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MEETING OF COMMONWEALTH FINANCE MINISTERS  
LONDON, 30-31 AUGUST, 1982

IMF: Recent Developments and Issues for Consideration

(Paper by the Commonwealth Secretariat)

Note by Secretary

The attached paper reviews the role of the Fund in relation to balance of payments financing and adjustment in developing countries. Among the issues considered are the recent slow down in use of the Fund's resources, developments concerning Fund conditionality, the state of the Fund's resources, the Eighth General Review of Quotas, and SDR Allocations. The paper is relevant to Draft Agenda Item 3 - Current World Economic Situation and Problems (including IMF and World Bank Questions).

B. Persaud

Commonwealth Secretariat,  
Marlborough House,  
London, SW1.

3 August, 1982.

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IMF: RECENT DEVELOPMENTS AND ISSUES FOR CONSIDERATION  
(Paper by the Commonwealth Secretariat)

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IMF: RECENT DEVELOPMENTS AND ISSUES  
FOR CONSIDERATION

(Paper by the Commonwealth Secretariat)

I. INTRODUCTION

1. Recession in the industrial countries, depressed exports, falling commodity prices and substantially increased debt servicing costs have left the non-oil developing countries in a precarious position. Their combined current account deficits have increased from \$59 billion in 1979 to \$99 billion in 1981 and latest indications are that they will remain around this level in 1982 and 1983. The international commercial banks, which played a major part in recycling in the past, have become increasingly cautious over their international lending and exposure in developing countries and are looking for increased involvement by the Fund for reassurance and guidance. In the circumstances, the role of the IMF in financing and promoting adjustment has become of critical importance, particularly for the lower income developing countries.

2. However, a number of recent developments give cause for concern. Following a major expansion of the Fund's activities in 1980 and 1981, commitments and disbursements under standby/extended arrangements have recently been affected by the cancellation or suspension of a number of programmes. Commitments net of cancellations were negative in the first half of 1982 and disbursements were a third lower than during the same period in 1981. At the same time, increased emphasis is being placed by some major industrial countries on the traditional role of the Fund in providing short-term balance of payments support under stricter conditionality.

3. This paper examines recent developments concerning the use and availability of the Fund's resources. Section II looks back at the use of Fund resources in 1981 and examines recent developments with regard to standby/extended arrangements and the compensatory financing facility, which could have an adverse effect on the Fund's future activities. In Section III the Fund's resource position over the next few years and the need for borrowed and regular resources are considered. The question of the Eighth General Review of Quotas is examined in Section IV, both from the point of view of the Fund's resources, and members' financing and other requirements, including the special needs of small countries. Section V deals with the issue of SDR allocations in the light of current developments in world liquidity and of the developing countries' financial position. The paper concludes by listing some issues which require early consideration.

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II. USE OF FUND RESOURCES

(a) The Fund's Financing Role in 1981

4. The use of Fund resources in 1981 surpassed all previous levels by a wide margin. Gross new loan commitments under standby/extended arrangements - all to developing countries - totalled a record SDR 15.2 billion, compared with SDR 7 billion in 1980 and SDR 2.2 billion in 1979. Commitments, net of cancellations, were SDR 12.7 billion in 1981 compared with SDR 6.8 billion in 1980 and SDR 1.8 billion in 1979. The increase largely reflected the size of some of the new arrangements, most notably the SDR 5 billion EFF arrangement for India.

5. Disbursements under standby/extended arrangements to developing countries in 1981, at SDR 5.2 billion, were more than twice the 1980 level. Together with disbursements of SDR 1.9 billion under low conditionality facilities (mostly the compensatory financing facility and the first credit tranche) and from the Trust Fund, total disbursements were at a record level of SDR 7.1 billion. After taking account of repayments, net disbursements, at SDR 5.5 billion, were twice the previous highest level in 1976.

6. This increase in the use of Fund resources, however, must be seen against a background of the current account deficits of non-oil developing countries. Quantitatively, while the Fund's role in the financing of the total deficits of all non-oil developing countries remains limited, its funding has become of considerable importance for many low and lower middle-income countries. Excluding Trust Fund loans, net disbursements to low income countries (i.e. those with 1978 per capita incomes below \$350), accounted for 14 per cent of their current account deficits in 1981, compared with 4 per cent in 1980 and 2 per cent in 1979.<sup>1</sup> The outstanding use of Fund credit (excluding Trust Fund Loans) by countries with per capita incomes below \$700 comprised about 55 per cent of the Fund's total outstanding portfolio at the end of 1981, compared with around 35 per cent at the end of 1979. These trends are likely to continue in the near future because Fund commitments to these countries account for nearly two thirds of the total commitments under standby/extended arrangements. Unlike other developing countries, lower income countries have limited access to the international capital.

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1. In addition, low income countries were the principal beneficiaries of Trust Fund loans. The Trust Fund was established in May 1976 and terminated in April 1981. Its resources were derived from the profits from the sale of 25 million ounces of the Fund's gold and it provided highly concessional balance of payments assistance of almost SDR 3 billion over the four year period to 55 eligible low and lower middle income countries.



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market<sup>1</sup> and the Fund is able to exercise, through its lending under the higher conditionality tranches, a considerable influence over the economic policies of these countries. For the more advanced developing countries, which enjoy a more ready access to capital markets, the significance of the Fund's involvement with their economic policies lies not so much in the amounts provided by the Fund as in maintaining market confidence in these countries. With the increased caution currently being exhibited by the banks, it is particularly important for these countries to be able to continue making use of the Fund's resources.

(b) Recent Experience with Standby/Extended Arrangements

6. There has been a marked slowdown this year in the pace of the Fund's new commitments under standby/extended arrangements. To a certain degree this was to be expected after the surge in activities over the last two years. At the same time, increased pressures on the Fund for it to tighten its conditionality, to give more attention to accelerated adjustment and less financing, may have both discouraged member countries from making further approaches to the Fund and increased the difficulties in reaching agreement on appropriate Fund programmes. The Fund now appears to require, before a Fund programme is agreed upon, more rigorous fulfillment of certain preconditions<sup>2</sup> regarding exchange rates, wage increases, pricing by public enterprises, subsidy reductions, etc.

7. There were only 7 commitments for a total amount of SDR 1.4 billion during the first half of 1982 compared with 21 commitments of SDR 9.0 billion in the same period last year. Commitments, net of cancellations, were negative, - SDR 1.1 billion in the first 6 months of 1982, compared with SDR 7.6 billion in the first half of 1981. Moreover, in the 12 months period ended June 1982, the Fund did not grant a single stand-by arrangement over one year and there were only two extended arrangements. It has been suggested that longer-term arrangements have proved particularly difficult to establish in

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1. According to Morgan Guaranty's World Financial Markets, April 1982, commercial banks have a relatively small stake in the lower income countries - a mere 7 per cent of their exposure in non-oil developing countries - which they are unlikely to increase significantly. Morgan Guaranty pointed out that the IMF and the commercial banks are now essentially concerned with financing two different groups of countries.

2. The Fund's conditionality guidelines of 2 March 1979 provide that a member may be expected to adopt corrective measures before a standby is approved, but it is stipulated that this should be done "only if necessary to enable the member to adopt and carry out a program consistent with the Fund's provisions and policies".

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an increasingly difficult world economic environment. Nevertheless, shorter-term arrangements have certain important implications. They suggest a renewed emphasis on short-term demand management and increased concern with economic variables that can be monitored within relatively short periods.

8. Apart from new commitments, disbursements under existing stand-by/extended arrangements fell from SDR 2.9 billion in the first half of 1981 to SDR 1.9 billion in the same period in 1982. Disbursements have been affected by the suspension of access to the undrawn balances of commitments of a number of countries which automatically occurs through failure to meet any of the Fund's performance criteria. At the beginning of June 1982, of the 34 arrangements in effect, 10 were interrupted.

9. The deteriorating world economic situation is considered to be one of the main reasons for the increasing number of failures to meet performance criteria. The Fund's Managing Director has recently suggested that,<sup>1</sup> with deteriorating conditions in the world economy, conditionality has had to be adapted to changing circumstances and that "adjustment efforts required of countries have necessarily been that much more onerous and demanding". However, he did not believe that the recent suspension of a number of Fund programmes or the developments of the last few years in the use of Fund resources implied that conditionality had become either easier or stricter. The Fund had always been geared to the principle "that countries undertake the necessary policies to ensure that a sustainable balance of payments position is attained in the medium-term".

10. There remains considerable controversy about the Fund's conditionality practices. Following the 1979/80 oil price increase, the Fund was believed to have made several modifications in order to take a comprehensive approach to adjustment. This entailed assistance on a larger scale and over a longer period of time and emphasised, particularly in collaboration with the World Bank, policies aimed at increased productivity and improved resource allocation. While some observers had earlier questioned that the new conditionality guidelines resulted in any softening of conditionality, more recently it has been suggested that the IMF's attitudes are once again becoming harder. In particular, there is increasing concern over what seems to critics an over-rigid application of pre-conditions and performance criteria. It is suggested that an unstable world economic environment requires a more flexible approach than a rigid programme based on quantitative targets which could be easily missed. In a recent speech, the Governor of the Reserve Bank of India, Dr I.G. Patel pointed out some of the difficulties in over-rigid programmes: "It is no one's contention, I am sure, that appropriate conditionality is neither necessary nor desirable. But is it appropriate in a medium-term programme of adjustment to insist on quarterly credit ceilings...? Is it appropriate in any case to take the

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1. The Managing Director's address to the Council on Foreign Relations on 8 June 1982 in Washington, D.C. reproduced in IMF Survey, 21 June 1981.

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extreme step of suspension of loan disbursements when these quarterly ceilings are somewhat transgressed? And should not programmes be judged as a whole rather than each single point being insisted upon as a breaking point? If rich sovereign governments have practical limitations in pursuing appropriate policies... is it realistic to expect perfection in all respects from the poor who also have to contend with public opinion and pressure groups? The point is not that progress toward appropriate policies should not be made. But you cannot tie down nations on every count and consider failure on any point as reason to suspend support. This kind of continuing uncertainty regarding the actual availability of funds already promised is hardly conducive to any serious adjustment policies being consistently followed".<sup>1</sup>

(c) Compensatory Financing Facility

11. The compensatory financing facility is of major importance to the many commodity producing countries, particularly at this time of depressed world prices for their exports. It is also the principal facility from which countries have been able to obtain assistance from the Fund with relatively mild conditionality. The need for CFF assistance has increased over the past 12 months, but questions have been raised as to the adequacy of access (limited to 100 per cent of quota) and the conditions applying to CFF drawings. In order to make any drawings under the Facility, a member must represent that it "will co-operate with the Fund in an effort to find, where required, appropriate solutions for its balance of payments difficulties".<sup>2</sup> The test of co-operation is stricter when the purchases under the CFF have the effect of raising outstanding drawings above 50 per cent of a member's quota as the Fund must then be satisfied that such co-operation has been adequate. Although the extent of the co-operation required has not been codified, past practice suggests that the existence of a Fund programme at the time of CFF drawings by a member has not always been considered necessary for the drawings to exceed 50 per cent of the member's quota.<sup>3</sup> However, it seems that in present

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1. Eastern Economist, New Delhi, March 26, 1982.

2. Fund Decision No. 6224-(79/135).

3. Of the 37 cases during January 1976-March 1980 in which CFF drawings exceeded 50 per cent of a member's quota, 11 had no Fund programmes in effect at the time; a further 14 involved programmes under Trust Fund or First Credit Tranches, and only 12 involved Fund programmes under higher credit tranches or the Extended Facility. See L.M. Goreux, Compensatory Financing Facility, IMF Pamphlet Series No. 34, 1980.

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circumstances, the difficulties in reaching agreement on Fund programmes or failures to meet agreed performance criteria under the higher credit tranches are preventing some countries from utilising CFF assistance to the fullest extent possible under the permissible ceilings. As the CFF provides assistance to countries in respect of export shortfalls which are temporary, reversible and largely attributable to circumstances beyond the control of a member, it is not clear why a test of adequate co-operation in respect of a Fund programme directed at other causes of balance of payments difficulties should be necessary. The fact that a member is making, or has made reasonable efforts to overcome its difficulties should be considered satisfactory for making all CFF drawings, including those beyond 50 per cent of quota, as is the case under the First Credit Tranche.

III. FUND RESOURCES

12. Last year, it was pointed out that in order to finance its planned lending commitments under the Enlarged Access Policy over the three fiscal years 1982-84 (year beginning 1 May), the Fund would need to rely on substantial amounts of borrowed resources in addition to its ordinary resources. The Fund's net uncommitted ordinary resources<sup>1</sup> at the beginning of FY 1982 stood at SDR 20.3 billion and, in the early months of the year, Saudi Arabia and 16 industrial countries agreed to lend up to SDR 8 billion and SDR 1.3 billion respectively over a period of two years. However, as the Fund's commitments during FY 1982 were substantially lower than anticipated, both ordinary and borrowed resources were less depleted than expected last year. Preliminary estimates by the Commonwealth Secretariat suggest that at the beginning of FY 1983 (i.e. May 1982), the Fund's net uncommitted ordinary resources were about SDR 14.5 billion<sup>2</sup> and uncommitted borrowed resources amounted to SDR 3.3 billion.

13. For the current financial year the Fund had earlier envisaged commitments of around SDR 7-8 billion. The experience of FY 1982 suggests that this figure might be on the optimistic side unless some new borrowers with large quotas approach the Fund for assistance. On this basis, the Fund's uncommitted borrowed resources will probably suffice for this year's requirements and, the reduction in the Fund's net uncommitted ordinary resources

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1. Net uncommitted ordinary resources are defined as the Fund's uncommitted ordinary resources after making reductions to account for the Fund's holdings of usable currencies of creditor nations with weakening balance of payments positions and the Fund's needs for working balances of currencies.
  2. This was approximately two-thirds of members' total reserve tranche positions ie members' unconditional claims on the Fund. In the past, net uncommitted ordinary resources have usually been in excess of the total reserve tranche positions.

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may not be very large. However, even if the Fund's reduced rate of lending continues, strains on the Fund's resources could occur by FY 1984. With uncommitted borrowed resources largely depleted by then, the Fund would need additional borrowings to sustain its lending commitments. Saudi Arabia had earlier indicated that it would be prepared to consider making a further loan of SDR 4 billion, if its balance of payments and reserve position so permitted. This, together with possible drawings from industrialised and other countries which are likely to experience considerable current account surpluses over the next few years, could provide the required additional resources. In addition, short-term loans from countries<sup>1</sup> which are prepared to lend but wish to keep their funds liquid, and market borrowing could be considered if necessary.

14. With regard to ordinary resources, it seems essential to ensure that the Fund is provided with a substantial increase within a relatively short period, if these are to be depleted further in FY 1984 and reach relatively low levels in relation to members' total reserve tranche positions. This, in turn, depends on whether agreement on the Eighth General Review of Quotas is reached earlier than the statutory deadline in December 1983. In view of the time required for ratification, it is desirable to reach agreement as expeditiously as possible to make the quota increases effective before the end of 1985.

#### IV. EIGHTH GENERAL REVIEW OF QUOTAS

15. The Interim Committee Meeting in Helsinki on 12-13 May, 1982 agreed that "the Fund has an important role to play in the adjustment and the financing of balance of payments deficits, and that it must be strong enough, and have adequate resources, to be able to cope effectively with the problems it may face in the 1980s". The Committee reiterated its view that "quota subscriptions should be the primary source of financial resources for the Fund's operations" and concluded that "any such increase in quotas should be adequate to enable the Fund to perform in an effective manner its functions in the 1980s". It seems reasonable to assume, therefore, that the next quota increase should be large enough to finance the Fund's Enlarged Access Policy without undue reliance on borrowed resources.

