON HOW TO HELP THE POOREST DEBTOR COUNTRIES. SINCE HIS INITIATIVE IN APRIL LAST YEAR, THE CHANCELLOR OF THE EXCHEQUER HAS TAKEN THE LEAD IN PRESSING FOR ACTION ON DEBT RELIEF FOR AFRICA. UK VERY PLEASED THAT HIS PROPOSALS, AND SUBSEQUENT VARIATIONS BY OTHER COUNTRIES, WERE WELCOMED (PARA 30) BY ALL LEADERS AT TORONTO. NEGOTIATION ON TECHNICAL DETAILS NOW FALLS TO THE PARIS CLUB. WILL OFFER REAL BENEFITS TO POOREST AND MOST INDEBTED SUB-SAHARAN AFRICAN COUNTRIES (INCLUDING SOME COMMONWEALTH MEMBERS, THOUGH THE LIST REMAINS TO FINALISED) SO LONG AS THEY HAVE INTERNATIONALLY AGREED PROGRAMMES OF ECONOMIC REFORM.

NEWLY INDUSTRIALISING ECONOMIES

9. LEADERS RECOGNISED (PARA 21) THAT THE ASIAN NIES DIFFER IN MANY IMPORTANT RESPECTS: URGED THEM TO ACCEPT MORE OBLIGATIONS IN THE GATT: AND ENCOURAGED THE DEVELOPMENT OF AN INFORMAL CONSTRUCTIVE DIALOGUE WITH THEM. OECD NOW CONSIDERING QUESTION.

10. NOT A CONTENTIOUS ISSUE AT TORONTO.

DRUGS

11. LEADERS APPROVED IMPORTANT NEW STEPS TO INTENSIFY COOPERATION IN THE FIGHT AGAINST DRUGS (PARAS 16 AND 17 OF POLITICAL COMMUNIQUE: TORONTO TELNO 8 REFERS).

12. UK WILL CONTINUE TO EXTEND ITS NETWORK OF BILATERAL

AGREEMENTS FOR MUTUAL ASSISTANCE IN TRACING, FREEZING AND CONFISCATING THE PROCEEDS OF THE DRUGS TRADE AND CURBING THE LAUNDERING OF DRUG MONEY.

13. GUIDANCE ON TERRORISM IN MIFT (NOT TO ALL).

ADDITIONAL POINTS

14. Q. SUMMITS UNEXCITING, POINTLESS?

A. AS COMMUNIQUE SAYS (PARA 4), SUMMITS AN EFFECTIVE FORUM TO PROMOTE NEW IDEAS AND DEVELOP COMMON SENSE OF PURPOSE, AS WELL AS TO ADDRESS TOPICAL ISSUES. RESULTS EVIDENT OVER TIME RATHER THAN IMMEDIATELY. VALUABLE INFORMAL OPPORTUNITY TO DEVELOP CLOSE RELATIONS BETWEEN G7 LEADERS WHICH MUST ENHANCE COOPERATION. SUCCESS DOESN'T MAKE MEDIA HEADLINES. TORONTO WAS ONE OF THE BEST SUMMITS IN UK'S VIEW.

15. Q. LEADERS COMPLACENT?

A. CERTAINLY NOT. LEADERS RESOLVED TO TACKLE THE OUTSTANDING PROBLEMS WHICH REMAIN. COMMUNIQUE WARNS OF NEED FOR VIGILANCE AGAINST INFLATION AND CONTINUED ACTION ON TRADE IMBALANCES AND BUDGET DEFICITS. ALSO PRESSURE FOR MORE TO BE DONE ON MICROECONOMIC SIDE.

16. Q. WHY SO LITTLE ABOUT TRADE IMBALANCES?

A. ADJUSTMENT OF US/FRG/JAPAN IMBALANCES IS UNDERWAY AS A RESULT OF ACTIONS ALREADY TAKEN. NEED MORE OF THE SAME, NOT DIFFERENT POLICIES.

