



10 DOWNING STREET

THE PRIME MINISTER

Dear Malcolm

Thank you for your letter of 27 February about relations between the developed and the developing countries.

Like you, I am deeply concerned about the worsening economic situation in the poorest developing countries. It is going to be difficult for many developing countries, especially in Africa, to maintain a reasonable level of per capita growth; in some it is already a question of decline rather than growth. Disappointed aspirations can and do breed unrest and instability. Moreover, a number of developing countries in difficulty are strategically important or are already exposed to Soviet encroachment.

Our policy towards developing countries, both political and economic, will have to take account of these factors. We must show that our concern about their problems is real and that we are determined to do what we can to help. We must convince them that it is with the industrialised countries, rather than with the Soviet Bloc, that their true interests lie.

We shall only be able to do this if we view the problems of developing countries in the light of their widely differing capacities and needs. As you say, flexibility will be one of the conditions of the survival of the existing economic order.

/Fortunately,

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Econ Ppt: Pt 2: Brank Commission.

Mr. Master
ops

20 March 1981

PRIME MINISTER'S

PERSONAL MESSAGE

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Fortunately, the present system has already shown an impressive ability to adapt to changing circumstances. This can be seen in the trade figures and in private financial flows. Of course government aid is of great importance, particularly to the poorest. But the thrust of our effort must be to help the developing countries to help themselves. It is here that trade and private finance is of such importance.

The domestic economic policies of the industrialised countries are also of great significance for the developing countries. I have in mind the reduction of inflation, along with other policies to promote sustained growth, the maintenance of the open trading system and effective measures to achieve energy conservation. I entirely share your view that a pragmatic and co-operative approach is what is needed. I hope that our discussions in Melbourne can be so arranged as to encourage this.

Finally, I am sure you are right in saying that our two Governments should continue to exchange ideas. I understand that a visit to London by Tony Street is under discussion and that Professor Harries may be here before long. So we ought to be able to take things further well before Melbourne.

(sgd) M T

The Right Honourable J. M. Fraser, C.H., M.P.