16. Recent experience with regard to the Fund's use of borrowed and ordinary resources suggests that the present overall quotas of the Fund should be doubled from SDR 60 billion to SDR 120 billion, if its ordinary resources are to carry the main burden of likely future commitments. Large increases in financing requirements, particularly of the developing countries, since the last quota increase have led to substantially increased

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1. New techniques such as those used in agreements between the Bank for International Settlements and the central banks of industrialised countries might be of interest in this regard.

access<sup>1</sup> to the Fund's facilities by its members and this has necessitated substantial borrowing by the Fund. A shift away from the latter, while maintaining the Fund's capacity to provide support commensurate with developing and other countries' financial requirements, could be achieved only if the Fund's quotas were substantially enlarged. It should also be noted that, if the quotas were doubled, it is estimated that they would still constitute only about 5 per cent of world imports by 1984/85, about the same as in 1974-75 and considerably lower than in earlier years.

17. The Eighth Review provides an occasion to reflect in the quotas the developments in members' relative positions in the world economy. This is particularly important considering that, in addition to determining members' contributions and drawing entitlements, quotas also determine voting rights. It is clear that quotas of some industrial countries such as Japan and Germany have lagged behind their relative positions in the world economy. The same may be true of a number of developing countries. Nevertheless, it is important that any changes in relative positions of particular members should not undermine an even more fundamental principle which has been implicitly recognised in recent quota increases. This concerns the maintenance of a proper balance in quotas and hence voting rights between different groups of countries. The Interim Committee Meeting in Helsinki agreed that "the case for maintaining a proper balance" should be taken into account when undertaking the quota review. From the developing countries' viewpoint it is important that any increases that are made in the quotas of countries such as Japan and Germany, should be made in relation to other industrial countries and that, at least, there is no reduction in the share of developing countries.<sup>2</sup>

18. Another issue which requires attention concerns the problems of small countries with tiny quotas. Because of their openness, many of these countries are particularly vulnerable to the vagaries of the international economic environment and to export instability. At present, 17 countries have quotas under SDR 10 million and 11 under SDR 5 million. From 1956 to 1967 the Fund applied a policy that assured members of a minimum quota because it was considered that quotas below a certain amount would not promote the purposes of the Fund. In 1967, the Fund decided that this arrangement was causing the quotas to become unjustifiably large and even burdensome for some members and the policy was abandoned. However, a large number of small

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1. The Managing Director of the Fund has pointed out that the enlarged access has only had "the effect of restoring the Fund's lending capacity in real terms something close to what it was in the mid 1960s, before the real value of quotas was eroded", Managing Director's address, op cit.
  2. In fact, the Group of 24 has called for correcting the imbalances in voting power between developed and developing countries through an increased in the share of quotas held by developing countries, to 45 per cent of total quotas. See the G24 communique of 11 May 1982 reproduced in IMF Survey, 24 May 1982.

countries have joined the Fund in recent years and the Eighth Quota Review could provide an opportunity to reconsider the quota provisions of small countries in the light of the special problems they face. There are several possible options. There could either be a single minimum quota or several minimum quotas, with the member given the option of choosing between them as was the case on at least one occasion between 1956 and 1967. Alternatively, a single minimum quota could be allocated to all countries in addition to the quota determined by normal procedures.

19. Unlike previous reviews, the Eighth Review is to include also an examination of the criteria by which quotas are calculated. In making its assessment of the quotas of individual countries, the Fund uses various formulae and factors such as national incomes, imports and reserves. It is understood that the Fund is at present concentrating on technical simplifications. If this is so, an important opportunity will have been missed to consider the fundamental reform of a system in which quotas are required to perform several functions<sup>1</sup> which seem to have become increasingly difficult to reconcile in the context of the changing economic and political realities of the 1980s.

#### V. SDR ALLOCATIONS

20. No progress has been made on the proposal concerning the allocation of SDRs for the Fourth Basic Period which began on 1 January 1982. Some leading industrial countries continue to oppose any further allocation for the time being. While recognising that the relatively small amounts involved could only have a limited direct impact on inflation, they remain concerned that further SDR allocations would, at present, give the "wrong inflationary signal". However, recent developments in the world economy suggest a stronger case for an allocation. According to the Bank for International Settlements, the world liquidity situation deteriorated markedly last year and early indications this year suggest a continuation of this trend.<sup>2</sup> World non-gold reserves measured in dollars fell in nominal terms by about 4½ per cent in 1981 (and about 1½ per cent in real terms). The contraction of liquidity has been aggravated further by the depressed price of gold, since a number of countries use gold holdings as collateral. ??

1. At present, quotas perform four functions: they determine contributions; drawing rights; relative voting strength of members; and share in allocations of SDRs. There are inherent conflicts in these roles. For example, quotas based largely on members' ability to contribute might enable the Fund to obtain the needed resources but the largest quotas would be assigned to members least likely to draw from the Fund and these countries would have a virtual monopoly in the decision making process of the Fund.

2. See also FMM(82)3.

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21. Moreover, the case for SDR allocations should be considered in relation to the distribution of world liquidity. Most reserves are held by surplus OPEC and industrial countries while non-oil developing countries continue to run large current account deficits. By the end of 1981, the reserve levels of 30 developing countries had been reduced to the equivalent of one month's current imports. Many poor countries do not have access to international capital markets and also suffer from stagnant or declining aid flows. At the same time, countries with reasonable access to the markets are faced with the consequences of an unprecedented increase in interest rates and a general hardening of bank lending policies.

22. In these circumstances, a substantial allocation of SDRs would seem appropriate. The decline in world liquidity provides an opportunity to promote one of the principal objectives embodied in the Fund's Articles, i.e. to make the SDR the principal reserve asset in the international monetary system. SDR allocations could also provide a much needed increase in the transfer of resources to poor countries without placing a burden on donors' budgets which are currently heavily constrained. A recent report for the UN Committee on Development Planning has pointed out that a convincing case has not been made that an annual allocation of SDR 12 billion would be inflationary or encourage excessive use, given increased rates of interest. It argues that the long term need for global liquidity is great and that this need should be met principally by SDR allocations.<sup>1</sup>

VI. ISSUES FOR CONSIDERATION

23. Following a significant expansion in the level of support provided by the Fund to the developing countries in the previous two years, the pace of new commitments during the first six months of 1982 has slowed down markedly. The Fund is also coming under increased pressure to promote faster adjustment, reduce the period of its programmes, and take a much harder approach to its conditionality. A number of countries have suffered automatic suspension of their programmes because of failure to meet performance criteria which, in many cases, has been due mainly to the depressed world economic situation. Stand-by arrangements of only twelve months have become the norm again, while there seems to be a greater insistence on fulfillment of certain pre-conditions before new programmes are agreed upon. Failure to meet performance criteria or to reach agreement on a standby/extended arrangement is also adversely affecting recourse to the compensatory financing facility beyond 50 per cent of quota.

24. Some of the specific issues raised in this paper for consideration are listed below:

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<sup>1</sup> Towards world economic recovery and international monetary stability, Report of the Working Group on International Monetary and Financial Issues, UN Committee for Development Planning, 8 April, 1982 (E/AC54/1982/2).



- (i) The Fund might examine the recent slow-down in its rate of commitment and consider whether such a development is appropriate to the present circumstances of developing countries.
- (ii) The procedure of automatic suspension of drawings because of failure to meet quantitative targets - which could be missed easily in an unpredictable and depressed world economic environment - could be made more flexible and pragmatic.
- (iii) Reaffirmation of the 1979 conditionality guidelines would seem necessary. In particular, the Fund should continue to implement longer term programmes, where necessary, as well as maintain a comprehensive approach to adjustment that emphasises both the demand and supply sides. Insistence on preconditions before a Fund programme is agreed should not be allowed to undermine the willingness of members to approach the Fund in the early stages of their difficulties.
- (iv) Consideration should be given to removing obstacles to the use of the compensatory financing facility beyond 50 per cent of a member's quota. Given the purpose of the facility, the fact that countries have made or are making reasonable efforts to solve their balance of payments problems should be sufficient to allow full utilisation of the permissible drawings.
- (v) With its ordinary resources likely to reach a low level by end of FY 1984, early agreement on the Eighth General Review of Quotas is necessary. An overall quota increase of at least 100 per cent is suggested by the resource requirements of the Fund; such an increase would restore quotas relative to world imports to 1974-75 levels. While the agreement on quota increases should also take into account changes in individual members' relative positions in the world economy, increases in the shares of any industrial countries should not be at the expense of developing countries. Moreover, during the Eighth Review, the opportunity could also be taken to deal with the quotas of small countries which seem inadequate relative to their particular circumstances.
- (vi) In view of the recent decline in world liquidity and its present distribution, an early allocation of SDRs under the Fourth Basic Period would seem desirable; the objective of making the SDR the principal reserve asset needs to be promoted.

## FUND ASSISTANCE TO DEVELOPING COUNTRIES: COMMITMENTS AND DISBURSEMENTS

|   | SDR billion |      |      |      |      |      |      |      |          |      |
|---|-------------|------|------|------|------|------|------|------|----------|------|
|   | 1974        | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | Jan-June |      |
|   |             |      |      |      |      |      |      |      | 1981     | 1982 |
| ASSISTANCE UNDER STANDBY/<br>EXTENDED ARRANGEMENTS  |             |      |      |      |      |      |      |      |          |      |
| I. Gross new commitments  | 0.4         | 0.4  | 0.9  | 1.4  | 1.8  | 2.2  | 7.2  | 15.2 | 9.0      | 1.4  |
| II. New commitments, net of<br>cancellations <sup>1</sup>   | 0.4         | 0.4  | 0.9  | 1.4  | 1.7  | 1.7  | 6.8  | 12.7 | 7.6      | -1.1 |
| III. Disbursements  | 0.5         | 0.1  | 0.7  | 0.7  | 0.5  | 1.0  | 2.3  | 5.2  | 2.9      | 1.9  |
| OTHER FUND ASSISTANCE   |             |      |      |      |      |      |      |      |          |      |
| IV. Disbursements under<br>Fund Facilities outside<br>standby/extended<br>arrangements <sup>2</sup> | 1.1         | 2.1  | 2.9  | 0.3  | 0.6  | 0.7  | 1.0  | 1.5  | 0.7      | 0.9  |
| V. Trust Fund loans   | -           | -    | -    | 0.2  | 0.7  | 0.5  | 1.3  | 0.4  | 0.4      | -    |
| TOTAL COMMITMENTS <sup>3</sup><br>(II+IV+V)   | 1.5         | 2.5  | 3.8  | 1.9  | 3.0  | 2.9  | 9.1  | 14.6 | 8.7      | -0.2 |
| TOTAL DISBURSEMENTS<br>(III+IV+V)   | 1.6         | 2.2  | 3.6  | 1.2  | 1.8  | 2.2  | 4.6  | 7.1  | 4.0      | 2.8  |
| Repayments  | 0.5         | 0.4  | 0.9  | 1.4  | 2.0  | 1.6  | 1.9  | 1.6  | ..       | ..   |
| NET DISBURSEMENTS   | 1.2         | 1.8  | 2.8  | -0.2 | -0.3 | 0.5  | 2.7  | 5.5  | ..       | ..   |

1. Gross new commitments minus undrawn balances under cancelled arrangements.

2. Includes disbursements under the first credit tranche, compensatory financing facility and buffer stock facility (also oil facility during 1974-6).

3. A broad measure which includes net new loan commitments under standby/extended arrangements with the balance of payments assistance provided in the period outside such arrangements.

Source: IMF.

3/8/92.

CFM SPEAKING NOTES

(ii) IMF ISSUES

FUND CONDITIONALITY AND LENDING

- 1982 has been a period of consolidation after the high levels of commitments of IMF resources during 1981. Although new programme commitments for the first half of 1982 are well down on the same period last year, actual disbursements stayed fairly high (SDR 2.8bn against SDR 4.0bn last year), and if reserve tranche use is added in the drop is very much smaller still.

- Many of last year's programmes could not be sustained, but no higher a proportion than in previous years. What is encouraging is the way in which a significant number of Fund programmes are being rehabilitated or replaced by new programmes. The new programmes are perhaps more modest in initial scope and amount (eg for 1 year compared with original 3) but we hope as a general rule that

(a) they will be followed by further 1 year programmes;

(b) they will be addressed to supply side as well as demand management problems; hence combining flexibility with continuity.

- Elsewhere, notable success (eg India, Jamaica, Dominica)

- Adjustment process has not gone easier for any of us over the last year. The initial steps are generally widely recognised as necessary, but it is sustained adjustment that counts, and is often hardest to achieve.

- On top of this the external environment has not recovered as quickly as we hoped last year. (eg high interest rates, low commodity prices).

- If Fund conditionality appears to be tougher, does this not really reflect the fact that the adjustment required is more pressing and severe than in past years? Those who have tackled their problems early (eg India) tend to find the adjustment path more tolerable.

THE UNIVERSITY OF CHICAGO  
LIBRARY

The first part of the book is devoted to a study of the  
history of the United States from the beginning of the  
Revolution to the present time. The author discusses the  
political, economic, and social changes that have taken  
place during this period, and the role of the various  
groups and individuals who have shaped the course of  
the nation's development.

In the second part of the book, the author examines the  
causes and consequences of the Civil War, and the  
struggle for Reconstruction. He also discusses the  
rise of the Gilded Age, the Progressive Era, and the  
New Deal. The final part of the book deals with the  
challenges of the post-World War II era, including the  
Cold War, the Vietnam War, and the current political  
climate.

THE UNIVERSITY OF CHICAGO PRESS

CHICAGO, ILLINOIS  
1968

The author is a member of the faculty of the Department  
of History at the University of Chicago. He has written  
several books on American history, and is a frequent  
lecturer at various universities and public forums.  
His research interests include the history of the  
United States from the Civil War to the present.

ISBN 0-226-01000-0  
HARVARD UNIVERSITY LIBRARY

This book is a study of the history of the United States  
from the beginning of the Revolution to the present time.  
The author discusses the political, economic, and social  
changes that have taken place during this period, and the  
role of the various groups and individuals who have shaped  
the course of the nation's development.

- Use of compensating financing facility (CFF) beyond 50% of quota: The Chancellor will probably not want to speak on this, but the point at issue is that to qualify for CFF drawings above 50% of quota a member must - under Fund rules - demonstrate co-operation with the Fund to solve the underlying economic problems. The Fund staff are currently interpreting this to mean the existence of a Fund adjustment programme; and we generally support this interpretation given that the export shortfalls which give rise to a claim on the CFF are usually part of a deeper maladjustment.

#### QUOTA REVIEW/SDR ALLOCATIONS

- Agree need to complete Eighth Quota Review by due date (December 82). Important thereafter to get it ratified quickly (7th Review took over 2 years to achieve necessary 75% ratification).

- Agree that the Fund needs to have the resources to carry out the role assigned to it during the 1980s. But the global imbalances are declining in real terms, and the past is not necessarily the best guide to the needs of the 1980s. While the Fund should be primarily financed from quota-based resources, borrowing remains appropriate to meet recurrence of shocks.

- Members' quotas have historically been related to their share in the world economy. - Rightly, in view of IMF's wider responsibility for supervising the international monetary system and hence the world economy. Moreover, in a revolving Fund, members can expect to be both subscribers and borrowers over time. To weight the quotas towards those who have regularly borrowed endangers the liquidity of the Fund. Hence we must move in a gradual and uniform way to realign quotas with relative economic size.

\* - SDR allocations: the basic precondition - a shortage of global liquidity - does not exist at present. Liquidity is globally adequate, but badly distributed. This reflects need for adjustment.

- Promoting the SDR: Glad that Fund is reviewing how the SDR and SDR denominated assets can be promoted. There may be scope for



further improving the characteristics of the SDR, but its attractiveness depends on the ability of the issuers of its component currencies to maintain the value of their currencies.

Background: BF(82)12-18.