17. Q. DID SUMMIT COUNTRIES AGREED ON CONCERTED ACTION TO RAISE INTEREST RATES?

A. NO. ALL AGREED ON NEED TO KEEP INFLATION DOWN. INTEREST RATES NOT THE ONLY INSTRUMENT FOR DOING THIS.

18. Q. SECTION ON STRUCTURAL REFORM POINTS FINGER AT GERMANY?

A. WE ALL NEED TO UNDERTAKE MICROECONOMIC REFORMS TO IMPROVE THE WORKING OF OUR MARKETS. ACTION IN EC CLEARLY OF HIGH PRIORITY, AND A CENTREPIECE OF THE PROGRAMME FOR ACHIEVING A SINGLE EUROPEAN MARKET BY 1992.

19. Q. WHY NO AGREEMENT ON TOTAL ELIMINATION OF AGRICULTURAL SUPPORT?

A. UNREALISTIC. MUST AIM FOR PROGRESSIVE REDUCTION OF SUPPORT. STERILE TO ARGUE ABOUT COMPLETION DATES INSTEAD OF GETTING ON WITH IT A STEP AT A TIME. EUROPEAN COUNCIL DECISIONS EARLIER THIS YEAR AN IMPORTANT FIRST STEP, BUT ALL NEED TO DO MORE.

20. Q. MORE DETAILS ON AFRICAN DEBT RELIEF?

A. WILL BE WORKED ON IN PARIS CLUB. BUT CAN CONFIRM THAT UK CONTRIBUTION WILL TAKE FORM OF REDUCING INTEREST RATES ON RESCHEDULED DEBT. WE SHALL PRESS VIGOROUSLY FOR PARIS CLUB AGREEMENT BY END-YEAR DEADLINE.

21. Q. WHAT ABOUT MIDDLE-INCOME DEBTORS?

A. LEADERS REAFFIRMED (PARA 23) CASE-BY-CASE APPROACH, AND ENCOURAGED FURTHER DEVELOPMENT OF MARKET-ORIENTED INNOVATIVE FINANCING TECHNIQUES, WHICH IN SOME CASES HAVE ALREADY REDUCED THE ORIGINAL STOCK OF DEBT.

22. Q. JAPANESE PLAN FOR DEBT RELIEF FOR MIDDLE-INCOME DEBTORS?

A. FINANCE MINISTERS AGREED TO GIVE IT FURTHER CAREFUL STUDY. (IF PRESSED) BUT MUST NOT CONFUSE ROLES OF GOVERNMENTS/IFIS AND COMMERCIAL BANKS, TO WHOM MOST OF THE DEBT IN THESE COUNTRIES IS OWED.

23. Q. WHY SO LITTLE DISCUSSION OF NIES AT TORONTO?

A. OECD MINISTERS AGREED IN MAY ON PRINCIPLE OF INFORMAL CONTACTS. MODALITIES NOW BEING STUDIED BY OECD WORKING GROUP. SUMMIT DID NOT WANT TO PRE-EMPT GROUP'S CONCLUSIONS. IMPORTANT DIFFERENCES BETWEEN KOREA/TAIWAN AND FREE-TRADING OPEN HONG KONG/SINGAPORE.

24. Q. WHAT DID DEVELOPING COUNTRIES GAIN FROM SUMMIT?

A. A LANDMARK AGREEMENT ON AFRICAN DEBT RELIEF WHICH FOLLOWS OTHER INITIATIVES THIS YEAR, SUCH AS THE IMF'S ENHANCED STRUCTURAL ADJUSTMENT FACILITY WHICH WILL HAVE REAL IMPACT ON DEBT BURDENS OF POOREST AND MOST INDEBTED COUNTRIES IN AFRICA AND ELSEWHERE. SUMMIT COUNTRIES ALSO COMMITTED THEMSELVES TO ENSURE MORE OPEN MARKETS FOR DEVELOPING COUNTRIES' EXPORTS.

