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THE PRIME MINISTER

6 July 1988

Jean de Raljen

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

The Toronto Summit addressed all of the issues treated in your paper. We 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 (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.

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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.

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.

Yours sincerely

Margaret Thatcher

Mr. K. G. Ratjen