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FMM(82)2  
FO(82)2  
FMM(82)2.Add.1  
FO(82)2.Add.1  
FMM(82)2.Add.2 &  
FO(82)2.Add.2  
FMM(82)2.Add.3

MEETINGS OF COMMONWEALTH FINANCE MINISTERS  
AND SENIOR FINANCE OFFICIALS, LONDON  
29-31 AUGUST, 1982

Draft Agenda

Note by Secretary

A Draft Agenda for the Finance Ministers' Meeting is circulated herewith as FMM(82)2. This document was previously distributed with the Secretary-General's letter of 16 July 1982. An Annotated Draft Agenda is attached as FMM(82)2.Add.1.

A Draft Agenda for the Senior Finance Officials' Meeting (FO(82)2) and annotations to it (FO(82)2.Add.1) are also attached.

A list of documents which have been circulated or will be available at these Meetings is given for ready reference in FMM(82)2.Add.2 and FO(82)2.Add.2.

The Style and Format of Commonwealth Finance Ministers' Meetings is attached for ease of reference as FMM(82)2.Add.3.

B. Persaud

Commonwealth Secretariat,  
Marlborough House,  
London SW1.

3 August 1982.

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FMM(82)2

MEETING OF COMMONWEALTH FINANCE MINISTERS  
LONDON, 30-31 AUGUST, 1982

Draft Agenda

1. Election of Chairman
2. Adoption of Agenda
3. Current World Economic Situation and Problems (including IMF and World Bank Questions)
4. Commonwealth Functional Co-operation
5. Communiqué
6. Any Other Business (including venue for 1983 Meeting)

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FO(82)2

MEETING OF COMMONWEALTH SENIOR FINANCE OFFICIALS

LONDON, 29 AUGUST, 1982

Draft Agenda

1. Election of Chairman
2. Adoption of Agenda
3. Consideration of the content and arrangement of the Finance Ministers' Agenda
4. Preliminary consideration of items on the Finance Ministers' Agenda (including consideration of the Communiqué framework)
5. Any Other Business

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FMM(82)2. Add.2 &  
FO(82)2. Add.2

MEETINGS OF COMMONWEALTH FINANCE MINISTERS  
AND SENIOR FINANCE OFFICIALS  
LONDON, 29-31 AUGUST, 1982

List of Documentation for Meetings

For the purpose of ready reference, Secretariat documents relevant to the various items on the Draft Agendas for the 1982 Meetings of Finance Ministers and Senior Finance Officials are listed below.

Administrative Arrangements

An Aide-Memoire on conference arrangements was distributed in June. The main points, with some additional and revised information, are summarised in FMM(82)1 and FO(82)1, distributed on 20 July, 1982.

Item 2 - Adoption of Agenda

Copies of the Draft Agenda for Ministers which were circulated with the Secretary-General's letter of 16 July 1982, are now distributed as FMM(82)2. Annotations to the Draft Agenda are contained in FMM(82)2.Add.1. A draft Agenda for the Senior Finance Officials' Meeting (FO(82)2) and annotations to it (FO(82)2.Add.1) are also attached. The Guidelines on the Style and Format of Finance Ministers' Meetings are included as FMM(82)2. Add.3.

Item 3 - Current World Economic Situation and Problems  
(including IMF and World Bank Questions)

- a. Current World Economic Situation (FMM(82)3), distributed on 2 August, 1982.
- b. IMF: Recent Developments and Issues for Consideration (FMM(82)4), distributed on 3 August, 1982.
- c. World Bank: Recent Developments and Issues for Consideration (FMM(82)5), distributed on 30 July 1982.

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- d. The Financing of Multilateral Development Banks (FMM(82)8), distributed on 30 July 1982.

Item 4 - Commonwealth Functional Co-operation

- a. Aid and the Commonwealth (FMM(82)7), to be distributed shortly.
- b. Commonwealth Functional Co-operation: Follow-up Action on Conclusions of Finance Ministers' Meetings (FMM(82)6), distributed on 23 July 1982.

The attention of Delegates is also drawn to the following documents\*:

- a. Meeting of Commonwealth Finance Ministers and Senior Finance Officials, The Bahamas, September 1981: Minutes and Memoranda.\*\*
- b. Protectionism: Threat to International order; The Impact on Developing Countries, Report by a Commonwealth Expert Group, July 1982.
- c. North-South: a Programme for Survival, Report of the Independent Commission on International Development Issues, 1980.
- d. Critical International Monetary and Financial Issues, ECOSOC, Working Group on International Monetary and Financial Issues, October 1981.
- e. IMF, World Economic Outlook, April 1982.
- f. ECOSOC, The World Economic Situation 1981-83: Salient Features, April 1982.
- g. World Development Report, 1980, IBRD, June 1980.
- h. World Development Report, 1981, IBRD, August 1981.
- i. World Development Report, 1982, IBRD
- j. OECD, Economic Outlook, No. 31, July 1982.
- k. Bank for International Settlements, Fifty-second Annual Report, June 1982.
- l. Versailles Summit Conference: Communique, June 1982

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\* These documents have not been circulated by the Commonwealth Secretariat, unless otherwise indicated, but will be available for reference in London.

\*\* This document was circulated earlier to Governments; a limited number of copies will be available in London.



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- m. Interim Committee Communique, 13 May 1982 (reproduced in IMF Survey, 24 May 1982).
- n. Development Committee Communique, 14 May 1982 (reproduced in IMF Survey, 24 May 1982).
- o. Group of 24 Communique, 11 May 1982 (reproduced in IMF Survey, 24 May 1982).
- p. United States Participation in the Multilateral Development Banks in the 1980s plus Executive Summary, US Treasury, February 1982.
- q. World Bank, Annual Report, 1981.
- r. IMF, Annual Report, 1981.
- s. Development Co-operation, 1981 Review, Report by the Chairman of the Development Assistance Committee, OECD, November 1981.
- t. Resources for Developing Countries 1981, OECD Communique on aid and other financial flows, June 1982.
- u. Outline for a Programme of Action on International Monetary Reform, Group of 24, 1979.
- v. Accelerated Development in Sub-Saharan Africa: An Agenda for Action, World Bank, 1981.
- w. Reports of the Group of Thirty:
  - Balance of Payments Problems of Developing Countries, 1981
  - Risks in International Bank Lending, 1982
  - The Problem of Exchange Rates, 1982

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Recapitulation of Secretariat papers for 1982

Meetings in order of document numbers

|                    |  |
|--------------------|--|
| FMM(82)1 & FO(82)1 | <u>Conference Arrangements</u><br>(Distributed on 20 July 1982)  |
| FMM(82)2           | <u>Draft Agenda for the Meeting of Commonwealth Finance Ministers, 1982</u> (Distributed herewith)   |
| FMM(82)2.Add.1     | <u>Annotated Draft Agenda for the Meeting of Commonwealth Finance Ministers, 1982</u> (Distributed herewith)                                 |
| FMM(82)2.Add.3     | <u>Guidelines on the Style and Format of Commonwealth Finance Ministers' Meetings</u> (Recirculated herewith)                                |
| FO(82)2            | <u>Draft Agenda for the Meeting of Commonwealth Senior Finance Officials, 1982</u> (Distributed herewith)                                    |
| FO(82)2.Add.1      | <u>Annotated Draft Agenda for the Meeting of Commonwealth Senior Finance Officials, 1982</u> (Distributed herewith)                          |
| FMM(82)3           | <u>Current World Economic Situation</u><br>(Distributed on 2 August, 1982)   |
| FMM(82)4           | <u>IMF: Recent Developments and Issues for Consideration</u> (Distributed on 3 August, 1982)   |
| FMM(82)5           | <u>World Bank: Recent Developments and Issues for Consideration</u><br>(Distributed on 30 July, 1982)  |
| FMM(82)6           | <u>Commonwealth Functional Co-operation: Follow-up Action on Conclusions of Finance Ministers' Meetings</u><br>(Distributed on 23 July 1982) |
| FMM(82)7           | <u>Aid and the Commonwealth</u><br>(To be distributed shortly)   |
| FMM(82)8           | <u>The Financing of Multilateral Development Banks</u><br>(Distributed on 30 July 1982)  |

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Item 4 - Preliminary consideration of items on the Finance Ministers' Agenda (including consideration of the draft Communiqué)

4. Senior Finance Officials may wish to give preliminary consideration to selected items on the Finance Ministers' Agenda. This could assist Officials in identifying those issues in which Ministers may have a particular interest, as well as in clarifying some of the underlying considerations and technical issues involved in the relevant international discussions.

5. Senior Finance Officials may also wish to review the programmes for Commonwealth functional co-operation such as the programme on capital markets and the Secretariat's project on private foreign direct investment. Comments and guidance are of considerable value in planning future Secretariat activities. As the capacity to respond to specific requirements of member countries under the Capital Markets Programme increases, it is particularly important for the Secretariat to be guided by the Senior Finance Officials' views and advice.

6. In order to expedite the preparation of a draft Communiqué for consideration by Ministers, a framework will be circulated as usual by the Secretariat at the Senior Finance Officials' Meeting. Preliminary consideration by Senior Finance Officials is not intended to replace the work of the drafting committee which will need to take into account the Ministerial discussion as it proceeds.

MEETING OF COMMONWEALTH SENIOR FINANCE OFFICIALS

LONDON, 29 AUGUST, 1982

Annotated Draft Agenda\*

Item 1 - Election of Chairman

The Chairman will be elected in accordance with customary practice.

Item 2 - Adoption of Agenda

2. A draft agenda for Senior Finance Officials is given in FO(82)2. Senior Officials are primarily concerned with (a) recommending the content and order of the Finance Ministers' Draft Agenda; and (b) preliminary consideration of substantive items for the purpose of briefing Ministers prior to the Ministerial meeting.

Item 3 - Consideration of the content and arrangement of the Finance Ministers' Agenda

3. The draft agenda for Ministers (FMM(82)2), circulated by the Secretariat after consultation with Governments, follows the customary practice of including broad headings. Annotations to the draft agenda are given in FMM(82)2.Add.1, suggesting some specific issues which might be considered under each item. In recommending to Ministers specific topics which might provide focus for their discussions, Senior Finance Officials may wish to note the further deterioration over the past 12 months in the world economy and particularly the worsening situation of many low and middle income countries as a result of depressed exports and commodity prices, high international interest rates, falling aid flows and the resource problems of the multilateral development banks. Some of the financial issues that are likely to arise subsequently in Toronto (at the Fund/Bank annual meetings), and also in Suva (Commonwealth Regional Heads of Government Meeting) are referred to in FMM(82)3, FMM(82)4, FMM(82)5 and the consultant's paper, FMM(82)8.

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\* For ease of reference, a list of relevant documents is given in FMM(82)2. Add.2 and FO(82)2. Add.2.

RESTRICTED

*not relevant*

*3/8/82*

FMM (82)1 & FO (82)1

MEETINGS OF COMMONWEALTH FINANCE MINISTERS  
AND SENIOR FINANCE OFFICIALS  
LONDON, 29-31 AUGUST 1982

CONFERENCE ARRANGEMENTS

Note by Secretary

This Note summarises the main points of the Aide-Memoire on Conference Arrangements circulated earlier. It also gives further information about the provisional schedule of meetings and includes the provisional programme of social events.

1. PLACE AND DATES OF MEETINGS

- (a) The Meeting of Senior Commonwealth Finance Officials will be held on Sunday, 29 August 1982 at 1430 hours.
- (b) The Meeting of Commonwealth Finance Ministers will commence on Monday, 30 August at 1000 hours and is scheduled to end on Tuesday, 31 August.
- (c) Contrary to the advice conveyed earlier to Governments in the Aide-Memoire on Conference Arrangements, a meeting of the Board of Representatives of the Commonwealth Fund for Technical Cooperation will not be held before this year's Meeting of Finance Ministers.
- (d) All the Meetings will be held in Lancaster House, London. The Opening Ceremony will be in nearby Marlborough House.

2. PROVISIONAL SCHEDULE

Senior Finance Officials

Sunday, 29 August

1430 to 1600 hours

Afternoon Session

1600 to 1615 hours

Tea Break

1615 to 1730 hours

Continuation of  
Afternoon Session.

Finance Ministers

Monday, 30 August

Opening and Morning Session

A separate programme will be issued for these proceedings starting at 1000 hours.

1430 to 1600 hours

Afternoon Session

1600 to 1615 hours

Tea Break

1615 to 1730 hours

Continuation of Afternoon Session

Tuesday, 31 August

0930 to 1100 hours

Morning Session

1100 to 1115 hours

Coffee Break

1115 to 1230 hours

Continuation of Morning Session

1430 to 1700 hours\*

Afternoon Session

\*with tea break at 1545 hours if necessary

3. DELEGATIONS

- (a) Governments are asked immediately to inform the Commonwealth Secretariat's Conference Unit, if they have not already done so, of the names of delegates (in protocol order).
- (b) Delegates are also requested urgently to inform the British Government direct of the date, flight number and expected time of their arrival in Britain. The designated officer to be informed is:

Miss Betty Randall  
Room 115/G  
Treasury  
Parliament Street  
London SW1P 3AG

Telex: 20255  
Telephone: 01-233-3808

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4. DIRECTORY OF DELEGATIONS AND SECRETARIAT

A provisional list of delegates will be made available on arrival. This will include an alphabetical list of delegates and of Secretariat staff.

5. ARRIVAL AND REGISTRATION

(a) The British Government has made arrangements for the Head of Delegation and the party accompanying him/her to be met on arrival at London airports provided advance notice is given of arrival times, etc. A chauffeur-driven car will be ready at the airport for each Head of Delegation. Suitable baggage tags have been supplied to Commonwealth Missions in London for despatch to their delegations.

(b) Delegates arriving separately from the Heads of Delegation are requested to move through normal channels at the port of entry, unless advance notice has been given to designate these delegates as being the guests of the host Government.

(c) The British Government will be responsible for providing delegates with their identity passes and documentation kits after arrival and for giving general assistance thereafter for the duration of the Meeting.

6. DEPARTURE FOR TORONTO

The British Government will assist delegations in their departure for Toronto, provided departure plans are notified well in advance. There will be no special flight arranged for delegates attending the IMF/World Bank Meetings. There are two daily scheduled direct flights, London-Toronto (AC 857 at 1200 hours and BA 073 at 1515 hours). There are also many other daily flights to Toronto from London via Montreal, Boston and New York.

7. MEETING ACCOMMODATION

(a) The Opening Ceremony will be held in Marlborough House, London - the head office of the Commonwealth Secretariat.

(b) The plenary sessions for both the Finance Officials and Ministerial Meetings will be held in the Long Gallery, Lancaster House. The Officials' Meeting for preparing the draft Communique will be held in the Music Room near the Long Gallery.

8. LIVING ACCOMMODATION

Accommodation for all delegations has been reserved at various London hotels. If they have not already done so, delegates are requested to notify immediately the host Government of their hotel preferences and delegation numbers. The provisional directory will contain the names of the hotels where delegates are staying.

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9. SECRETARIAT

- (a) The Commonwealth Secretary-General, together with the host Government, will be responsible for the organisation of the Meeting with assistance from the Commonwealth Deputy Secretary-General (Economic).
- (b) The host Government will be responsible for providing the accommodation for the Meeting, security, communications, transport for Heads of Delegation, office equipment, furniture, furnishings and stationery.

10. RECORDS AND DOCUMENTS

- (a) The Secretariat will prepare summary records of the plenary sessions. These records are expected to be available within 24 hours of the conclusion of each session. Delegations will be requested to provide amendments, if any, to the summaries in writing to the Conference Secretary within 24 hours of circulation.
- (b) All Meeting documents will be numbered: FO(82) for the Officials' Meeting and FMM(82) for the Ministers' Meeting. A special distribution centre will be provided.

11. SECURITY ARRANGEMENTS

- (a) Entry into the Meeting area will be restricted to pass-holders.
- (b) Passes will be issued to delegates on arrival in London. Loss of a pass should be reported immediately to the Security Officer.
- (c) Classified documents should not be left in hotel bedrooms.

12. COMMUNICATIONS

Post, telegraphic, and telephone facilities will be available in Lancaster House.

13. MESSAGE CENTRE

A message centre will be available in the Meeting area.

