



Foreign and Commonwealth Office

London SW1A 2AH

4 July 1988

*Dear Charles*

The Prime Minister received various letters and messages before the Toronto Economic Summit.

I now attach draft replies (cleared with all appropriate Whitehall departments) to:

*fiap P124*  
Mr Javier Perez de Cuellar, United Nations Secretary General

*Lu P124*  
Mr K G Ratjen, Chairman, Union of Industrial and Employees' Confederation of Europe (received direct via UKRep Brussels)

*Ret P124*  
Sir Graham Wilkins, Chairman, International Chamber of Commerce, UK (a copy was also sent to the Foreign Secretary)

*fiap P125*  
In addition, a circular (unsigned) letter was sent to us from the Convenor of the Jakobstettel Conference on the environment. It was copied to the Chancellor of the Exchequer and Secretary of State for the Environment. We doubt whether a personal reply from the Prime Minister is necessary; I therefore attach a draft letter for your signature.

There were three letters or messages from Summit leaders to the Prime Minister. Mr Takeshita sent a message, via the Japanese Embassy in London, concerning aid and debt. I covered this in my letter to you of 17 June. The Italian Prime Minister wrote to the Prime Minister concerning the environment (your letter of 7 June refers). We agreed that no formal reply was necessary. President Mitterrand wrote to all Summit participants on 7 June about African debt. Again, we do not believe that a reply is required.

*Yours ever*

*Bob Peirce*  
(R N Peirce)  
Private Secretary

C D Powell Esq  
PS/No 10 Downing Street

KATAHEI

DSR 11 (Revised Sept 85)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final I +

FROM: Prime Minister

Reference  
~~BK1AAD~~

DEPARTMENT: TEL. NO:

Your Reference  
PO8 ABG

BUILDING: ROOM NO:

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- Top Secret
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- Unclassified

TO: Copies to:

Mr Javier Perez de Cuellar  
Secretary General of the United  
Nations NEW YORK

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SUBJECT:

Thank you for your letter of 20 May about the  
Toronto Economic Summit.

CAVEAT .....

You will have seen that the Toronto Economic  
Declaration reaffirmed the macroeconomic policies  
which have produced sustained economic growth and  
low inflation. The benefits that these policies  
have brought are by no means confined only to the  
Summit nations.

One of the major achievements of the Summit was  
the agreement reached on debt, where discussions  
concentrated on how to help the poorest, most  
indebted African countries.

The Chancellor of the Exchequer has, as you kindly  
mentioned in your letter, taken the lead in  
pressing for action. At Toronto we all welcomed  
Nigel Lawson's proposals, together with those  
subsequently put forward by other countries, and  
agreed on a plan which will bring considerable

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relief to the worst off sub-Saharan African debtors. There are some technical details yet to be sorted out. by the Paris Club At Toronto we called for this work to be completed by the end of this year.

We have also been looking at ways of clearing the arrears to the IMF of some highly indebted countries; but this will not be easy.

I agree with you on the need for orderly and negotiated solutions to the problems of (but these must continue to be negotiated on a case by case basis) middle-income debtors. Developments on the "menu of options" are encouraging, but there is scope for further imaginative solutions. This is a matter for the banks to negotiate voluntarily with the debtors. But we are playing our role too: through the General Capital Increase for the World Bank which the United Kingdom supports will shortly contribute to of official date and through rescheduling and appropriate provision of export cover.

The preparatory phase in the Uruguay Round has proceeded satisfactorily and was completed on schedule at the end of 1987. This year, with real negotiation under way, the GATT Mid Term Meeting in Montreal in December will provide an important opportunity to register progress in all areas of the negotiations including those where early agreement may be

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possible. Among these, the tropical products negotiation, in which the European Community tabled the first substantial proposal last year, is of particular relevance to developing countries. The Toronto Summit has provided the basis for progress by allowing for decisions to be taken at the MTM where possible. The Toronto Declaration re-emphasised the commitment of Summit leaders to agricultural reform and called for further steps to make the crucially important area of agriculture more responsive to market signals.

I agree that we live in an increasingly interdependent world. Developing countries need outside help. <sup>and</sup> ~~That is why~~ the UK is one of the world's major aid donors.

The recent rise in commodity prices will have gone some way towards lessening the problems of some commodity-dependent developing countries. But commodity problems should be considered in the right context, as part of the wider developmental process. Looking at past experience, as you suggest, it is clear that existing mechanisms, particularly market intervention by international commodity agreements, have proved unsatisfactory in addressing the real problems of commodity-dependent countries. These countries need help to adjust their economies to changing

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global conditions. It is to this end that the British Government strongly supports the wide-ranging structural adjustment programmes of the International Financial Institutions.

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FROM:

Reference

DEPARTMENT: Prime Minister

TEL. NO:

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Your Reference

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TO:

Copies to:

Sir Graham Wilkins,  
 ICC United Kingdom, Centre Point,  
 103 New Oxford St, London WC1A 1QB

KAYAME

SUBJECT:

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CAVEAT .....