25. Q. UK AID PROGRAMME LAGGING?

A. IT IS INCREASING IN REAL TERMS, IS OF HIGH QUALITY AND FOCUSED ON THE POOREST. ANY UK CONTRIBUTION TO CONCESSIONARY INTEREST RATES IN THE PARIS CLUB FOR THE POOREST AND MOST INDEBTED AFRICAN COUNTRIES WILL BE FINANCED THROUGH A FURTHER INCREASE IN THE AID PROGRAMME.

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UKDEL TORONTO TELNO 15: TORONTO SUMMIT 19-21 JUNE

SUMMARY

1. A GOOD MEETING. SUMMIT LEADERS STRONGLY REAFFIRMED THE VALIDITY OF EXISTING MACROECONOMIC POLICIES, WHICH HAVE BROUGHT SUSTAINED GROWTH WITH LOW INFLATION, HIGHER INVESTMENT AND MORE JOBS. EMPHASIS ON STRUCTURAL REFORMS TO REMOVE UNNECESSARY CONTROLS AND REGULATIONS AND BARRIERS TO TRADE.
2. UK OBJECTIVES SECURED ON SUB-SAHARAN AFRICAN DEBT, DRUGS AND TERRORISM. AGREEMENT THAT GATT DISCIPLINES SHOULD BE STRENGTHENED. SATISFACTORY OUTCOME ON AGRICULTURE, WITH EC AND US NOT STANDING ON MAXIMALIST POSITIONS.

DETAIL

3. HEADS OF STATE OR GOVERNMENT DISCUSSED WORLD ECONOMIC PROSPECTS ON THE FIRST EVENING: THE PRIME MINISTER OPENED AT MR MULRONEY'S INVITATION. LEADERS DISCUSSED THE POLITICAL AGENDA OVER DINNER AND, FOLLOWING FURTHER NEGOTIATION OF THE TEXT BETWEEN FOREIGN MINISTERS, ADOPTED THE SUMMIT POLITICAL DECLARATION ON THE AFTERNOON OF 20 JUNE. TEXT IN TORONTO TELNO 8, NOW REPEATED TO CERTAIN POSTS.
4. ALSO ON 20 JUNE, LEADERS DISCUSSED MACROECONOMIC POLICY, STRUCTURAL ADJUSTMENT AND DEBT (MORNING): TRADE, AGRICULTURE, AND THE NEWLY INDUSTRIALISING ECONOMIES (AFTERNOON) AND DRUGS AND THE ENVIRONMENT IN THE EVENING. ON 21 JUNE THEY ADOPTED THE TORONTO ECONOMIC DECLARATION. TEXT IN TORONTO TELNO 15.

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5. FOREIGN AND FINANCE MINISTERS MET SEPARATLY ON 19 JUNE AND THE MORNING OF 20 JUNE. FOR THE RECORD OF FOREIGN MINISTERS' OPENING SESSION ON 19 JUNE SEE TORONTO TELNO 14 (NOT TO ALL). FINANCE MINISTERS SPENT MUCH OF THEIR TIME ON AFRICAN DEBT ISSUES, AND REACHED AGREEMENT UPON AN APPROACH THAT COMMITS ALL SUMMIT PARTICIPANTS TO FURTHER MEASURES OF DEBT RELIEF, WITH DETAILS TO BE WORKED OUT RAPIDLY IN THE PARIS CLUB IN A WAY THAT WILL ENSURE COMPARABILITY BETWEEN THE VARIOUS OPTIONS.

6. THE FOLLOWING ACCOUNT OF SUMMIT DISCUSSION OF THE ECONOMIC AGENDA IS STRICTLY FOR YOUR INFORMATION. IN CONTACTS WITH THE PRESS YOU SHOULD BE GUIDED BY FURTHER TELEGRAM TO FOLLOW SHORTLY (AND BY TEXTS OF MINISTERIAL