14. PRESS ARRANGEMENTS

Requests for accreditation should be addressed to the Director, Information Division, Commonwealth Secretariat, Marlborough



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House, London. Press briefings will be conducted by the Secretary-General or his representative. Press releases will be issued by the Press Officer of the Secretariat.

15. TRANSPORTATION

The British Government will provide each Head of Delegation with a chauffeur-driven car. Additional transport needs are the responsibility of delegates and/or their High Commissions, including travel between airports and hotels.

16. REFRESHMENTS

Coffee and tea will be available during the breaks.

17. SOCIAL PROGRAMME

A provisional programme of social events is attached. The final programme will be made available to delegates on arrival.

B. Persaud

Commonwealth Secretariat,  
Marlborough House,  
London, SW1.

20 July 1982

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Social Programme (Provisional)

Monday, 30 August

1245 to 1430 hours

Luncheon by Commonwealth Secretary-General and Mrs. Ramphal for Heads of Delegation and their spouses, State Dining Room, Lancaster House.

1830 to 2300 hours

Boat trip, Westminster Pier to Tower of London (and return); reception at the Tower hosted by the Chancellor of the Exchequer and Lady Howe; Ceremony of the Keys at the Tower.

Tuesday, 31 August

1245 to 1430 hours

Luncheon by the Chancellor of the Exchequer and Lady Howe for Heads of Delegation and their spouses, No. 11 Downing Street.

1245 to 1430 hours

Luncheon by Sir Kenneth Couzens for the senior official in each delegation, Lancaster House.

1245 to 1430 hours

Luncheon by Governor of the Bank of England for central bankers in the delegations at the Bank of England.

Afternoon

Ladies programme.

The dress for the social functions will be informal.

Oratation.

*Jhu*



3/8/92

This gold bullion half sovereign comes from the first minting of bullion half sovereigns in the United Kingdom for 67 Years.

The design is traditional. The obverse bears the famous portrait of Her Majesty the Queen by Arnold Machin that has appeared on almost all UK coins since 1968. The reverse carries a striking portrayal of the battle between St. George and the dragon. It was executed by Benedetto Pistrucci, an Italian engraver born in 1784. He travelled to England under the patronage of the Prince Regent and was originally commissioned to produce the design for sovereigns bearing the head of the Prince's father King George III.

The gold half sovereign was first produced in its present form with the Pistrucci engraving in 1817. It was coined by the Royal Mint at Tower Hill almost every year over the next century. Prior to 1915 the coin was in everyday use in many of the countries which now make up the Commonwealth; and indeed was minted in some of them.

Any coins minted after 1837 - including the latest 1982 minting - are still legal tender within the United Kingdom. Their face value is precisely fifty pence. But as their gold value is so much greater any shopkeeper would be very surprised indeed to be offered one - but would no doubt accept it happily.

In fact, like the sovereign half sovereigns fell out of everyday use after one pound and ten shilling banknotes were introduced in 1914. By 1917 production of gold coins had ceased to be part of the Royal Mint's regular coinage work.

Today half sovereigns are produced at the Royal Mint's modern plant at Llantrisant in Wales. They are then stored in the Bank of England's vaults in Threadneedle Street and sold in wholesale batches to members of the London Gold Market who in turn sell the coins to overseas purchasers and retail coin dealers in this country. The names and addresses of members  
... of the London Gold Market are attached.



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Fifth main paragraph of faint, illegible text.



MEMBERS OF THE LONDON GOLD MARKET

Johnson Matthey Bankers Limited  
5 Lloyds Avenue  
LONDON  
EC3N 3DB  
Telephone: 01-481 3181  
Telex: 884491

Mocatta & Goldsmid Limited  
Park House  
16 Finsbury Circus  
LONDON  
EC2M 7DA  
Telephone: 01-638 3636  
Telex: 889232

Samuel Montagu & Co. Limited  
114 Old Broad Street  
LONDON  
EC2P 2HY  
Telephone: 01-588 6464  
Telex: 887216/886635

N.M. Rothschild & Sons Limited  
New Court  
St. Swithin's Lane  
LONDON  
EC4P 4DU  
Telephone: 01-626 4356  
Telex: 8812101

Sharps, Pixley Limited  
10 Rood Lane  
LONDON  
EC3M 8BB  
Telephone: 01-623 8000  
Telex: 887017



MEETINGS OF COMMONWEALTH FINANCE MINISTERS  
AND SENIOR FINANCE OFFICIALS  
LONDON, 29-31 AUGUST 1982

List of Documents

|                    |  |
|--------------------|--|
| FMM(82)1 & FO(82)1 | Conference Arrangements  |
| FMM(82)2           | Draft Agenda for the Meeting of Commonwealth Finance Ministers, 1982                                 |
| FMM(82)2.Add.1     | Annotated Draft Agenda for the Meeting of Commonwealth Finance Ministers, 1982                       |
| FMM(82)2.Add 3     | Guidelines on the Style and Format of Commonwealth Finance Ministers' Meetings                       |
| FO(82)2            | Draft Agenda for the Meeting of Commonwealth Senior Finance Officials, 1982                          |
| FO(82)2.Add.1      | Annotated Draft Agenda for the Meeting of Commonwealth Senior Finance Officials, 1982                |
| FMM(82)3           | Current World Economic Situation   |
| FMM(82)4           | IMF: Recent Developments and Issues for Consideration  |
| FMM(82)5           | World Bank: Recent Developments and Issues for Consideration   |
| FMM(82)6           | Commonwealth Functional Co-operation: Follow-up Action on Conclusions of Finance Ministers' Meetings |
| FMM(82)7           | Aid and the Commonwealth   |
| FMM(82)8           | The Financing of Multilateral Development Banks  |
| FMM(82)9           | Protectionism: Threat to International Order (Report by Commonwealth Group of Experts)               |
|                    | Press Release and Circular letters   |





Ambassador B. A. Clark  
(Nigeria)

The Hon. D. Hoyte  
(Guyana)

The Hon. Alan Macfadden  
(Canada)

The Hon. John Compton  
Prime Minister of St. Lucia

Lady Cairncross

The Hon. George Price  
Prime Minister of Belize

Mrs. Muldoon

The Rt. Hon. Sir Geoffrey Howe  
QC, MP

The Hon. Miss Eugenia Charles  
Prime Minister of Dominica

H.E. Mr. S. S. Ramphal  
Commonwealth Secretary-General

Lady Howe

The Rt. Hon. R.D. Muldoon, CH  
Prime Minister of New Zealand

Mrs. Ramphal

The Rt. Hon. Edward Seaga, MP  
The Prime Minister of Jamaica

Mrs. Cato

The Hon. Sir Thomas Davis, KBE  
Prime Minister of Cook Islands

The Rt. Hon. R.M. Cato, PC  
Prime Minister of St. Vincent

The Hon. Lester Bird  
Deputy Prime Minister of Antigua

Sir Alec Cairncross

Mrs. J. Howard  
(Australia)

Mr. John Small  
(Commonwealth Secretariat)

The Hon. Simeon Daniel  
(St. Kitts-Nevis)

Senator Clive Griffith  
(Barbados)

Lady Barber

Mrs M. Malhoutra

Mrs. R. de Mel  
(Sri Lanka)

The Hon. Salia Jusu-Sheriff  
(Sierra Leone)

Mrs. J.H. Brembridge  
(Hong Kong)

The Hon. K. Musokotwane  
(Zambia)

The Hon. Dr. Ling Liong Sik  
(Malaysia)

Mrs. H. S. Walker  
(Jamaica)

H.E. Mr. E. R. Kamuntu  
(Uganda)

Mrs. K. Kalsakau  
(Vanuatu)

The Hon. Dr. Kwesi Botchwey  
(Ghana)

Mrs. N.J. Robson

Mr. J. H. Brembridge  
(Hong Kong)

Mrs. David Anderson

The Hon. R. de Mel  
(Sri Lanka)

The Hon. Victor Masi  
(Nigeria)

Mr. Pehin Dato John Lee  
(Brunei)

The Hon. P. S. Mmusi, MP  
(Botswana)

The Hon. Dr. T.G. Chidzero  
(Zimbabwe)

The Hon. K.T.J. Raketla  
(Lesotho)

Mrs. N.J. Robson

Lord Eric Roll

Mrs. A. D. Hanna  
(The Bahamas)

The Hon. Lino Spiteri, MP  
(Malta)

The Hon. P. K. Mukherjee  
(India)

The Hon. John Howard, MP  
(Australia)

The Hon. A. H. Jamal  
(Tanzania)

The Hon. Arthur D. Hanna  
(The Bahamas)

Lady Roll

Dr. B. Persuad  
(Commonwealth Secretariat)

Mrs. B. Chidzero  
(Zimbabwe)

The Hon. J. David Gibbons  
(Bermuda)

Mrs. S. Vasiliou  
(Cyprus)

Mrs. P. Lee  
(Brunei)

H.E. Dr. Alexis H. Sarei  
(Papua New Guinea)

Mrs. K.T.J. Raketla  
(Lesotho)

Mr. M. Malhoutra

The Hon. C. A. Jacelon  
(Trinidad & Tobago)

Mrs. K. Musokotwane  
(Zambia)

The Hon. Arthur K. Magugu, MP  
(Kenya)

H.E. Ratu Josua B. Toganivalu,  
(Fiji) CBE

Mrs. A. J. Strydom  
(Swaziland)

Mrs. P. K. Mukherjee  
(India)

The Hon. K. Kalsakau  
(Vanuatu)

The Hon. Batholomew Ulufa'Alu  
(Solomon Islands)

Mrs. J. C. Cocker  
(Tonga)

H.E. Mr. H. S. Walker  
(Jamaica)

The Rt. Hon. Lord Barber

Mrs. H. L. Stoutt  
(British Virgin Islands)

The Hon. L. C. Chaziya  
(Malawi)

Mr. Q. Siddiqi  
(Commonwealth Secretariat)

Cde. Bernard Coard  
(Grenada)

Mrs. Salia Jusu-Sheriff  
(Sierra Leone)

The Hon. H.L. Stoutt  
(British Virgin Islands)

Mrs. S. Daniel  
St. Kitts-Nevis)

The Hon. Sheriff Sisay  
(The Gambia)

Mr. David Anderson  
(Commonwealth Secretariat)

The Hon. Dr. Tony Tan Keng  
(Singapore) Yan

Mr. G. J. Morel  
(Seychelles)

Mr. A. J. Strydom  
(Swaziland)

Mrs. A. K. Magugu  
(Kenya)

3/2



3/8/82.

COMMONWEALTH FINANCE MINISTERS' MEETING (CFMM): 30-31 AUGUST 1982  
COMMONWEALTH MATTERS

POINTS TO MAKE/TALKING POINTS

1. Very grateful to Commonwealth and Commonwealth Secretary-General for their help during Falklands crisis. Hope association will continue to support us in coming months (e.g. at UN).
2. Last twelve months a good year for Commonwealth. Excellent 1981 Heads of Government Meeting (CHOGM), three new members, and successful and effective work by Commonwealth Military Training Team in Uganda. Impression that Commonwealth's morale, cohesion and its international reputation are high. Very much hope that atmosphere will not be spoilt by renewed disagreement over participation in Commonwealth Games.
3. Future otherwise bright. Healthy pattern of future meetings, continuing work in Uganda and possibility of Commonwealth's further involvement in Belize. Association's continuing developmental work also impressive.
4. (If raised): Know that Prime Minister much regrets her inability to play a part in this year's CFMM.
5. (If raised): We need to think carefully about procedures at CHOGMs. Melbourne meeting too formal, insufficiently confidential and perhaps longer than it need have been. Hope Senior Officials can discuss this at their meeting in Tanzania.
6. (Defensive): Aware of importance Commonwealth members attach to question of overseas students' fees. Government now studying Overseas Students' Trust report 'A Policy for Overseas Students' to see what can be done. But no new money likely.



## ESSENTIAL FACTS

FALKLANDS

1. Commonwealth Secretary-General and vast majority of Commonwealth members gave us staunch support during Falklands crisis (exceptions: Cyprus, Grenada, India, Malta and Nauru). British Government's thanks conveyed as necessary and clearly stated by Prime Minister in House of Commons. Commonwealth's further help important during coming United Nations session, when crucial to assert issue of self-determination for Islanders vis à vis Argentine claims of sovereignty.

BRITAIN AND COMMONWEALTH

2. Britain's relations with Commonwealth excellent - in part as reflection of association's support for us during Falklands crisis. We support Commonwealth's official bodies at a flat rate of c. 30% of their budgets. Further background in note annexed.

COMMONWEALTH GENERAL

3. Commonwealth morale and cohesion have fluctuated over last few years (high points now, and in wake of Rhodesia settlement: low point during row last summer over venue of 1981 CFMM following Springbok tour to New Zealand).

PROCEDURES AT HEADS OF GOVERNMENT MEETINGS (CHOGMs)

4. These meetings are much valued by Commonwealth Heads of Government. But they are in danger of losing their earlier confidentiality and informality. We know that some other Governments (e.g. the Canadians) share some of our reservations. Meeting in Arusha, Tanzania, of Commonwealth Senior Officials (December 1982) will offer like-minded governments an opportunity to press for change.

NEW MEMBERSHIP

5. Since last CFMM Belize, and Antigua and Barbuda have both joined Commonwealth on independence. The Maldives, which did not join on independence in 1965, have also joined (as a 'special' member). Commonwealth's total membership now 47.

/MILITARY ...



MILITARY TRAINING TEAM IN UGANDA

6. Established by Commonwealth Secretary-General in March this year, with objective to inculcate a sense of discipline into unruly Uganda National Liberation Army. Team drawn from Britain, Australia, Canada, Guyana, Jamaica, Sierra Leone and Tanzania, (with Britain providing commander and nearly half its members). Encouraging start.

COMMONWEALTH GAMES

7. Brisbane, 30 September - 9 October. Earlier this year under threat of possible boycott by number of (mostly African) Commonwealth countries as further protest at last year's Springbok tour to New Zealand. Threat for a time averted by compromise agreement at meeting in May of Commonwealth Games Federation (CGF), but now revived by disagreement over exact form to be taken by changes, then agreed in outline, to CGF constitution.

FUTURE COMMONWEALTH MEETINGS

8. These include:

- a) Commonwealth Heads of Government Regional Meeting (CHGRM): 14 - 18 October, in Fiji (at which Britain is not represented);
- b) Annual General Meeting of Commonwealth Parliamentary Association (CPA): 16 - 22 October, in Bahamas. (British delegation will be led by Mr Marten);
- c) Commonwealth Senior Officials' Meeting (CSOM): probably 1 - 3 December, in Arusha;
- d) Commonwealth Law Ministers' Meeting (CLMM): probably February, in Sri Lanka;
- e) Commonwealth Heads of Government Meeting (CHOGM): probably 23 - 30 November 1983, in New Delhi..

BELIZE

9. Commonwealth Secretary-General currently studying, in conjunction with ourselves and Belizean Government, ways in which Commonwealth might assist in maintaining security of Belize (vis à vis threat from Guatamala). One possibility is Commonwealth Military Training Team similar to that in Uganda.

/COMMONWEALTH'S..





COMMONWEALTH'S DEVELOPMENTAL WORK

10. Commonwealth undertakes considerable development work, primarily through Commonwealth Fund for Technical Cooperation (CFTC), Commonwealth Youth Programme (CYP) and Commonwealth Agricultural Bureaux (CAB).

PRIME MINISTER AND CFMM

11. Some disappointment in Commonwealth circles at Prime Minister's inability (she will be out of London) to open CFMM or to host reception for Commonwealth guests. (It has become normal practice for Prime Ministers to open CFMMs, though there have been exceptions).

OVERSEAS STUDENTS' FEES

12. Commonwealth very concerned at 1980 rise in overseas students' fees and Commonwealth Secretary-General recently told Foreign and Commonwealth Secretary that most important single sign that Britain could give of a wish to help Commonwealth would be some concession on fees for Commonwealth students. British Government now studying recent OST Report, but have already indicated that no new money can be made available.



