

24 May, 1984

*Walter Francis Kieser.*

I have written you separately on the London Economic Summit in the context of the Commonwealth meeting at New Delhi and our follow-up work.

Last week, I suspect much influenced by our Commonwealth work, I was made Chairman of the United Nations Committee for Development Planning - one of the few bodies in the UN system functioning, not at an intergovernmental, but at an individual, level. We are presumed to be 'wise men'. I have the benefit of eminent Commonwealth colleagues as members of the Committee: Sir Kenneth Berrill, Gerry Helleiner, I G Patel, Bernard Chidzero; and from OECD countries: Robert McNamara, Jean Pierre Cot, Armin Gutowski and Gerasimos Arsenis. We were joined last week by Robert Neild of Cambridge and Bernard Wood of Canada, in addition, of course, to the other members.

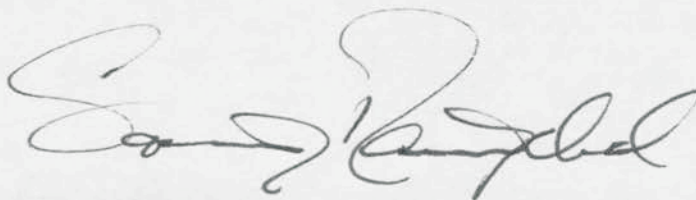
At the end of the meeting, in addition to our report, we agreed a Statement which I send to you, as Chairman of the London Summit, and will circulate to your colleagues; you may also receive a copy of this Statement from the UN Secretary-General, to whom we sent it formally.

The Rt Hon Margaret Thatcher MP  
Prime Minister of Great Britain  
and Northern Ireland  
10 Downing Street  
London S W 1

The Statement speaks for itself. I do assure you that it came from this wide-ranging Group out of a deep concern that unless we act quickly in the areas of monetary and financial reform, international debt and the plight of the poorest, especially in Sub-Saharan Africa, greater dangers may overwhelm the world economy and many countries.

I am glad to say that the thrust of all this international thinking is supportive of the Commonwealth's conclusions at New Delhi. I am, therefore, reinforced in the conviction with which I urge the Statement from the Committee for Development Planning on you as you prepare to chair the London Summit.

With deep respect,

A handwritten signature in dark ink, appearing to read 'Shridath S Ramphal', written in a cursive style. Below the signature is a short horizontal line.

Shridath S Ramphal



THE UNITED NATIONS COMMITTEE FOR DEVELOPMENT PLANNING

Statement at the Conclusion of the 20th Meeting

17 to 21 May 1984

The Committee for Development Planning is one of the few standing bodies within the United Nations system whose members serve not on an inter-governmental but on an individual basis. That membership is drawn from a great variety of countries, of North and South, of East and West. Through the Committee, we work and speak as members of the human family.

As the Committee concludes its 20th session, its members underline the deep concerns for international economic co-operation, and more especially for development, which have prevailed throughout their meeting. We do so with particular awareness of the urgent need for leadership in the international community on these matters that touch the lives of several hundreds of millions of the world's people.

We draw particular attention to three areas of need which the international community must urgently address and by its responses give hope of practical fulfillment. They are as follows:

- 1) There have been calls from many quarters for reform of the international monetary and financial system; but with the international community failing to respond in any significant way, that need has grown steadily more acute.

It is now 40 years since the 'Bretton Woods' system provided a framework for international economic relationships in the post-war world and nearly a decade since that framework ceased to function on the premises on which it was established. During that time nations have groped towards new approaches, but without success; and no self-correcting mechanisms offer solutions. Today, there is disorder verging on chaos in several areas critical to the economic life of all nations: in currency and capital markets, in international debt and international trade, in the funding of international institutions, in international financial flows. The effect is devastating for many economies but the heaviest burdens is falling on the weakest and poorest economies and therefore on the people within our human society least able to bear that burden. We do not believe that any country or group of countries is free from blame; but major industrialised countries have a special capacity to give a lead in initiating a process of change. We do not attempt to offer a blue-print; there are many paths to reform. But we do urge that there is now a quite desperate need to devise a process of



dialogue and negotiation along practical and manageable lines through which the interests of all concerned can be pursued and the necessary reforms agreed upon and initiated.

