



10 DOWNING STREET

THE PRIME MINISTER

27 January 1986

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PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T16/86

My dear Prime Minister,

Thank you for your letter of 30 December last year about the meeting of the Group of Five Finance Ministers in New York on 22 September and about Italian participation in such meetings. Mr. Gorla has also written to the Chancellor of the Exchequer on the same subject.

As the Chancellor has already told Mr. Gorla, the Finance Ministers of the Group of Five countries discussed the question of Italy's participation at their meeting in London on 18-19 January. I am writing to let you know the outcome of that discussion. The other Governments concerned will, of course, be replying to you separately.

As you know, informal meetings between the Finance Ministers of the Group of Five have taken place from time to time since 1973. The rationale of the Group has been to provide a forum for consultations between the five countries, whose currencies are most widely held and traded in the international financial markets and constitute the components of the SDR basket. The value of multilateral co-operation in respect of these currencies was, as you may remember, explicitly recognised by the Versailles Economic Summit in 1982 and in the view of the five governments such co-operation remains a valid objective.

/The G5

The G5 meetings have in the past normally been private and deliberative in character. The agreement announced after last September's meeting in New York was thus exceptional, both because of its operational character and because of its impact on the foreign exchange markets not only for the five participants, but also for other major Western countries, in particular Italy and Canada. It was the strong preference of all the governments represented that the Group should so far as possible revert to its previous practice of private and confidential meetings.

At last weekend's meeting all the Finance Ministers and Central Bank Governors present acknowledged the burden which had fallen on the Italian Government as a result of the Plaza Agreement and warmly welcomed the support given by Italy to it. They expressed sympathy with the request of the Italian and Canadian Governments to participate fully in such decisions in future. They decided, however, that they would need to give further consideration as to the basis on which Italy's and Canada's participation might be arranged and the relationship of any new arrangements with other international economic groupings such as the seven countries of the Economic Summit and the Group of Ten.

We and the other Governments will, of course, ensure that you are kept fully in touch with our thinking as it develops. I would like to assure you that from the British point of view, we certainly would not wish to stand in the way of reaching a successful conclusion to the process. May I suggest that contact on this can best be done through the Finance Ministry network? If necessary, there will be an opportunity for Heads of Government to settle any outstanding issues in the margins of the Tokyo Summit.

With best wishes for 1986.

Yours sincerely
Margaret Thatcher

His Excellency Onorevole Bettino Craxi.

HE Onorevole 6034TH
Bettino Craxi

DRAFT LETTER

FROM: The Prime Minister
TO: ~~Mr.~~ Bettino Craxi
President of Italian Council of Ministers

Thank you for your letter of 30 December last year about the meeting of the Group of Five Finance Ministers in New York on 22 September and about Italian participation in such meetings. ~~Mr. Giovanni~~ ^{Mr. Giovanni} Gorla has also written to ~~Nigel Lawson~~ ^{Mr. Lawson} on the same subject.

2. ¹¹ ~~As Nigel Lawson~~ ^{Mr. Lawson} has already told ~~Giovanni~~ ^{Mr. Giovanni} Gorla, the Finance Ministers of the Group of Five countries discussed the question of Italy's participation at their meeting in London on 18-19 January. I am writing to let you know the outcome of that discussion. The other governments concerned will, of course, be replying to you separately.

3. ¹¹ As you know, informal meetings between the Finance Ministers of the Group of Five have taken place from time to time since 1973. The rationale of the Group has been to provide a forum for consultations between the five countries, whose currencies are most widely held and traded in the international financial markets and constitute the components of the SDR basket. The value of multilateral co-operation in respect of these currencies was, as you may remember, explicitly recognised by the Versailles Economic Summit in 1982 and in the view of the five governments such co-operation remains a valid objective.

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Ar.

Econ 101, Exchange Rates Pt 2