## THE COMMONWEALTH AND BRITAIN

1. The Commonwealth, as defined by the 1971 Singapore Declaration, is 'a voluntary association of independent sovereign states, each responsible for its own policies, consulting and cooperating in the common interests of their peoples and in the promotion of international understanding and world peace'.
2. The association has developed almost entirely from Britain's former colonial Empire. While many date the modern Commonwealth from the end, in 1947, of British rule in India, the foundations of the association's subsequent development were laid in 1931 by the Statute of Westminster which defined Britain's relations with the then Dominions.
3. Today the Commonwealth has 47 members (of which 43 are full members and 4 'special' members). A list is attached at Annex A. The vast majority come from the developing world, and range from large countries like India and Nigeria to small Pacific and Caribbean islands. Commonwealth countries contain more than a billion people, or approximately one quarter of the world's population, and the association's membership is drawn from all continents and embraces almost every race, religion and major language.
4. By virtue of their common history, member countries have to a greater or lesser extent, similar infrastructures, and educational and legal systems and a common language in English. Seventeen members recognize The Queen as Head of State. All members recognize her as Head of the Commonwealth. The Commonwealth relationship is informal and the association has neither constitution nor charter.
5. The Commonwealth Secretariat, which was established in 1965, coordinates the wide range of the Commonwealth's official activities. These include an intensive programme of ministerial and other meetings (whose keynote is frankness and informality), a variety of political and economic initiatives and a healthy programme of developmental work (particularly through the

/Commonwealth ...



Commonwealth Fund for Technical Cooperation). Current Commonwealth activities include the provision and maintenance of a Military Training Team in Uganda (established by Commonwealth Secretary-General; team drawn from 7 Commonwealth countries, including Britain, which provides the Commander and nearly half the personnel).

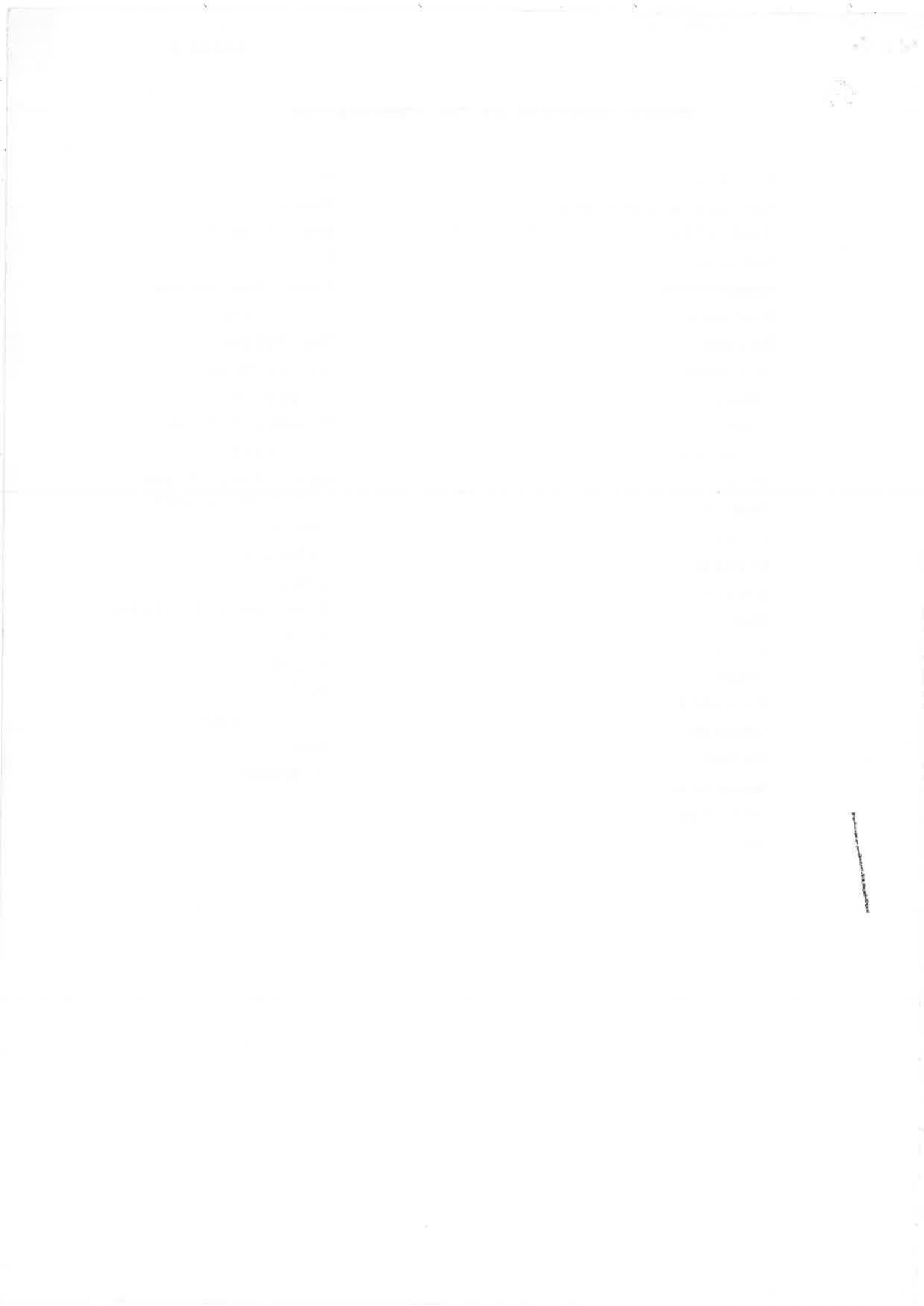
6. Successive British Governments have greatly valued our Commonwealth membership, and have played a full part in the association's activities.

7. Apart from the work of the Secretariat and the other official Commonwealth organisations e.g. the Commonwealth Agricultural Bureaux, the Commonwealth Telecommunications Bureau and the Commonwealth Foundation (all of which the British Government funds at, or about, 30%), a vast range of unofficial non-governmental activities also take place under the aegis of the Commonwealth. These are particularly valuable in linking professional and semi-professional bodies throughout the association's member countries.



## MEMBER COUNTRIES OF THE COMMONWEALTH

|                     |                                     |
|---------------------|-------------------------------------|
| Britain             | Mauritius                           |
| Antigua and Barbuda | Nauru                               |
| Australia           | New Zealand                         |
| Bahamas             | Nigeria                             |
| Bangladesh          | Papua New Guinea                    |
| Barbados            | Saint Lucia                         |
| Belize              | Seychelles                          |
| Botswana            | Sierra Leone                        |
| Canada              | Singapore                           |
| Cyprus              | Solomon Islands                     |
| Dominica            | Sri Lanka                           |
| Fiji                | Saint Vincent and<br>the Grenadines |
| Gambia              | Swaziland                           |
| Ghana               | Tanzania                            |
| Grenada             | Tonga                               |
| Guyana              | Trinidad and Tobago                 |
| India               | Tuvalu                              |
| Jamaica             | Uganda                              |
| Kenya               | Vanuatu                             |
| Kiribati            | Western Samoa                       |
| Lesotho             | Zambia                              |
| Malawi              | Zimbabwe                            |
| Malaysia            |                                     |
| Maldives            |                                     |
| Malta               |                                     |







Deputy Prime Minister  
Minister of Finance

Vice-premier ministre  
Ministre des Finances

*pur*

|              |                          |
|--------------|--------------------------|
| CH/EXCHEQUER |                          |
| REC.         | - 9 AUG 1982             |
| ACTION       | Miss Randall             |
| COMB         | Mr Carey <sup>11/5</sup> |
| AUG          | 3 1982                   |
|              | Mr Slater                |
|              | Mr Bowley                |

*Dear Geoffrey*

Thank you for your recent letter regarding the Commonwealth Ministers meeting scheduled for London on August 30-31st.

I accept and appreciate your kind offer of hospitality and look forward to useful and productive meetings.

With best regards,

Yours sincerely,

*Allan J. MacEachen*  
Allan J. MacEachen

The Rt. Hon. Geoffrey Howe  
Chancellor of the Exchequer  
of Great Britain  
Treasury Chambers  
Parliament Street  
London, England  
SW1P 3AG



UNCLASSIFIED

FROM : M H ATKINSON

DATE : 3 AUGUST 1982

MR BONNEY

CFM : CHANCELLOR'S SPEECH

1. Your minute of 22 July.
2. I attach a cluster of trigger notes on the various IMF issues raised. I expect that the IMF/IBRD Annual Meeting briefs will provide much of the supporting background.

  
pp M H ATKINSON

UNCLASSIFIED



## FUND CONDITIONALITY AND LENDING

- 1982 has been a period of consolidation after the high levels of commitments of IMF resources during 1981. Although new programme commitments for the first half of 1982 are well down on the same period last year, actual disbursements stayed fairly high (SDR 2.8bn against SDR 4.0bn last year), and if reserve tranche use is added in the drop is very much smaller still.
- Many of last year's programmes could not be sustained, but no higher a proportion than in previous years. What is encouraging is the way in which a significant number of Fund programmes are being rehabilitated or replaced by new programmes. The new programmes are perhaps more modest in initial scope and amount (eg for 1 year compared with original 3) but we hope as a general rule that
  - a) they will be followed by further 1 year programmes;
  - b) they will be addressed to supply side as well as demand management problems; hence combining flexibility with continuity.
- Elsewhere, notable success (eg India, Jamaica, Dominica)
- Adjustment process has not got easier for any of us over the last year. The initial steps are generally widely recognised as necessary, but it is sustained adjustment that counts, and is often hardest to achieve.
- On top of this the external environment has not recovered as quickly as we hoped last year. (eg high interest rates, low commodity prices).
- If Fund conditionality appears to be tougher, does this not really reflect the fact that the adjustment required is more pressing and severe than in past years? Those who have tackled their problems early (eg India) tend to find the adjustment path more tolerable.



## QUOTA REVIEW/SDR ALLOCATIONS

### *EIGHTH*

- Agree need to complete ~~Eighth~~ Quota Review by due date (December 82). Important thereafter to get it ratified quickly (7th Review took over 2 years to achieve necessary 75% ratification).
  
- Agree that the Fund needs to have the resources to carry out the role assigned to it during the 1980's. But the global imbalances are declining in real terms, and the past is not necessarily the best guide to the needs of the 1980's. While the Fund should be primarily financed from quota-based resources, borrowing remains appropriate to meet recurrence of shocks.
  
- Member's quotas have historically been related to their share in the world economy. - rightly, in view of IMF's wider responsibility for supervising the international monetary system and hence the world economy. Moreover, in a revolving Fund, members can expect to be both subscribers and borrowers over time. To weight the quotas towards those who have regularly borrowed endangers the liquidity of the Fund. Hence we must move in a gradual and uniform way to realign quotas with relative economic size.
  
- SDR allocations: the basic precondition - a shortage of global liquidity - does not exist at present. Liquidity is globally adequate, but badly distributed. This reflects need for adjustment.







~~Off with advice~~  
Cc ~~Mr Bonyay~~

Foreign and Commonwealth Office

London SW1A 2AH

|           |  |
|-----------|--|
| REC       | - 4 AUG 1982   |
| ACTION    | Miss Finchem 5.8   |
| COPIES TO | Esq, Sir K Carrons,<br>Mr Litter,<br>Mr Carey<br>Mr Slater |

3 August, 1982

Dear John,

Commonwealth Finance Ministers' Meeting (30-31 August)

I am writing to seek your agreement to the Chancellor of the Exchequer's receiving Mr Victor Masi, Finance Minister of Nigeria, for a short bilateral meeting in the margins of the Commonwealth Finance Ministers' Meeting (30-31 August).

In recent discussions with the Minister in our High Commission in Lagos, Masi has voiced some regret at the lack of depth in his contacts with his British counterparts, and expressed a strong wish to meet the Chancellor of the Exchequer should a suitable opportunity arise. In response to this, the post recommended that Masi be invited as an official visitor. A little extra attention to Masi at the CFFM, which he is attending at the Chancellor's invitation, would make a separate invitation later in the year less necessary. We therefore very much hope that a meeting with the Chancellor will be possible.

The currently excellent relations between Britain and Nigeria have been much helped by a series of high-level visits in both directions over the last two years. Nigeria's position as Britain's largest trading partner outside Europe and the United States (1981 trade surplus of around £1 billion - more than with Saudia Arabia or with all of Latin America together) makes regular contact between British Ministers and their Nigerian counterparts particularly valuable. Also, there are several substantive points for discussion with Masi including the effects of Nigerian austerity measures on British exporters.

Yours over,

*Francis Richards*

(F N Richards)  
Private Secretary

J O Kerr Esq  
HM Treasury

1910

1910





Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

4 August 1982

Brigadier J A C Cowan MBE  
Government Hospitality Fund  
2 Carlton Gardens  
LONDON  
SW1Y 5AA

*Dear Brigadier Cowan,*

Thank you for your letter of 23 July about the proposed evening reception at the Tower of London on 30 August.

The Chancellor has noted that the estimated cost of the reception is considerably higher than was originally envisaged. But looked at in comparison with most international meetings - and certainly compared with most CFMs, from the 1972 London meeting onwards - the entertainment programme for the 1982 CFM is quite a modest one. For the three days of the meetings - the official meeting on 29 August, and the Ministers' meeting on 31 and 31 August - only two social functions at government cost are planned. One of these - the buffet lunch at No.11 - is restricted to heads of delegations and their wives. The Tower Reception will be the only occasion when all members will be entertained together. The Chancellor thinks it would be appropriate to regard this reception as a substitute, not just for the usual straightforward evening reception, but for the various other lunches, dinners and banquets which are normally organised by the host government of these meetings.

The Chancellor sees the CFM as an important opportunity to build further on the good will which exists towards this country in the Commonwealth generally. The Tower Reception is intended to be the highlight of the whole proceedings. He hopes that you will now proceed to the final stages of planning and preparation, to make the evening the success he wants it to be.

*Yours sincerely,*

*Jill Rutter*

JILL RUTTER  
Private Secretary



CONFIDENTIAL

FROM: A R H BOTTRILL  
DATE: 4 AUGUST 1982

THE CHANCELLOR

cc Economic Secretary  
Sir K Couzens  
Mr Burns  
Mr Littler  
Mr Carey  
Mr Kemp  
Mr Lavelle  
Mr Beastall  
Mr Slater  
Mr Peretz  
Mr Atkinson (o/r)  
Mr Graham  
Mr Ridley

IMF SPEECH

I attach a first fairly full draft of your IMF speech drawing on Mr Lavelle's earlier work and your discussions with him and with others. The draft will need considerable polishing, and the balance may not always be right yet.

2. In particular, you may find the passage on the US too pointed although I have tried to strike a sympathetic note. The alternative of dispersing references through the speech is not easy given the speech's structure. There is also a certain logic in using the US as a fulcrum to move from the post-Versailles aspirations to the immediate world prospects that confront us.

3. I know that Mr Lavelle was concerned as to how the strategic Versailles consensus might be made relevant in the short-term. The Americans have been foremost in preaching the need for sound medium-term policies but we know from our own experience that this needs difficult short-term decisions.

4. You will note that we have also included a fairly explicit reference to the appropriate size of increase in IMF quotas under the Eighth Review. This will need to be looked at in the light

CONFIDENTIAL



CONFIDENTIAL

of this week's Executive Board discussion and possibly also the G5 meeting in Toronto. We are now reaching the stage, however, where agreement on the size of quota increase is necessary.