PRESS BRIEFINGS WHICH WE ARE FAXING TO CERTAIN POSTS).
MACROECONOMIC ISSUES AND STRUCTURAL ADJUSTMENT

7. HEADS OF GOVERNMENT AGREED THAT THE SECOND 7 YEAR CYCLE THAT TORONTO NOW CLOSES HAD SEEN AN ENORMOUS IMPROVEMENT IN THE MANAGEMENT OF THE WORLD ECONOMY. IN HER OPENING REMARKS, THE PRIME MINISTER COMPARED THE EMPHASIS DURING THE FIRST SUMMIT CYCLE (1975-81) ON THE DISTRIBUTION OF WEALTH, THE ACCOMMODATION OF INFLATION, SHORT-TERM EXPEDIENCY AND FINE TUNING WITH THE EMPHASIS IN THIS SECOND CYCLE ON THE CREATION OF WEALTH, THE CONTROL OF INFLATION, STRUCTURAL ADJUSTMENT AND RELEASING THE ENERGIES OF THE PRIVATE SECTOR. INDUSTRIALISED COUNTRIES HAD SUCCESSFULLY WEATHERED LAST OCTOBER'S STOCK MARKET COLLAPSE BECAUSE THEY HAD GOT THE ECONOMIC FUNDAMENTALS RIGHT. THIS ANALYSIS WAS STRONGLY ENDORSED BY REAGAN, KOHL, MITTERRAND AND DELORS, AND IS REFLECTED IN THE OPENING PARAGRAPHS OF THE DECLARATION.

8. TAKESHITA SAID THAT JAPAN WOULD ENSURE THAT DOMESTIC DEMAND TOOK ROOT AS THE MOTOR FOR GROWTH, SO AS TO REDUCE EXTERNAL BALANCES FURTHER. REAGAN CONCENTRATED ON TAX REFORM, STRUCTURAL ADJUSTMENT AND US SUCCESS IN DEREGULATING AND CREATING NEW JOBS. MITTERRAND REAFFIRMED HIS SUPPORT FOR ANTI-INFLATIONARY POLICIES, DECENTRALISATION AND LIBERALISATION OF CAPITAL MOVEMENTS IN FRANCE AND THE EC. DELORS STRESSED THE IMPORTANCE OF SUPPLY SIDE POLICIES TO REDUCE EMPLOYMENT: THE SINGLE EUROPEAN MARKET WOULD NOT (REPEAT NOT) BE A CLOSED FORTRESS. MULRONEY AND THE PRIME MINISTER SAID THAT PUBLIC SPENDING MUST BE RESTRAINED DESPITE THE EXPECTATIONS THAT PROSPERITY BROUGHT ABOUT.

9. ON BEHALF OF FINANCE MINISTERS, WILSON (CANADA) REPORTED A HEALTHY WORLD ECONOMIC SITUATION: THE PROGRESSIVE CORRECTION OF IMBALANCES, HELPFUL EXCHANGE RATE ADJUSTMENTS (WITH NO NEED FOR FURTHER CHANGES), A STRONGER GROWTH THAN FORECAST, AND INFLATION STILL SUBDUED. BUT HE DREW ATTENTION TO THE NEED FOR FURTHER

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CORRECTION OF IMBALANCES IN BOTH SURPLUS AND DEFICIT COUNTRIES, AND TO RENEWED FEARS OF INFLATION IN SOME COUNTRIES. HE STRESSED THE IMPORTANCE OF COOPERATION BETWEEN SUMMIT COUNTRIES ON STRUCTURAL REFORM. THE GENERAL MESSAGE WAS THAT SUMMIT COUNTRIES MUST PERSEVERE WITH AND STRENGTHEN EXISTING MACRO AND MICRO POLICIES. COMMUNIQUE DRAFTING WAS UNCONTENTIOUS.

