



THE SECRETARY-GENERAL

29 May 1984

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.

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 which 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.

The Right Honourable  
Margaret Thatcher, M.P.  
Prime Minister of the United Kingdom  
of Great Britain and Northern Ireland  
London

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 connexion, 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,
- offset the negative impact of the decision on IDA VII- either through the proposed Supplementary Funding Arrangement, or appropriate increase in other fundings,
- expedite action on stabilizing and strengthening commodity markets and earnings, including through an early activation of the Common Fund.

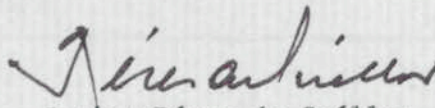
The third issue relates to the debt problem.

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 liberalizing 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 reschedulings 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 Pérez de Cuéllar