5. We should be grateful for your comments before the holidays so that further work may be put in hand for your return.

A. Bottrill

A BOTTRILL  
EF2

ENC





UNCLASSIFIED

Chancellor }  
Lady Howe }fine by  
both w  
wFROM: MISS B RANDALL  
DATE: 4 AUGUST 1982

MISS RUTTER

cc Mr Slater  
Mr Bonney  
Mr M W N Towers

CFM: LADIES' PROGRAMME

Following your minute of 23 July, we have arranged for a private tour of Apsley House at 3pm on the afternoon of Monday 30 August. The tour will take about  $(1\frac{3}{4})$  hours, and the guide will be Mr Victor Percival, a former officer-in-charge of the house. The house will be closed to the general public on that day, and therefore we have been asked to try to arrange for all the Commonwealth ladies to arrive together. I therefore propose to arrange for a bus (or buses) to pick up the ladies at Lancaster House after the Secretary General's lunch there for Ministers and their wives, and take them to Apsley House. I do not think that we can conveniently arrange transport for them when they leave Apsley House, since most of them will no doubt then want to disperse to their various hotels to get ready for the Tower reception.

2. The dress show by Marks and Spencer at Marlborough House has now been fixed for 3.30pm on Tuesday 31 August. As you suggested, we sounded out Marks and Spencer about the idea of a display of diamonds to supplement the show. After due consideration, they have now told us, apologetically, that they do not feel that diamonds would be a suitable adjunct to the clothes which they will be showing, and they would much prefer not to have any at their show. They are quite clear about this, and since they are taking immense pains to put on a good show and tea, I recommend that we should not press them on this point. A show of diamonds would in any case have presented difficult additional security problems for the Marlborough House staff.

3. Marks and Spencer are proposing to arrange a photocall for the press either at the beginning or the end of the fashion show. I understand that Lady Howe has already said that she would not object to discreet publicity, and that IDT also see no objection.

possibly  
shorten.I think  
this  
must  
be right -  
wd you  
like me  
to draft to  
Mr Burne

I think?

ok?



*Can someone provide  
a few notes, ✓  
facts, to prompt*

4. Marks and Spencer have asked if Lady Howe would like to say a few words before the show starts, to welcome the ladies and introduce the show. I should be grateful to know whether Lady Howe wishes to do this.

*✓  
NOT I*

5. Finally, Marks and Spencer want to make arrangements for a coach to be available outside the Marlborough House gates after the show, for the use of any of the ladies who may want to do some shopping at their "Pantheon" store at Marble Arch. We see no reason to object to this.

*B. Randall.*

MISS B RANDALL



FROM: JILL RUTTER  
Date: 5 August 1982



cc: Mr Slater  
Mr Bonney  
Mr M W N Towers

*pur*

MISS RANDALL

CFM: LADIES' PROGRAMME

The Chancellor has seen your minute to me of 4 August.

2. He and Lady Howe are very happy with all the arrangements. They wondered if 1½ hours was not possibly slightly too long for the tour of Apsley House, but that is not a major worry. They think it is sensible for the ladies to go by bus from Lancaster House after the Secretary General's lunch. They are content for them not to be transported after the tour.

3. In the light of Marks and Spencer's objections they are sure it is right not to proceed with the diamond display. I will write to Mr Burn thanking him for his kind offer but explaining the situation to him.

4. Lady Howe confirms that she has no objection to a press photo call before or after the fashion show. Lady Howe is also happy to say a few words before the show starts. She would be very grateful for a few notes and some facts to use as the basis for her short speech. I would be grateful if you could set this work in hand and let me have something before the Chancellor and Lady Howe return from holiday.

5. Lady Howe and the Chancellor have no objection to Marks and Spencer laying on a coach to take the ladies up to Oxford Street after the show.

*JLR*

JILL RUTTER



THE REPUBLIC



OF THE GAMBIA

*Mr Carey*  
*Mr Slade*  
*Mr Bonney*  
*Miss Paydall*

Ministry of Finance and Trade, *u.g*  
The Quadrangle,  
Banjul, The Gambia.

5th August, 1982

*ppp*

Dear Chancellor,

Thank you for the kind invitation contained in your letter of July 1982, in connection with the meeting of the Commonwealth Finance Ministers. I am pleased to accept being the guest of the Government of the United Kingdom during the meeting.

My wife will not accompany me to the London meetings. I shall be accompanied by the Permanent Secretary, Ministry of Finance and other Officials.

*S. S. Sisay*

Sheriff S. Sisay  
Minister of Finance and Trade

The Rt. Hon. G. Howe,  
Chancellor of the Exchequer,  
Treasury Chambers,  
Parliament Street,  
LONDON SW1P 3AG  
England.

*Mr. G. Howe  
Mr. S. G. Howe  
Mrs. Howe  
Mrs. Howe*

OF THE GAMBIA



THE REPUBLIC

Ministry of Finance and Trade,  
The Quadrangle,  
Banjul, The Gambia.

5th August, 1982

Dear Chancellor,

Thank you for the kind invitation contained in your letter of July 1982, in connection with the meeting of the Commonwealth Finance Ministers. I am pleased to accept being the guest of the Government of the United Kingdom during the meeting.

My wife will not accompany me to the London meetings. I shall be accompanied by the Permanent Secretary, Ministry of Finance and other Officials.

*S. S. Siay*  
Sheriff S. Siay  
Minister of Finance and Trade

The Rt. Hon. G. Howe,  
Chancellor of the Exchequer,  
Treasury Chambers,  
Parliament Street,  
LONDON SW1P 3AG  
England.





C  
Good!  
JR  
9/8  
Pup ✓

2 CARLTON GARDENS LONDON SW1Y 5AA

TELEPHONE: 01-214 6715

SWITCHBOARD: 01-214 6000

GHF A5824/01

|           |                |
|-----------|----------------|
| EXCHEQUER |                |
| REC       | 6 August 1982  |
| ACTION    | Mr Bonney 9/8  |
| CONF      | Sir K Conzen S |
|           | Mr Carey       |
|           | Mr Slater      |
|           | Miss Randall   |

Miss J K Rutter  
Private Secretary to the Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
LONDON SW1

Dear Jill,

CFM MEETING

Many thanks for your letter of 4 August. The order for 30 August has been confirmed with the caterers, so the event is now safely launched.

As to your final paragraph, everybody on my side of the house fully understands the importance of the Tower Reception. The Chancellor may rest assured that all concerned - HM Tower of London, caterers and GHF - will be striving to provide a perfect evening for him and his guests.

Yours sincerely  
Alas Cowan

J A C Cowan

Good



FROM: R J BONNEY  
DATE: 6 AUGUST 1982

1. MR ~~SLATER~~ JS 6/8 ✓  
2. PRINCIPAL PRIVATE SECRETARY ✓

cc Sir K Couzens  
Mr Carey (o.r.)  
Mr Kemp  
Mr Ridley  
Mr Hall  
Mr Peretz  
Mr Bottrill  
Mr Beastall  
Mr Atkinson  
Miss Randall

1. Mr Ellis  
2. ERD

CFM SPEECH: DRAFT OUTLINE

I attach some material for the Chancellor's CFM speech on 30 August.

2. The Chancellor has agreed to make his main speech at the opening ceremony at Marlborough House. Given the venue and the time constraints (15-20 minutes maximum) we have assumed that he will not want to dwell on the detailed agenda items. He will have the opportunity to comment on specific issues during the working sessions for which we will be supplying speaking notes. We suggest that the body of his main speech might be devoted to some reflections on the world economic situation and I attach a fairly full draft of this section by EF Division. This would need to be prefaced by the courtesies required by the occasion and perhaps followed by some brief references forward to the main subjects to be introduced by other keynote speakers: eg.

- (i) role of the private sector in development
- (ii) World Bank and IDA
- (ii) IMF issues.

I have covered these sections in note form only.

3. It would be very helpful to have the Chancellor's first reactions to this material before he goes on holiday next week so that we can work on it during his absence.

  
R J BONNEY



CFM SPEECH : DRAFT OUTLINE

Opening courtesies

- Thanks to Secretary General and staff.
- Happy to welcome CF Ministers to London for first time since 1972.
- ✓ [ To mark the occasion have great pleasure in offering each head of delegation one of the first golden half-sovereigns to have been minted for the Bank of England since ]
- ✓ Commonwealth family has grown apace over last ten years. Some [48] independent countries and associated states are represented at this meeting compared with 36 in 1972.
- ✓ I would like to extend a particular welcome to [ ] whose countries have gained their independence since our last meeting in Nassau.
- ✓ Commonwealth may be growing but we retain a strong sense of common interest despite the diversity of our countries' geography, economy and culture. This common interest well illustrated this year by the solidarity and sympathy shown to Britain by many Commonwealth countries in the recent conflict over the Falklands.
- ✓ End This is my fourth CFM and I can testify to the atmosphere of informality and friendliness which continues to mark these gatherings. I'm sure that this occasion will continue the tradition.



agenda items

Looking at the specific subjects which we will be discussing together over the next two days I will be particularly interested to listen to Prime Minister Seaga on the role of the private sector in development. I believe there is increasing evidence to show that, given the right climate for investment, it is the private sector (and particularly small and medium size enterprises whether in agriculture or industry) which can provide the surest engine for growth in all our economies.

We shall also be discussing developments in the World Bank and the International Development Association. This has been an important year for the Bank which has achieved record levels both in its lending and in its borrowing programme. The new policies on borrowing and calculating the lending rate recently agreed by the Executive Board represent an important new departure. Some are concerned that the Bank may be adopting policies that are too commercial. I disagree. The confidence of the financial markets in the World Bank is in the common interest of all its members. In my view the new policies are a welcome sign that the Bank is capable of adapting to a changed environment without forgetting its essential purpose.

We are all aware of the problems of IDA, which is a vital source of funds for the poorest countries in the world many of which are Commonwealth members. Earlier this year in response to representations from several Commonwealth Heads of Government the United Kingdom agreed to allow the Association to use the whole of our second instalment of £185 million to the Sixth Replenishment. I am glad to note that many other donor governments have followed suit. Next week in Toronto we will be discussing what can be done in the current year about IDA's short term funding problems. The UK representatives will play a full part in these discussions

/and...





and in the negotiations for the Seventh Replenishment when they begin later this year.

Turning to the IMF, 1982 has been a year of consolidation. Although new programme commitments for the first half of 1982 are well down on the same period last year, actual disbursements stayed fairly high (SDR 2.8 bn against SDR 4.0 bn last year). Many of last year's programmes could not be sustained but it is encouraging that many Fund programmes are being rehabilitated or replaced by new programmes albeit on a more modest scale. Elsewhere there have been notable successes (such as India, Jamaica, Dominica).

Adjustment process has not got easier for any of us over the last year. The initial steps are widely recognised as necessary but it is sustained adjustment that counts and is often the hardest to achieve.

On top of this the external environment has not recovered as quickly as we hoped last year. U.S. role

If Fund conditionality appears to be tougher, does this not really reflect the fact that adjustment required is more pressing and severe than in past years? Those who have tackled their problems early (eg India) tend to find the adjustment path more tolerable.

The Eighth Quota Review will be in the forefront of our minds when we meet again in Toronto. We must agree on the need to complete the Review by the due date (December 1982). Important thereafter to get it ratified quickly (7th Review took over 2 years to achieve necessary 75% ratification).

/Agree...



4) Agree that the Fund needs to have the resources to carry out the role assigned to it during the 1980's. But the global imbalances are declining in real terms and the past is not necessarily the best guide to the needs of the 1980's. While the Fund should be primarily financed from quota-based resources, borrowing remains appropriate to meet recurrence of shocks.



## WORLD ECONOMIC SITUATION

1. We're two thirds of the way through 1982 now and it looks certain to be another hard year in which most of us feel we're running flat out just to stand still. But we are progressing: recall the events of a decade ago, when the international financial system was trying to cope with the double shock of the break up of the Bretton Woods system and the first massive increase in oil prices. Bretton Woods had provided the external stability and discipline that - either looking back from the eighties, or forwards, as Keynes did, from the war-torn early forties - we recognise was a necessary condition for rapid post-War development and growth. The break-up of Bretton Woods and the emergence, by default, of floating exchange rates backed by a multi-currency reserve system was a step into the unknown which, though long-predicted, filled many with apprehension. The key lesson, it seems to me, which we could usefully have passed on to our predecessors ten years ago is that the present international financial mechanism requires as well the maintenance of an internal price discipline. With Bretton Woods this was guaranteed externally, and one can therefore sympathise to some extent with those who watched it disintegrate with trepidation.

2. The oil price increases of the seventies arrived, however, as almost complete surprises - shocks to net oil-importers almost as unexpected as Pearl Harbour was to the United States; and as irreversible, too. Some Western countries tried to delay adjusting to the first increase in the real oil price through domestic inflation, or price controls, and the Eastern bloc economies deliberately lagged their internal oil prices. But

1 unit  
annuity  
this is  
detail





the era of cheap energy was past and those who had delayed their adjustment to the first oil price shock merely had further to go after the second.

3. By 1980 most of us had learned both lessons. Real oil product prices in most countries rose rapidly and free-world oil consumption fell 10% below 1979's level within 2 years. The ~~North~~ industrial countries have for the most part reined back their current account deficits quite quickly and now look set to run the traditional, small current account surpluses that are necessary for capital to flow south on a sustainable basis. Inflation is also being reduced; very successfully in the USA, Japan and Germany, elsewhere less spectacularly but nonetheless determinedly in most cases.

then

North / South  
convergence is  
broken!

4. Unfortunately the adjustment process has costs which pile up for those economies which fail to react fast enough, as I'm sure most of you will be aware from that sustained adjustment process known as development. In the ~~North~~, where non-Japanese economies move more slowly, although we have achieved financial 'balance' there is still a significant proportion of the working population unemployed. This is not the result of any particular short term policy but is a consequence of past inflation and an accumulated failure to adjust our economies to past changes in our circumstances. Sometimes we have failed to apply firm fiscal and monetary policies. And we have all at times failed to adjust to changing demands for products and the emergence of new products, to changing production methods, to the growth of new markets, to the loss of some traditional markets, or to the rise of the super-competitive Newly Industrialising Countries.





This is bad  
news for  
LDCs as well:  
So we have no  
choice but to  
face budget discipline  
- this, which means  
discipline (no  
growth is needed;  
not in aid program  
for LDCs

!!!

5. The cumulative effect of these failures now stands at more than 30 million unemployed people in the OECD area; real interest rates are at record levels in America, and are uncomfortably high elsewhere; and inflation is greater than 5 per cent in nearly all industrial countries, and above 10 per cent in far too many. Inevitably investment has been sluggish. Therefore the need to restrain monetary growth and government expenditure and to reduce budget deficits in most countries is paramount if inflation and interest rates are to be reduced, exchange rates are to stabilise, uncertainty is to fall and output, and the investment which makes growth sustainable, are to resume a permanently healthy upwards trend.

6. In the South there has been the perennial diverse set of serious national problems associated with the long haul of development. Internationally these have been compounded by the fall in commodity prices and the rise in foreign debt service costs paid by LDCs who, in the late seventies, availed themselves of the international banking system's greater readiness to make country loans at market rates and have then had to face the same steep rise in interest rates that the North has weathered. Commodity prices will only harden or rise when the industrial economies resume growth, and if prices are not to fluctuate wildly that growth should be sustained and smooth. But growth cannot be sustained without investment and investment will not pick up until inflation and interest rates fall. The last two conditions require the continuation or extension of firm monetary and fiscal policies in most industrial countries.



Bah!

200 chapters

7. A fall in interest rates and the recovery of world output growth is urgently needed by one and all, North and South alike. When will it occur? In fact there are grounds for optimism as well as the habitual grounds for caution. As I have mentioned most of the major industrial countries have their current accounts under control, have increased real oil product prices, have reduced their oil demand, and most have made a determined assault on inflation which is showing real dividends in the three largest economies. The USA is now growing again and the OECD Secretariat last month forecast GNP growth in 1983 of 2 $\frac{1}{2}$ % for the OECD area. Full recovery has been a long time coming but I think it's there, and it ought to be sustainable rather than demand-induced counter-cyclical growth.