TRADE AND AGRICULTURE

10. TRADE ISSUES AS SUCH RECEIVED RELATIVELY LITTLE ATTENTION. THE PRIME MINISTER STRESSED THE NEED TO MAKE PROGRESS IN THE MID TERM MEETING (MTM) IN MONTREAL IN DECEMBER, REMINDED HER COLLEAGUES THAT THE 1986 PUNTA DEL ESTE DECLARATION PROVIDED FOR EARLY AGREEMENTS WHERE POSSIBLE, AND SAID THAT GATT DISCIPLINES SHOULD BE STRENGTHENED. PARA 16 OF THE COMMUNIQUE REFLECTS UK LANGUAGE ON GATT, AND PARA 14 INCORPORATES A REFERENCE TO EARLY AGREEMENTS. WE ALSO SECURED A RENEWED COMMITMENT TO STANDSTILL AND ROLLBACK (AGAINST US OPPOSITION SINCE THEY RIGHTLY SAW THIS AS CRITICISM OF THEIR RECENT DECISION TO BRING FARMLAND BACK INTO CULTIVATION). WE HELPED THE CANADIANS TO OBTAIN THE STRONGER ENDORSEMENT THEY WANTED FOR THEIR FREE TRADE AGREEMENT WITH THE US.

11. AS PREDICTED, AGRICULTURE WAS THE MOST CONTENTIOUS ITEM. THE PRIME MINISTER DEFENDED THE EUROPEAN COUNCIL DECISIONS AS A GOOD START TO REFORM: SAID THAT PERMANENT SUBSIDIES FOR AGRICULTURE WERE UNACCEPTABLE, BUT THAT THE US PROPOSAL FOR THE COMPLETE ELIMINATION OF ALL SUPPORT FOR AGRICULTURE BY 2000 WAS BRAVE BUT UNATTAINABLE: COMMENDED THE OECD'S WORK ON MEASURING ALL FORMS OF SUBSIDY: AND ADVOCATED A SHORT TERM AGREEMENT AT THE MTM TO FREEZE AND THEN REDUCE SUBSIDIES.

12. THE US AND EUROPEAN COMMISSION CLASHED, THOUGH WITHOUT UNDUE ACRIMONY, BOTH IN PLENARY AND COMMUNIQUE DRAFTING. THE COMMISSION REJECTED QUOTE ZERO/2000 UNQUOTE AS IMPRACTICAL AND NOT PROVIDED FOR AT PUNTA, WHICH SPOKE ONLY OF QUOTE PHASED REDUCTIONS UNQUOTE. NOR WOULD THEY AGREE TO SINGLE OUT AGRICULTURE AS AN ISSUE REQUIRING CONCRETE ACTION AT THE MTM, THOUGH THEY WERE READY TO ACCEPT A FREEZE ON SUBSIDIES AS A PRELUDE TO THEIR REDUCTION. WITH STRONG SUPPORT FROM KOHL, THEY ALSO STRESSED THE DIVERSITY OF EUROPEAN AGRICULTURE. THE US BEGAN BY INSISTING ON AGREEMENT ON THE OBJECTIVE OF TOTAL ELIMINATION OF ALL SUPPORT AS A PRECONDITION FOR THEIR ACCEPTING SHORT TERM ACTION. MITTERRAND, LIKE KOHL, CAUTIONED AGAINST TRYING TO FORCE THE PACE OF REFORM, WHILE ACCEPTING ITS NEED. THE JAPANESE AGAIN SAID THEY WERE DIFFERENT, BUT PROMISED FURTHER LIBERALISATION AND APPEARED TO ACCEPT THE OECD'S MEASURING DEVICE OF FARM SUPPORT.

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13. AFTER LENGTHY DISCUSSION ON THE FINAL DAY, THE OUTCOME WAS VERY SATISFACTORY FOR THE UK. THE US DROPPED ITS INSISTENCE ON TOTAL ELIMINATION, AND THE EC, IN PRACTICE. ITS INSISTENCE ON THE QUOTE GLOBALITY UNQUOTE OF THE GATT NEGOTIATIONS. WHILE PARA 18 OF THE COMMUNIQUE DOES NOT SPECIFICALLY REFER TO THE ADOPTION OF MEASURES OF AGRICULTURAL REFORM AT THE MTM, PARA 19 (UNLIKE LAST MONTH'S DECD COMMUNIQUE) USEFULLY ALLOWS FOR CONCRETE MTM DECISIONS IN PARTICULAR AREAS OF THE NEGOTIATIONS.

