



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

28 July 1989

Dear Mr. Willis,

Thank you for your letter of 7 July about the Economic Summit with which you enclosed a copy of the statement prepared by the Trade Union Advisory Committee to the OECD, also sent to the Chancellor of the Exchequer.

The outcome of the Paris meeting was very satisfactory. A great deal was achieved on a wide range of issues, in particular on the problems of the world economy, and environmental and drugs issues, on which the United Kingdom made a major and positive contribution.

Many of the concerns expressed in your letter and the enclosed statement were thoroughly discussed in Paris, as you will have seen from the Declaration. It reaffirms the need to continue with the sound economic policies which have brought greater prosperity. A common commitment was made to bring down inflation, which is most important, and we agreed on the need for continuing cooperation to further reduce current account surpluses and deficits. The Summit also emphasised the vital role of continued structural reform to promote competition and incentives in improving economic efficiency. We agreed to continue to promote other measures to remove inefficiencies in our economies including further policies aimed at giving more flexibility and mobility to the labour market and reducing unemployment. Summit leaders

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confirmed their determination to fight trade protectionism in all its forms and committed themselves to a successful conclusion of the Uruguay Round.

The TUC statement encourages OECD Governments to coordinate their policies on growing economic links with the Soviet Union and some Eastern European countries. As the Declaration says each country is developing initiatives to encourage economic reforms and offer the opportunity to develop balanced economic cooperation on a formal commercial basis consistent with the general principles of international trade. The Summit countries welcomed the reform process under way in Poland and Hungary. They highlighted the role Western assistance can play in helping develop more competitive economies in these countries. They agreed to concert their various national initiatives to support the reform and charged the European Commission with organising a meeting of interested countries. This is to take place on 1 August.

I note the particular emphasis the TUC places on the need for progress on the debt issue. This too was at the forefront of our discussions. We reaffirmed our support for the agreement reached at Toronto on the debt of the poorest countries. Thirteen countries have so far benefited from these improved terms. For the middle-income debtors, we expressed our commitment to the strengthened debt strategy which emphasised the importance of voluntary market-based reduction and provides for the use of IMF and World Bank resources in support of debt reduction transactions. We also reaffirmed that the most sensible way to tackle Third World debt problems was on a case by case basis with the cooperation of existing financial institutions rather than by creating any new organisations or structures. We also recognised that development is a shared global challenge and underlined the continuing importance of official development assistance and the quality of the aid. At the same time we urged developing countries to implement sound economic policies.

I was particularly pleased with the attention paid to environmental issues, especially to the ozone layer and climate change. These are matters of growing concern as the Trade Union statement points out. The United Kingdom's call for a framework convention on global climate change was welcomed as was the emphasis we place on the need for policies on environmental protection to be both scientifically and economically sound. I welcome particularly the call in the Declaration for international bodies dealing with the environment to be strengthened, and the support expressed for the preservation of the world's tropical forests.

You mention that the TUC statement had been prepared before the recent events in China. The repression there was, of course, strongly condemned at the Summit; and it was recognised that the future of Hong Kong depended greatly on the degree of support forthcoming from the international Community. I welcome the way Summit partners acknowledged their role in maintaining confidence in Hong Kong. Although Britain has a particular responsibility, I am sure that Hong Kong people will take comfort from the support of the international community. Partners also recognised, however, that much depends on the Chinese Government: they must take early, sustained and tangible action to begin restoring confidence in their intentions towards Hong Kong.

Yours sincerely

Norman Willis

Norman Willis, Esq.