8. First though, there is the unfinished business of reducing inflation and - it has to be emphasised - in some cases reducing budget deficits. To reduce inflation monetary growth in most countries must be carefully controlled; in that respect the UK still has some way to go, though we have made substantial progress in the last two years. However in too many countries government deficits are crowding out the essential productive sectors of the economy, snapping up the available savings and keeping international interest rates at today's unpleasant levels. That is the hard but necessary truth that we Finance Ministers must, I believe, accept and promulgate if we are to see a permanent fall in interest rates, recovery in the world economy, and an easing of the costs of servicing foreign debt.



C/ The new Carolyn Sinclair

↓  
 FROM: R J BONNEY  
 DATE: 6 August 1982

(Bob).

1. MR ~~SLATER~~
2. PRINCIPAL PRIVATE SECRETARY

cc Sir K Couzens  
 Mr Carey  
 Mr M Hall  
 Mr Peretz  
 Miss Randall  
 1 Mr Ellis  
 2 ERD

CFM: CHANCELLOR'S MEETING WITH SIR S RAMPHAL: 9 AUGUST

The Chancellor is due to meet Sir S Ramphal at 4pm on Monday, 9 August at No.11. Mr Small, Commonwealth Deputy Secretary General, will probably accompany Sir S Ramphal. Mr Carey and I are available to support the Chancellor, if required.

2. The object of the meeting is to have a final round up on procedural matters for the forthcoming CFM meeting on 30-31 August. In his letter of 26 July the Chancellor suggested two specific topics for discussion:

- i) the selection of lead speakers for the main agenda items; and
- ii) the question of IMF and IBRD representation at future CFM meetings.

Other subjects which the Chancellor might wish to raise are:

- iii) arrangements for the opening ceremony at Marlborough House;
- iv) the entertainments programme;
- v) the venue for the next CFM meeting.



Lead Speakers

3. Since the Chancellor's letter of 26 July, Mr Small has given us the Secretariat's proposed list of lead speakers to introduce the main items of the agenda (attached) and the Chancellor has agreed. The Chancellor asked why there was only one lead speaker on "private sector and development". Mr Small has explained there is some reluctance among delegations to volunteer key-note speakers on this item, but there are usually enough comments to make a useful discussion.

4. The Chancellor might ask Sir Sonny whether the countries indicated have now all agreed to make key-note speeches (we note that the Malaysians have not yet replied to the invitation to the CFM). He might also wish to check that the Secretariat will be providing him with a chairman's brief for the working sessions. (We will be giving him speaking notes, if he wishes to intervene on behalf of the UK).

IMF and IBRD Representation

5. The Chancellor will wish to ask Sir Sonny for his advice on how to handle the proposed discussion at this year's CFM of whether IMF and IBRD representatives should be invited to future meetings. The Secretary General doubts whether all Commonwealth Ministers would agree that invitations should be issued, unless attendance were limited to the IMF Managing Director and IBRD President. In view of the timing of the CFM (shortly before the IMF/IBRD annual meetings) it is unlikely that the Managing Director and President would always be able to attend in person but it is quite normal for international organisations to be represented at a slightly less elevated level at such gatherings. For example we understand that Sir Sonny really attends the Development Committee, although the Commonwealth has observer status there.

Opening Ceremony

6. The Chancellor has agreed with the Secretariat's suggestion that his main speech should be made at the opening ceremony at Marlborough House and that it should be about fifteen to twenty





minutes in length. This will be <sup>in</sup>reply to the Secretary General's opening remarks. (We are submitting a draft outline separately). He might wish to ask Sir Sonny what he intends to say in his opening speech.

#### Guests

7. It has been agreed with the Secretariat that Ministers' wives and High Commissioners should be invited to the Opening Ceremony. Since there is space for only about 250 chairs (including those for Ministers, 2 officials from each delegation and the media) there will not be much room for other guests. The Secretary General has proposed a list of twenty people whom he would like to be invited, and we are consulting FCO and the Bank of England about a guest list for the Chancellor.

#### Expected Attendance at the Meeting

8. It looks as though the meeting will be very well attended. So far, we have received 37 replies to the Chancellor's invitation to Finance Ministers of which only 1 (Kiribati) is a refusal. We are likely to get about another 11 acceptances. Six of the Finance Ministers who have so far accepted are also Prime Ministers (New Zealand, Jamaica, Dominica, Belize, Cook Islands, St Lucia), some or all of whom will be having separate meetings with FCO Ministers.

#### Half-sovereigns

9. The Chancellor might wish to mention the proposed gift of newly minted half-sovereigns to the Head of each Commonwealth delegation (and to the Secretary General) and ask Sir S Ramphal's advice on how this might best be handled.

#### Entertainments Programme

##### Tower Reception

10. Since the Chancellor's last meeting with Sir S Ramphal on 20 May, arrangements have been made for the Duke of Kent to attend the reception and for Ministers and their wives to travel to the



Tower by an earlier boat in order to see over the Jewel House before the remainder of the party arrives. The Duke will arrive at the Tower at 7.50pm and will be greeted by the Resident Governor, who will present the Chancellor. The Chancellor will then present the Secretary General and some of the Commonwealth Finance Ministers. Perhaps Sir S Ramphal might advise which Ministers should be presented and which of them should be invited to join the Duke's table at supper (there will only be about six places including the Duke and the Chancellor).

#### Bank of England Lunch on 31 August

11. At the meeting on 20 May, Sir S Ramphal expressed concern that the Bank's lunch was limited to central bankers. He may now know that the Bank has since extended their guest list to include the senior official in each delegation. The proposed buffet lunch by Sir K Couzens for senior officials will therefore not now take place.

#### Ladies' Programme

12. Since the last meeting, arrangements have been made for a dress show by Marks and Spencer at Marlborough House on the afternoon of Tuesday 31 August and a brief private tour of Apsley House on the afternoon of Monday 30 August. Tuesday morning will be left free for shopping. Sir S Ramphal had suggested a visit to the Cabinet War Rooms but these will not yet have been opened to the public.

13. I attach the latest versions of the CFM social programme and ladies' programmes.

#### Venue for the next CFM meetings

14. The Chancellor might wish to ask the Secretary General whether he has any plans for the venue for the next CFM and how he intends to handle this question at this year's meeting.



R J BONNEY



RESTRICTED

C/ I think you should try to see Masi but not on Mon. or Tue. If he can't make

FROM: R J BONNEY 19, we can  
DATE: 9 August 1982 suggest a Trade Minute.

1. MR SLATER *A/K*  
2. MISS RUTTER

cc Sir Kenneth Couzens  
Mr Carey  
Mr McIntyre  
Mr Haydon  
Miss Randall

1. Mr Ellis  
2. ERD

UR  
9/8

CFM: POSSIBLE CALL BY FINANCE MINISTER OF NIGERIA

We spoke about the FCO's letter of 3 August.

The Chancellor earlier agreed that courtesy calls during the CFM should not be encouraged (your minute of 16 July). There will in practice be very little time to fit in bilateral meetings in the margins of the CFM itself on 30-31 August (he will be engaged at midday and in the evening on both days).

However, Nigeria is obviously one of the more important Commonwealth countries and the Chancellor might wish to see Mr Masi briefly on the following day (1 September) if this could be arranged.

Alternatively, you might like to suggest to FCO that they try to arrange a call on a Trade Minister, in view of the factors mentioned in the final paragraph of Mr Richards's letter. As you know, Nigeria has some sterling balances in London but their importance to us is not as great as that of our trading interest.

*R J Bonney*  
R J BONNEY

RESTRICTED



MINISTRY OF FINANCE

Telegrams: Finance, Honiara  
Telex: Finance, HQ 66337  
Telephone: Honiara, ~~622~~ 903

In reply please quote:

RF459/7/2

*pur*

*cc Mr Carey 14/8  
Mr Slater  
Mr Bonney  
Miss Randall*

G.P.O. Box 26  
HONIARA  
Solomon Islands

9 August 1982

**The Rt Honourable Sir Geoffrey Howe  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
LONDON SW1P 3AG  
United Kingdom**

**Dear Colleague**

**Thank you for your kind invitation for me to be the guest of your Government during the Commonwealth Finance Ministers' meeting.**

**I wish to confirm that I and my Permanent Secretary, Mr Felix Panjubeo will be arriving in London on 20 August 1982 by British Airways, Flight BA.020C at 0840 hours.**

**I am looking forward to meeting you soon.**

**Yours sincerely**

**BARTHOLOMEW ULUFA'ALU  
Minister of Finance**

MINISTRY OF FINANCE

Telephone: 4222  
Cable: 4222  
Fax: 4222

1982/83

9 August 1982

*Handwritten initials*

The Rt Honorable Sir Geoffrey Howe  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
LONDON SW1P 3AB  
United Kingdom

Dear Colleague

Thank you for your kind invitation for me to be the guest of your Government during the Commonwealth Finance Ministers' meeting.

I wish to confirm that I and my Permanent Secretary, Mr Felix Partridge will be arriving in London on 30 August 1982 by British Airways, flight BA.020C at 08:40 hours.

I am looking forward to meeting you soon.

Yours sincerely

*Handwritten signature*  
Minister of Finance

*Handwritten notes:*  
Mr Howe  
Mr Partridge  
Mr Partridge  
Mr Partridge



CW

UNCLASSIFIED

C  
Do you have  
any preference  
JR  
9/8

FROM: MISS B RANDALL  
DATE: 9 AUGUST 1982

MISS J RUTTER

cc Mr Slater  
Mr Bonney

CFM: BUFFET LUNCHEON AT NO. 11 ON TUESDAY 31  
AUGUST FOR HEADS OF DELEGATIONS AND THEIR WIVES

Following our telephone conversation this morning,  
I have asked GHF to contact Dennis Davey and  
arrange for the luncheon to be held in the garden  
if the weather is fine, or otherwise in the Whips'  
Room.

I attach two alternative menus prepared by GHF.

|  
  
B. Randall.

MISS B RANDALL



lunch @ no 11 Tues

M E N U

Sippets of Duck, Orange Sauce  
Pilaff Rice

or

Smoked Salmon Quiche  
Tossed Seasonal Salad

\* \* \* \*

Gooseberry Fool

or

Cheeseboard  
Celery, Radish, Bath Olives

\* \* \* \*

C o f f e e



lunch @ no 11 Tues.

M E N U "2"

Fillet of Beef Stroganoff  
Saffron Rice

or

Cold Salmon Trout Mayonnaise  
Tossed Seasonal Salad

\* \* \* \* \*

Raspberry Gateau

or

Cheeseboard  
Celery, Radish, Bath Olivers

\* \* \* \* \*

C o f f e e



PWP

FROM: JILL RUTTER  
 - 9 August 1982

MR. BONNEY

cc: Sir Kenneth Couzens  
 Mr. Carey o/r  
 Mr. Kemp  
 Mr. Ridley  
 Mr. Hall  
 Mr. Peretz  
 Mr. Bottrill  
 Mr. Beastall  
 Mr. Atkinson  
 Miss Randall  
 Mr. Slater

CFM SPEECH : DRAFT OUTLINE

The Chancellor saw over the weekend the draft outline of the CFM speech attached to your minute of 6 August.

2. He felt that the structure of the speech was not yet right, possibly because it is at the moment in two such obviously unstitched pieces. He has his own ideas on the shape of the speech which I  
 ..... attach in an annex.

3. The Chancellor also thought that as currently drafted the speech deals in much too catalogue-like fashion with the issues on the agenda at Toronto. He thinks it is right to tackle these issues, but that they should be worked in in a less slab-like way.

4. He was also rather worried that the speech takes no account of Sir Sonny Ramphal's likely fierce old-fashioned Brandt-type pitch: the Chancellor would wish to pre-empt him (as the Chancellor speaks first) or at least provide a well-argued riposte (if Sir Sonny opens the proceedings).

5. The Chancellor is also worried that the proposed draft fails to take on board the attempts the Chancellor has made most notably in last year's IMF speech to "abolish" North-South as a piece of jargon.

6. The Chancellor thinks that some of the material is indeed useful and much of the analysis is right. The overriding problem at the moment is that of form. I attach specific comments on the text in  
 ..... Annex 2.

JIR

JILL RUTTER  
 9 August 1982





CHANCELLOR'S PROPOSED FORMAT FOR CFM SPEECH

- Paragraph 1. Welcome; hurrah for Commonwealth. (The Chancellor thinks that the attached speech by Mr. Pym could be culled for possible thoughts.)
- Paragraph 2. Commonwealth is the world in microcosm: but in a setting in which we can speak to each other.
- Paragraph 3. Used to look like the old, over-simplified picture of the world - divided into two neat groups: North, South; rich, poor. It was never as simple as that.
- Paragraph 4. All much clearer now. Extent to which we share problems much clearer: consequences of inflation - depression, unemployment, poverty. Impact of US economy: high interest rates, rising debts, exchange rate instability.
- Paragraph 5. And diversity of our response, and of our successes, points the way ahead.
- (a) Areas of arthritic rigidity, experiencing severe transition pains - UK, Canada, etc.
  - (b) Areas of vitality, still - Hong Kong, Singapore.
  - (c) Areas of adjustment - UK, Australia (?), India Jamaica.
- Paragraph 6. Lessons to be drawn:-
- Beat inflation
  - Right monetary policies; main task for the major largely industrial countries.
  - Check interest rates - by curbing deficits and borrowing.
  - That means check on pure aid : though we should do as much as possible. (We are.)
  - Maintain liberationism of the system; nationally as well as internationally.





- Paragraph 7. All this imposes strain on the social and political structures in the face of rising unemployment, debt poverty.
- Paragraph 8. But we are on the right lines. We need to sustain each other.
- Paragraph 9. As Finance Ministers we are all facing common problems - difficult in scale, and sometimes in kind - but similar in cause.
- Paragraph 10. Certainly they present themselves to most of us, in our Treasuries, in the same way. We need to diminish expectations and cure the belief that the answer lies in more spending.
- Paragraph 11. So let us, in this the largest and yet still the most intimate group of unaligned countries in the world, make the most of our unique opportunities.





## CHANCELLOR'S COMMENTS ON THE TEXT

The Chancellor is happy with the points proposed in the first half of the draft on development issues, etc. He would wish to refer to the United States in discussion of the "external environment".

World Economic Situation

- Paragraph 1. The Chancellor endorses the "key lesson"
- Paragraph 2. The Chancellor liked the reference to Pearl Harbour.
- Paragraph 3. The Chancellor would delete the reference to "Northern" in line 4. He would also add "U.K." to countries where inflation is being reduced at the end of that paragraph.
- Paragraph 4. The Chancellor endorses the second half of this paragraph, but would again delete the reference to "the North".
- Paragraph 5. The Chancellor would like to add as the counterpoint to the description of the problems in the OECD countries something on the following lines: "This is bad news for ldc's as well: so we have no escape from the need for self-discipline though that means discomfort (no growth in markets, nor in aid resources) for ldc's.
- Paragraphs 6 and 7. Again the offending references to North/South should be deleted. He wondered whether the reference to the US at the end of paragraph 7 was not too cheerful
- Paragraph 8. The Chancellor liked the reference to progress in the UK on budget deficits, but was not sure whether the reference to "crowding out" was particularly well advised.



C

*I agree that this is the best arrangement. Minis (+ wives) will need to be advised that they are expected to go direct from conference to Tower etc*

*The timing does look tight but I think this is inevitable if the minutes are to meet*

FROM: MISS B RANDALL to Jewel House  
 DATE: 10 August 1982  
 Officials will discuss precise details with

MISS RUTTER

cc Mr Slater the Secretariat  
 Mr Bonney tomorrow (e.g. where wives should meet husbands).  
 It is intended that Ministers go direct to Westminster from the session. JR

CFM: SOCIAL PROGRAMME

You told me yesterday that the Chancellor had asked two questions about the arrangements for travelling to and from the Tower Reception on 30 August. 11/8

2. First, our programme shows a boarding time of 6.10pm for Ministers and their wives, for embarkation at 6.20pm. The Chancellor asked if these times could be any later.