2) Longer term reforms will by their nature take time even if a beginning is made now on devising and negotiating them. However, some elements of the crisis demand immediate attention. The current situation with regard to international debt threatens the world economy and many elements within it at a level of gravity not experienced since the 1930's. We do not believe that ad hoc responses on a case-by-case basis will suffice for much longer. Prevailing high interest rates are clearly one of the factors contributing to the present crisis. We do not choose between the many proposals being put forward, but we urge international action which faces the generalised problem that now exists in the area of international debt and, with the involvement of all concerned, produces agreement upon equitable solutions.

3) It is within the poorest countries that human suffering is greatest. At a time of world-wide economic uncertainty and recession their plight is correspondingly, even disproportionately, enlarged. Sustained concessional flows to the poorest countries therefore assume an even greater importance than usual; it is little short of an international scandal that those flows have declined in real terms and now face special jeopardy. We urge the donor countries to agree upon arrangements, whether by way of supplementary funding or otherwise, for the effective replenishment of IDA VII at a level not below \$12 billion. We urge, as well, that despite economic stringencies everywhere official development assistance, particularly to the poorest countries, be not diminished but moved steadily towards the established targets. We are convinced that not only in the long run but in short, such assistance is not a mere act of charity but in the interest of the world community as a whole. We urge the major industrialised countries to give the lead in this matter which only the world's strongest economies can provide.

As members of the Committee for Development Planning, we believe that without action now in at least these key areas of international economic arrangements the present crisis will deepen rapidly and bring incalculable suffering in human and national terms. We believe also that these consequences will bring with them their quota of political instability and upheaval. The end cost, even in money terms, will far exceed what is now involved by way of enlightened response.

U.N. Headquarters,  
New York.

21 May 1984



COMMONWEALTH CONSULTATIVE GROUP ON INTERNATIONAL ECONOMIC ISSUES  
PROPOSAL ON WHICH CONSULTATIONS ARE TAKING PLACE

What we have been seeking is a formula for a Committee that can tackle the problems of the world's trade and payments systems, which is capable of representing the views of all the nations and groups that are concerned with these issues, yet at the same time small enough to discuss the issues and work effectively. The preferred option is the size, representation and constituency structure of the Development Committee or the Interim Committee - that is with 22 members, adjusted if necessary to reflect the financial and trading interests of the international community, and with a high level of representation, preferably Ministers, plus the UN Director-General for Development and International Economic Co-operation, the Managing Director of the IMF, the President of the World Bank, the Director-General of GATT and the Secretary-General of UNCTAD.

This Committee could establish a group of deputies to carry out detailed work on its behalf, with a small Secretariat supported by staff drawn from the international agencies. The Group would have no executive authority and would proceed strictly on the basis of consensus consultations. If, however, any cases emerged of agreement which permitted early action through existing institutional mechanisms, these would be actively pursued. While this work is continuing, negotiations could proceed in other forums. The Group would make a progress report within a year of being constituted. The process could be initiated through Resolutions adopted in parallel on an agreed basis by the General Assembly of the United Nations, the IMF, the World Bank and, to the extent that its responsibilities are involved, GATT. The report of the Group would be to these bodies.

An alternative, somewhat favoured by representatives of the G-77, would be a Group comprising the G-10 and a representative group from the G-77 constituted, for example, by widening the Group of 5 of the Non-Aligned States to say 15. Discussion in



such a joint Group could lead to negotiations which might in time be generalised in a wider negotiation between the OECD and the developing countries. Representatives of the UN Secretary-General and the specialised agencies could participate in the same way as proposed in the first option.

Two other options have been considered: the constitution of a Preparatory Group in an ad-hoc informal Ministerial meeting organised on a Cancun-style basis, with a few Commonwealth leaders playing catalytic roles; and a Preparatory Group set up by the UN Secretary-General after consultation with governments, as was proposed at the 38th Session of the UN General Assembly. Neither of these proposals gained much support.

The Commonwealth Group believes that the first option is the best practical proposal that has emerged for the process which more and more appears to be inevitable before too long. The broad agenda which we adopted for the Group to consider is headed "Areas for consideration in the framework of world recovery and development:

- The role of the IMF, including balance of payments support, adjustment, conditionality and surveillance, SDR's and international liquidity.
- The role and resource position of the multilateral development institutions, particularly the World Bank and IDA.
- Financial flows including ODA and commercial flows and problems of external debt.
- Trade liberalisation, protectionism and structural adjustment.
- Linkages between money and finance, trade and economic development."