Thank you for your letter of 31 May enclosing a copy of the ICC statement, which you also copied to Sir Geoffrey Howe.

I believe the Toronto Summit was a considerable success. It underlined the effectiveness of the economic policies pursued in this second seven year cycle of Summits. As I said in my statement to the House of Commons, Heads of Government committed themselves to continue the fiscal, monetary and structural policies which have brought six years of non inflationary growth. Existing arrangements for coordination are working well - as demonstrated by the capacity of the world economy to absorb the shock of last October's stock market collapse. External imbalances are falling, and Summit leaders agreed to continue their efforts to reduce them further. They also recognised that this is not just a matter for the major surplus and deficit countries: the newly industrialising economies

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also have a part to play.

Your point about the need to break down structural rigidities was also reflected in the declaration. We committed ourselves to continue structural reform, with specific priorities for each of our countries set out in an Annex.

I agree that a successful outcome to the Uruguay Round must be a priority. Toronto gave a further impetus to the Geneva negotiations particularly in the run up to the Montreal Mid Term Meeting of the GATT Round. I was especially pleased that the declaration contained a renewed commitment to standstill and rollback of protectionist barriers, and endorsed the need to strengthen GATT disciplines and dispute settlement procedures. Just as importantly, we all also reaffirmed our commitment to agricultural reform; we pledged to take further steps to make the agricultural sector more responsive to the needs of the market.

We reached agreement at Toronto on rescheduling the official debt of the poorest debtor countries, particularly in Africa. The technical details of the agreed framework of comparability will now be worked out in the Paris Club. The various proposals of Nigel Lawson and others offer an opportunity significantly to help some of the poorest countries, who are seeking to implement

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internationally agreed programmes of economic reform.

So I am sure you will agree that the Toronto Summit made good progress on the three major areas of concern you identified in your paper: sustainable world growth, the Uruguay Round and debt. In addition, I consider that the agreements reached on drugs and on terrorism will rank as particular achievements at this Summit.



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Prime Minister

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TO:

Copies to:

K G Ratjen, UNICE,  
Rue Joseph II,  
40 Bte 4, 1040 Brussels

M. Rye Jr  
inc.

SUBJECT:

Thank you for your letter of 3 June enclosing UNICE's paper.

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The Toronto Summit addressed all of the issues treated in your paper. <sup>we</sup> My ~~67~~ colleagues and I took a confident view of the world economy: we underlined the effectiveness of the economic policies that have been pursued in the past seven years, during the second cycle of Summit meetings now concluded. We also agreed to continue sound policies. But our declaration was not complacent. It warned of the need to maintain vigilance against any resurgence of inflation; and we agreed to continue efforts to reduce external imbalances. Countries with budgetary deficits committed themselves to continuing to reduce them, while those with large external surpluses continuing to sustain the momentum of domestic demand. And, in a point your paper also makes, we drew attention to the contribution that the newly industrialising economies can and should make. Microeconomic

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(structural) reform was another priority which we identified in each of our countries.

I believe that the discussions at Toronto have indeed given a further impetus to the GATT negotiations in this important period before the Mid Term Meeting in Montreal. Our commitment to standstill and rollback of protectionist barriers was renewed; and, a point which I consider particularly important, emphasised the need to strengthen GATT disciplines and dispute settlement procedures. The Toronto Declaration also specifically recognised that the Montreal Mid Term Meeting can take decisions, where conditions are ripe, and referred to the greater international responsibilities of certain newly industrialising countries in the Asia Pacific region.

~~I consider that~~ One of the major achievements at this Summit was the agreement to reduce the debt burden of some of the poorest and most indebted African countries. This owed much to the initiative put forward by the Chancellor of the Exchequer over a year ago. I entirely agree with you that developing countries must also help themselves by, for example, creating favourable conditions for international investment - a point to which the Toronto Summit also drew attention.

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TO: Copies to:

Convenor, Jakobstettel Conference,  
Domain Biodynamic Research Foundation  
P.O. Box 189, Breslau, Ontario, Canada NOB IMO

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SUBJECT:

Thank you for writing to the Prime Minister on 14 June, on behalf of the signatories to the Jakobstettel Conference, about the Report of the World Commission on Environment and Development.

CAVEAT .....

As I hope you have now seen, the communiqué issued at the end of the Toronto Summit drew attention to the Report and endorsed the concept of sustainable development. The communiqué also highlighted a number of specific environmental issues and, inter alia, encouraged all countries to sign and ratify the Montreal Protocol on Substances that Deplete the Ozone Layer, to energetically pursue negotiations on a Protocol on emissions of nitrogen oxides, to develop an international agreement on the transfrontier shipment of hazardous wastes and to establish an inter-governmental panel on global climate change under the auspices of UNEP and WMO.

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ECON. POL. - Toronto Summer - Prob