DEBT

14. PARAGRAPH 30 OF THE COMMUNIQUE, ON THE DEBT OF THE POOREST AND MOST DEBT-DISTRESSED COUNTRIES (IN PRACTICE THOSE IN SUB-SAHARAN AFRICA) IS A BREAKTHROUGH FOR THE INITIATIVE THAT THE CHANCELLOR FIRST LAUNCHED IN APRIL 1987. IT SETS THE PARIS CLUB AN END-YEAR DEADLINE TO REACH AGREEMENT ON THE DETAILS, IN A WAY THAT ENSURES FAIR BURDEN-SHARING BETWEEN THOSE WHO LIKE THE UK WILL REDUCE INTEREST RATES ON RESCHEDULED OFFICIAL (MOSTLY EXPORT CREDIT) DEBT: THOSE WHO LIKE FRANCE WILL WRITE OFF PART OF THE DEBT ITSELF: AND THOSE WHO LIKE THE US WILL STILL CHARGE COMMERCIAL RATES BUT AGREE TO LONGER REPAYMENT PERIODS. YOU SHOULD NOT BE DRAWN BEYOND THE TEXT OF PARAGRAPH 30, AND IN PARTICULAR YOU SHOULD NOT SPECULATE ON THE PRECISE EXTENT OF THE INTEREST RATE CUT THAT THE UK WILL APPLY, OR PRECISELY HOW BURDEN-SHARING WILL BE CALCULATED. BUT POSTS, ESPECIALLY IN AFRICA, SHOULD REMIND THEIR HOST GOVERNMENTS THAT THIS WAS A BRITISH INITIATIVE, WHICH WE HAVE PURSUED TENACIOUSLY FOR OVER A YEAR DESPITE CONSIDERABLE SCEPTICISM FROM MANY OTHER CREDITORS. AS NECESSARY, THEY SHOULD ALSO DRAW ATTENTION TO THE CONDITION THAT COUNTRIES MUST BE FOLLOWING APPROVED ADJUSTMENT PROGRAMMES IN ORDER TO QUALIFY FOR THESE REAL BENEFITS. POSTS SHOULD ALSO NOTE THAT THE CONVERSION OF AID LOANS INTO GRANTS, REFERRED TO IN THE FINAL SENTENCE OF THIS PARAGRAPH, PICKS UP ANOTHER OF THE CHANCELLOR'S PROPOSALS.

15. IT WILL BE IMPORTANT TO RING-FENCE THE LIST OF COUNTRIES ELIGIBLE. FINANCE MINISTERS AGREED TO BASE THEMSELVES ON WORLD BANK CRITERIA FOR THE SPECIAL ACTION PROGRAMME, WHICH COVER POVERTY, INDEBTEDNESS AND ADJUSTMENT. BUT AS YET THERE IS NO (NO) FIRM AGREED LIST OF COUNTRIES BASED ON THESE CRITERIA.

16. THE JAPANESE DID NOT PRESS THEIR IDEAS FOR SOME FORM OF IMF, IBRD OR GOVERNMENTAL GUARANTEE OF DEBT OWED BY MIDDLE INCOME DEBTORS TO THE COMMERCIAL BANKS. THE CHANCELLOR, BAKER AND STOLTENBERG COUNSELLED CAUTION. THE COMMUNIQUE REAFFIRMS THE EXISTING CASE BY CASE APPROACH.

17. THERE WAS NO DISCUSSION OF AID TARGETS (IN PARTICULAR, THE UN TARGET OF 0.7 PER CENT OF GDP).

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18. AGAIN, ALMOST NO DISCUSSION. PARAGRAPH 21 OF THE COMMUNIQUE WAS UNCONTENTIOUS. THE PROPOSED INFORMAL DIALOGUE WITH THE ASIANS IS UNDER DISCUSSION IN THE OECD, AND NOTHING SAID AT TORONTO PREJUDICES HONG KONG'S POSITION.

OTHER ISSUES

19. THE GERMANS SPOKE STRONGLY ABOUT ENVIRONMENTAL CONCERNS BUT DID NOT SEEK ANY AMENDMENTS OF NOTE TO THE COMMUNIQUE, THOUGH THEY RAISED POLLUTION IN THE NORTH SEA.

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