The agenda is substantial without being all-embracing and it is recognised that the list of issues for eventual negotiation may be contracted.

The Group intends to meet again in September, immediately before the Commonwealth Finance Ministers' annual meeting which in turn immediately precedes the annual meeting of the Governors of the Fund and the Bank. This kind of timetable appears to be feasible for a Group which would use 1985 as the year in which to do its work.



PROVISIONAL LIST OF PARTICIPANTS

Members

- ABDALLA, Ismail-Sabri (Egypt). Chairman, Third World Forum and former Minister of Planning.
- ARSENIS, Gerasimos D. (Greece). Minister of the National Economy, Minister of Finance and former Governor of the Bank of Greece.
- CHIDZERO, Bernard (Zimbabwe). Minister of Finance, Economic Planning and Development.
- COT, Jean Pierre (France). Professor of International Law at the Sorbonne, Member of Parliament and Former Minister for Co-operation and Development.
- DE SOTO, Hernando (Peru). Chairman, Liberty and Democracy Institute, Peru.
- FURTADO, Celso (Brazil). Professor of Economic Development, Institut des Hautes Etudes, Université de Paris, and former Minister of Planning.
- GUTOWSKI, Armin (Federal Republic of Germany). President, Institute for Economic Research, Hamburg.
- HUAN, Xiang (China). Senior Adviser, Chinese Academy of Social Sciences and Professor of Political Economy, Beijing University.
- ICHIMURA, Shinichi (Japan). Professor of Economics, Kyoto University and Member, Committee for International Economic Co-operation, Office of the Prime Minister, Government of Japan.
- McNAMARA, Robert S. (USA). Chairman, Overseas Development Council and former President of the World Bank.
- NGAMPORO, Joseph Elenga (Congo). Minister for Commerce, Government of the Congo and former Dean, Department of Economics, University of Brazzaville.
- OHLIN, Goran (Sweden). Professor of Economics, University of Uppsala and Executive Secretary, Independent Commission on International Development Issues.
- PAJESTKA, Jozef (Poland). Member, Polish Academy of Social Sciences and Director, Institute of Economic Sciences, Government of Poland.
- RAMPHAL, Shridath S. (Guyana). Commonwealth Secretary-General and former Minister of Foreign Affairs and Justice and Attorney General.



ROJO, Luis (Spain). Director-General of Research at the Bank of Spain.

SADLI, Mohammad (Indonesia). Professor of Economics, University of Indonesia; and former Minister of Mines and of Manpower.

SOBHAN, Rehman (Bangladesh). Chairman, Bangladesh Institute of Development Studies.

STANOVNIC, Janez (Yugoslavia). Former Executive Secretary of the Economic Commission for Europe.

Invited experts

DELL, Sidney, Executive Secretary, Centre for Transnational Corporations

NEILD, Robert (United Kingdom). Professor of Economics, University of Cambridge and former Director of the United Kingdom Institute of Economics and Social Research

RAJ, K.N., Former member of the Committee for Development Planning

TELLO, Carlos (Mexico). Professor of Political Economy at the University of Mexico

WOOD, Bernard (Canada). Chairman of the North-South Institute



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 SIR C TICKELL  
 MR ~~XXXXXXXXXX~~ LEWIS  
 MR J THOMAS  
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 EXCHEQUER )  
 MR LITTLER ) TREASURY  
 MR BOTTRILL )

SIR R ARMSTRONG }  
 MR COLVIN } CABINET OFFICE

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MR J CAINES }  
 MR H BOURKE } DTI

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MIPT: LONDON ECONOMIC SUMMIT.  
 FOLLOWING IS TEXT OF SECRETARY GENERALS LETTER.

DEAR PRIME MINISTER,

I AM PROMPTED TO ADDRESS YOU JUST BEFORE THE LONDON SUMMIT BY THE FEELING THAT THE TENSE WORLD POLITICAL SITUATION IS MAKING THE SOLUTION OF ECONOMIC PROBLEMS MORE DIFFICULT. THE ACCUMULATION OF ECONOMIC DIFFICULTIES IS IN TURN ADDING TO TENSIONS.

THE ECONOMIC RECOVERY IN MOST OF THE COUNTRIES PARTICIPATING IN THE SUMMIT IS, NO DOUBT, A POSITIVE ELEMENT. THAT THIS RECOVERY IS FOR THE MOMENT UNATTENDED BY RESURGENT INFLATION IS AN ADDITIONAL TRIBUTE TO THE EFFORTS UNDERTAKEN BY YOU ON THE LINES ENVISAGED IN WILLIAMSBURG.

I KNOW THAT AT THE SUMMIT YOU WILL BE DEALING WITH A WIDE RANGE OF ISSUES OF DIRECT CONCERN TO YOUR ECONOMIES. BUT IN THE CONTEXT OF OUR INCREASINGLY INTERDEPENDENT WORLD I WANT TO RAISE ISSUES RELATING MAINLY, BUT NOT EXCLUSIVELY, TO THE SITUATION OF DEVELOPING COUNTRIES.



## SITUATION OF DEVELOPING COUNTRIES.

AS FEARED, THE RECOVERY IN INDUSTRIAL ECONOMIES IS SO FAR HAVING A RELATIVELY MODEST IMPACT ON MOST DEVELOPING COUNTRIES. AFTER THREE CONSECUTIVE YEARS OF DECLINING OVERALL PER CAPITA INCOME, DEVELOPING COUNTRIES WILL IN 1984 EXPERIENCE ONLY MINOR GAINS. THE SAME IS LIKELY NEXT YEAR.

IT APPEARS TO ME THAT THREE ISSUES ARE IMPORTANT.

FIRST, INTERNATIONAL TRADE, IN PARALLEL WITH THE OVERALL RECOVERY, IS NOT EXPECTED FOR THE MOMENT TO BE THE DRIVING FORCE <sup>WHICH</sup> IT WAS PRIOR TO THE RECESSION. THAT WOULD BE UNFORTUNATE, FOR MANY DIFFICULTIES, BOTH IN THE NORTH AND IN THE SOUTH, INCLUDING THOSE RELATING TO STRUCTURAL ADJUSTMENT, COULD BE OVERCOME IF TRADE EXPANDED MORE VIGOROUSLY.

I NOTE THAT THE RECENT MINISTERIAL MEETING OF THE OECD TOOK AN IMPORTANT STEP TOWARDS A "NEW ROUND OF MULTILATERAL TRADE NEGOTIATIONS". SUCH A ROUND, TO BE SUCCESSFUL, WILL REQUIRE THOROUGH PREPARATIONS. HOWEVER, THESE PREPARATIONS NEED NOT DELAY IMMEDIATE DECISIONS BEING TAKEN TO REDUCE OR DO AWAY WITH PROTECTIONIST MEASURES, AS CALLED FOR BY SEVERAL PREVIOUS DECLARATIONS AND DECISIONS.

THE SECOND ISSUE IS THE DRAMATIC SITUATION IN AFRICA - A RESULT OF UNFAVOURABLE EXTERNAL CIRCUMSTANCES, ADDING TO ALREADY WEAK STRUCTURES, AND BOTH DRAMATICALLY EXACERBATED BY THE IMPACT OF SEVERE DROUGHT AND OTHER CALAMITIES. THESE FACTORS HAVE LED TO WIDESPREAD HUNGER AND STARVATION.

IN A YEAR WHEN THE GLOBAL FOOD SITUATION IS RELATIVELY SATISFACTORY, SUCH A STATE OF AFFAIRS IS DIFFICULT TO ACCEPT. DOMESTIC ADJUSTMENTS IN SOME AFRICAN COUNTRIES ARE NO DOUBT REQUIRED, AND SEVERAL COUNTRIES ARE IN FACT UNDERTAKING SUCH ADJUSTMENTS. THIS IS PRECISELY THE MOMENT WHEN INTERNATIONAL SUPPORT SHOULD NOT BE WEAKENED. IN THIS CONNECTION, I CANNOT BUT EXPRESS MY CONCERN AT THE RECENT DECISION ON THE SEVENTH REPLENISHMENT OF IDA WHICH WILL HAVE SERIOUS IMPLICATIONS FOR AFRICA, SINCE IDA FUNDS ARE ESSENTIAL FOR LOW INCOME COUNTRIES.

AT THE END OF LAST YEAR I LAUNCHED A PUBLIC APPEAL FOR ADDITIONAL SUPPORT TO AFRICAN COUNTRIES, AND I AM APPRECIATIVE OF THE RESPONSE THAT HAS BEEN FORTHCOMING, BUT MUCH MORE NEEDS TO BE DONE.

MY SUGGESTIONS ARE AS FOLLOWS:

- RESPOND URGENTLY TO THE NEED FOR ADDITIONAL EMERGENCY RESOURCES, INCLUDING FOOD AID AND ASSISTANCE TO THE AGRICULTURAL SECTOR,



AGRICULTURAL SECTOR,

- OFFSET THE NEGATIVE IMPACT OF THE DECISION ON 40A WH-  
EITHER THROUGH THE PROPOSED SUPPLEMENTARY FUNDING ARRANGEMENT,  
OR APPROPRIATE INCREASE IN OTHER FUNDINGS,

- EXPEDITE ACTION ON STABILISING AND STRENGTHENING  
COMMODITY MARKETS AND EARNINGS, INCLUDING THROUGH AN EARLY  
ACTIVATION OF THE COMMON FUND.

THE THIRD ISSUE RELATES TO THE DEBT PROBLEM.

I HAVE BEEN ACUTELY DISTRESSED BY THE EXTRAORDINARY HUMAN  
SUFFERING CAUSED BY SEVERE AUSTERITY PROGRAMMES IN SEVERAL  
DEVELOPING COUNTRIES VISITED BY ME RECENTLY IN AFRICA AND LATIN  
AMERICA. IN MANY OF THE COUNTRIES AFFECTED, BOLD MOVES HAVE  
BEEN TAKEN TOWARDS DEMOCRACY. MY CONCERN IS THAT THE EXTREME  
SOCIAL AND ECONOMIC HARDSHIP THAT IS CURRENTLY BEING FELT CAN  
ENDANGER THE IMPRESSIVE PROGRESS MADE TOWARDS POLITICAL  
LIBERTY, AND DAMAGE THE INFRASTRUCTURE AND PRODUCTIVE CAPACITY.

I DO NOT WISH TO GO INTO SPECIFIC SOLUTIONS TO THE DEBT  
PROBLEM, BUT I DO SHARE THE CONCERNS OF THOSE WHO WONDER IF THE  
MEASURES PRESENTLY BEING ADOPTED ARE OF A LASTING VALUE. THE  
TIME MAY HAVE COME FOR GOVERNMENTS, BANKS AND DEBTOR COUNTRIES  
TO SEARCH FOR A MORE DURABLE WAY OUT. OF COURSE, TRADE  
LIBERALISING MEASURES TO ACCOMPANY THE RECOVERY WOULD HELP  
GREATLY, BUT IN THE IMMEDIATE FUTURE ANY STEPS THAT CAN BE  
TAKEN TO MODERATE INTEREST RATES AND STRETCH RESCHEDULING OVER  
LONGER PERIODS WOULD SEEM TO BE HIGHLY DESIRABLE. A LONGER  
TIME PERIOD NEEDS TO BE ALLOWED TO THE DEBTOR COUNTRIES TO  
ADJUST THEIR ECONOMIES. SUCH ADJUSTMENT WOULD BE GREATLY  
FACILITATED BY ADDITIONAL LIQUIDITY (FOR INSTANCE, THROUGH AN  
ISSUE OF SDRS), AND LONG TERM FINANCE - BOTH CONCESSIONAL AND  
NON-CONCESSIONAL.

THE ISSUES I HAVE RAISED ARE PART OF A BROADER SET OF  
PROBLEMS AFFECTING NORTH/SOUTH RELATIONS. FROM THAT POINT OF  
VIEW IT IS UNFORTUNATE THAT GOVERNMENTS IN THE UNITED NATIONS  
HAVE NOT YET SUCCEEDED IN LAUNCHING A PROCESS, ACCEPTABLE TO  
ALL PARTIES, TO DISCUSS AND NEGOTIATE THE WIDE RANGE OF  
OUTSTANDING ISSUES. I HOPE THE LONDON SUMMIT WILL BE ABLE TO  
OVERCOME THE REMAINING OBSTACLES TO THE COMMENCEMENT OF SUCH A  
PROCESS.

PLEASE ACCEPT, PRIME MINISTER, THE ASSURANCES OF MY  
HIGHEST CONSIDERATION.

JAVIER PEREZ DE CUELLAR.

THOMSON