3. As you know, it has been arranged that Ministers and their wives should travel by an earlier boat than the officials' party in order to fit in the proposed visit to the Jewel House before the main Reception. The Resident Governor has arranged a very tight timetable. For this special occasion, the Jewel House is to be kept open between 7 and 7.30pm; but it has been made quite clear that it would be unacceptable to keep the Jewel House staff on duty any later than 7.30, since August Bank Holiday is their busiest day of the year. This means that the Ministers' party will have to disembark at Tower Pier by 6.50pm. I have asked the boat hire company whether it is really necessary to allow a full half hour for the river trip. Having checked the tide times, they say that a boarding time of 6.10pm allows about 5 extra minutes for the boat to travel down as far as Tower Bridge and then turn back into Tower Pier, for the Commonwealth visitors to see the Tower to best advantage from the river. By cutting that out, we could change the boarding time to 6.15pm. Any later start would mean a late arrival at the Tower. This would mean curtailing the Jewel House tour, which would be a pity.

4. The Ministerial working session on Monday is scheduled to end at 5.30pm. This does not leave much time before the boat trip, but it should not present too much of a problem, since dress for the Reception will be informal.

5. The Chancellor also asked about the possibility of returning from the Tower by car rather than boat. This was considered at an earlier stage, but return by boat seemed preferable for several reasons. First, the Tower





authorities advised us that there would be problems of parking and security if all Ministers returned by car. There would not be enough room on the Wharf, and cars would have to be parked in the surrounding streets and called up as they were required. The Tower would not have been very happy about this. Secondly, it was felt that a return by boat would be a better way of rounding off the evening, particularly since it would give guests an opportunity to see the river at night. Thirdly, we would save no money by arranging a return by road, since we would have to pay full evening hire charges for the boats, whether for the outward journey alone or for both journeys. Fourthly, return by car would be unlikely to save much time for most Ministers. The Tower authorities say that if individual Ministers particularly wanted to return by car there should be no problem about parking a few cars only on the Wharf. But for most Ministers and officials, it seems best to leave the return arrangements as they stand at present - ie leaving Tower Pier at about 10.30pm, after the Ceremony of the Keys. It will be for High Commissions to arrange for their Ministers' cars to meet them at Westminster Pier, but this may not be necessary in the case of those staying at hotels within walking distance of the Pier.

6. The Chancellor also asked whether there will be a printed programme of social events. This is being prepared and printed by the Commonwealth Secretariat for distribution to all delegates, and it will be bound in a cover to match the delegates' handbook and directory.

MISS B RANDALL





*pur*  
FROM: JILL RUTTER  
10 August 1982

MISS RANDALL

cc Mr Slater  
Mr Bonney

CFM: BUFFET LUNCH AT NO.11 ON TUESDAY 31 AUGUST FOR HEADS OF DELEGATIONS AND THEIR WIVES

The Chancellor has seen your minute to me of 9 August.  
His preference is for menu 1.

*JJR*

JILL RUTTER



From: Major General G H Mills CB OBE



Mr Carey  
cc Mr Bonney  
Miss Randall

*Resident Governor and Keeper of the Jewel House*  
QUEEN'S HOUSE, H.M. TOWER OF LONDON, EC3N 4AB  
TEL. 01-709 0765 EXT. 213

tbf 23/E

TOW/26/SEP

J O Kerr Esq  
Principal Private Secretary  
To The Chancellor of Exchequer  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

10 August 1982

Dear John,

I attach a brief for the Chancellor of the Exchequer on Tower aspects of his Reception for Commonwealth Finance Ministers on the evening of 30 August 1982.

It is designed to show responsibilities of the various Tower Officers in his support, so that he can concentrate on acting as host to his principal guests.

I shall be within his view throughout, ready to be of help if needed. Brigadier Mears will be playing a similar role in the marquee.

Yours ever  
Giles



EVENING RECEPTION FOR COMMONWEALTH FINANCE

MINISTERS AND OFFICIALS IN HM TOWER

ON 30 AUGUST 1982

Note:- In the event of wet weather only the Band Concert will be omitted. Ministers would be briefed more slowly in the Jewel House and then move straight to RRF HQ.

1850 The Chief Yeoman Warder (CYW) will greet the Chancellor at Tower Pier and lead his Ministerial party to the Middle Tower, where the Resident Governor (RG) in uniform and the Deputy Governor (Security) Brigadier Mears (DG(S)) in morning dress, will receive the Chancellor. The CYW will then return to Tower Pier to meet the second party of Officials and lead them with his Yeoman Warders up on to the Broad Walk.

On arrival at the Jewel House, the RG will lead the Chancellor and the first half of the party straight into the Lower Chamber, where the main items of Regalia are. The DG(S) will split the party in two as they enter and guide the second half round the Upper Chamber. The two halves will then change over.

1935 At about 1935, when the Band starts playing, the RG will lead his half out, followed by DG(S). They will coalesce near the RRF steps. If timings are right the Broad Walk will then fill with the Officials, led by the CYW, and guests will mingle.

1945 At 1945 the RG will move about 30 yards down the hill from the RRF steps, clear of the crowd, with the CYW, to where HRH's car will stop. It is suggested that the Chancellor joins the RG just before 1950.

1950 At 1950 CYW will stop the Royal car and open the door.

The RG will welcome HRH to HM Tower and then present the Chancellor as his host. The Chancellor then leads HRH up to Ministers, where it is suggested that Lady Howe might have a few appropriate Ministers ready to present.

2000 At 2000 the RG will bring the Band Sergeant Major HAC to HRH and present him. As appropriate the BSM will ask HRH's permission to conclude the concert by playing the HAC Regimental March. (The British Grenadiers).

After the March the Band will overtly start to pack up. CYW will announce over the loud hailer "Your Royal Highness. Ladies and Gentlemen, drinks are now being served. Would holders of White cards please follow me." The Chancellor should then lead HRH into RRF HQ. It is hoped that those of his staff who recognise Ministers will encourage them to follow, and will route Officials after the CYW. DG(S) and CYW will remain with the Officials' party thereafter.

Lt Col Pettifar and Mr Manser, of RRF HQ, will be at the top of the steps. The RG will present them to HRH, who is Colonel in Chief of their Regiment. Mr Manser will see that HRH's driver is looked after; the detective will accompany HRH.





O: inside the RRF HQ the Chancellor should turn to Lt Col Pettifar or Mr Manser if he needs help on the catering side, although the RG will help as necessary.

Drinks served from trays will be followed by a buffet supper. It is understood that HRH prefers to help himself.

There is a small table in the West bow of the room, which it is customary for the principal guest and host to use. It is suggested that the Chancellor warns two couples to follow him at the head of those approaching the buffet behind HRH. His small party can thus seat itself at the table. There is room to seat only about two thirds of the guests elsewhere around the walls.

2120 The RG will inform HRH that his car is ready. The Chancellor and he then see HRH out, and the RG takes final leave as he sees him into the car.

Meanwhile Lt Col Pettifar announces to the gathering that if anyone wishes to use the limited facilities before going to the Ceremony of the Keys, now is the time.

2130 The Chancellor invites the RG to say something about the history of HM Tower and how the Ceremony of the Keys fits into it.

2140 The RG leads the Chancellor and his Ministerial party to Traitor's Gate. The Officials' party will have been briefed and will already be in position along Water Lane. RG will brief the Ministerial party if necessary.

2159 After the challenge by the Sentry, the RG marches off behind the Keys and Escort. The Watchman (in his Scarlet watch coat) says to the Chancellor's party "Ladies and Gentlemen, follow me." He then leads the party, rapidly and silently through the Bloody Tower arch and halts them where they can best see the end of the Ceremony.

2200 After the Guard has dismissed, the RG rejoins the Chancellor. While the Officials' party is led out over the Middle Drawbridge, which will have been specially opened to allow easy exit, he will point out a few points of historic interest to Ministers. As soon as Officials are clear of Water Lane, he will lead the Ministerial party out by the same route. He will take leave of the Chancellor and his party at the West Gate.



RESTRICTED

FROM: JILL RUTTER  
11 August 1982



cc: Sir Kenneth Couzens  
Mr. Carey  
Mr. McIntyre  
Mr. Haydon  
Miss Randall  
Mr. Slater

MR. BONNEY

CFM : POSSIBLE CALL BY FINANCE MINISTER OF NIGERIA

The Chancellor saw your minute of 9 August. He was prepared to see Mr. Masi, but only if it was feasible, as you suggest, on 1 September. I have spoken to West Africa Department in the FCO about this, and they said that this will not be possible. They are however consulting Lagos again and I will let you know in the event that we do fix a bilateral. At the moment it looks on the unlikely side.

JKR

JILL RUTTER





pur.

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

// August 1982

A A Walters Esq.  
10 Downing Street  
LONDON  
SW1

*Dear Professor Walters,*

.....  
The Chancellor has asked me to ask you if you would be kind enough to comment on the attached draft of his proposed speech at the IMF IBRD annual meetings.

The Chancellor feels that this draft is broadly right in tone and balance. He will be grateful if you could offer any comments direct to Mr Bottrill, the Senior Economic Adviser in charge of our IMF and World Economy Division who will be producing another draft of the speech for the Chancellor's return on 24 August. Mr Bottrill is contactable on 233 3091. He will be working on a new version next week, so I know he would be grateful if you could comment during the course of this week.

The Chancellor would I know be grateful for any help you can give.

*Yours sincerely,*

*Jill Rutter*

JILL RUTTER  
Private Secretary



## Introduction

We are living at a time of economic transition. In a paper which the United Kingdom presented to the Versailles Summit we said that "convalescence is a testing phase". The majority of my fellow Governors would, I believe, agree with that sentiment. But it is not only national economies that have been experiencing the stresses of transition. There is also a new set of issues which the major international institutions are having to analyse and assess. And most of us would recognise a need for vigilance - not for dogmatism - in relation to the pressures in the system itself; some of which might almost be characterised as global withdrawal symptoms.

2. I would like in my remarks today, first to say something about the stage the international community has reached on the road to recovery. I use the phrase international community quite deliberately because it seems to me there is a considerable parallelism between the issues we face in global and national terms. I would then seek to offer some ideas about issues and possible lines of development in the months ahead.

3. The latter I will put with some diffidence. But to content oneself with diagnosis would be not too different to adopting the posture of the ostrich: something, as a House of Commons colleague once put it, as ineffective as it is inelegant.





## Preconditions for economic success

4. There are two preconditions, in my view, for economic success, nationally and internationally, which have validity without regard to the state of the cycle or even the most fashionable sets of equations: and they are stability and flexibility. I use these words in a wider sense than in their familiar adjectival form, "fixed but adjustable".

5. By stability I mean firm and fair political systems and a rule of law: and I mean low inflation: as well as some reasonable measure of assurance about exchange rate levels - while allowing freedom for the rates to reflect differential economic performance.

6. By flexibility, I have in mind a willingness to promote and adjust to economic change, and to overcome labour market rigidities: and with that an unwillingness to resort to protectionism. <sup># 6.a.</sup> I would argue that both these characteristic indicators of economic success have weakened in recent years, though differentially between countries. Stability was eroded as inflation eroded the dollar and so the Bretton Woods system. And flexibility has been eroded by the entrenchment of expectations, a decline in labour mobility and the growth of protectionism.

## The move to a strategic consensus

7. The oil shocks in part resulted from these developing weaknesses, notably the growing strength of inflationary



pressures. They also in practice reinforced them, at least initially. For the disposition of many countries was to seek to print their way out of trouble. I do not impugn their motives. But the outcome, as we all know too well, was higher inflation and higher unemployment.

8. It is not only governments that have had lessons to learn. So have markets. There is much debate about bandwagons and overshooting; and very colourful, if uncomfortable, it all sounds. The fact remains that if Governments had to learn how to react and markets had to digest both the events, and the reactions to them as well, this is hardly a recipe for stable exchange rates.

9. Nor does this situation provide a ready made role for the Fund, at least in terms of exchange rate surveillance. In his paper last year called "Coordination of National Economic Policies" Jacques Polak contrasted the role of the Fund in the period from its inception up until 1971, and the Fund concurrence required for a change in par values, with the situation prevailing thereafter. As he put it,

"It is not that floating rates cannot be judged against the criterion of fundamental equilibrium; indeed, it could well be argued that the provision that tells members to 'avoid manipulating exchange rates or the international monetary system in order to prevent effective balance-of-payments adjustment or to gain an unfair competitive advantage over other members' does precisely that; but floating itself precludes a decision-making process under which changes would be subject to international supervision."



10. It is a major achievement of the international community in the period since the second oil shock to have reached agreement on the strategic objectives we should follow to sustain recovery both in terms of a central counter inflationary stance and the further sets of policies this implies, above all the firm control of monetary growth and public deficits.

11. Not the least of this achievement is that we have held to these objectives. I shall say something presently about some of the new thinking at the Versailles Summit. But one of the important elements of that meeting was not that it was saying something new but the reverse of that: the fact that it restated and confirmed the central strategy.

#### Tensions of transition

12. Such a continuity of strategy is crucial. But its maintenance also presents great difficulty. This is partly because the process of secure recovery is slow, as perhaps most forms of reclamation are. Even where appropriate policies have been adopted there is no early pay off. For economies in transition there are good reasons why the darkest hour comes before the dawn.

13. We are all required to show fortitude and patience. But on top of the difficulties we confront in common there are additional problems: that express themselves in different ways in different countries. For industrial



economies, this additional burden in most cases is the bitter inheritance of still rising unemployment, deriving from the years of gathering inflation. For developing countries the additional burden is that the weight of debt has become steadily greater through a combination of low commodity prices and now higher real interest rate levels. And these problems can/be exacerbated in the case of countries, <sup>themselves</sup> within either group, which have suffered, or are still suffering, from some form of misgovernment, including over-borrowing: or whose societies have been slow, or remain reluctant, to accept structural change. In these latter cases a degree of disorder and hardship may develop which can threaten the rule of law. On the other hand the process of transition can be relatively less painful for countries, including some of the newly industrialised countries, whose economies have proved adaptable and resilient.

14. For banks, as for countries, this stage of transition has in some cases brought weaknesses to light. There have been some examples of what appear to be mismanagement in a quite direct and familiar sense. But more generally just as some countries over-borrowed some banks over-lent, reducing capital ratios, cutting margins, acquiring an excessive international exposure in some cases alongside a vulnerable domestic portfolio. Banks have had to learn like the rest of us. One of the by-products of this process has been the beginning of what I suspect will be a long and substantial debate about the respective future role of banks and the international institutions.





15. These, then, are some manifestations of the tensions of a period of transition. Some of the justice meted out is a bit rough. If a country runs into substantial difficulty it continues to exist but it may lose for a time the ability to borrow on the private market. If a company goes bankrupt it may disappear altogether as a corporate identity but its assets may be re-employed. You tell me which has come out the better.

16. I have outlined a sombre picture. Perhaps I should recall Lord Attlee's comment when asked on his birthday what it felt like to be 85. "Better than the alternative", he is reported to have said.

The Development of the Multi-Currency System after Versailles

17. I would now like to comment, and some of these remarks may have a more hopeful ring to them, on the possible shape of future developments. In my speech to last year's Annual Meeting I spoke about the network of all our joint responsibilities towards each other and towards the world monetary system. I said that the SDR could not be a worthwhile asset unless those responsible for its component currencies ensured that those currencies retained their value. I spoke also of the reciprocal obligations which would arise if the countries whose currencies are represented in the SDR in fact discharged that responsibility.



18. I was therefore very glad to see these themes taken up in the statement of international monetary undertakings annexed to the Communique of the Seven Power Economic Summit at Versailles. There was, first, an acknowledgement of joint responsibility towards the world monetary system by the Seven countries. It was agreed that greater stability of the system rested on convergence of policies, designed among other things to maintain the internal and external value of the currencies of the signatory countries. There was special emphasis on the role of the IMF as a monetary authority. And there was special reference to the currencies constituting the SDR and to developing multilateral co-operation in relation to them which would reinforce the role of the IMF.

19. I believe that we need to intensify and develop our thinking about how a multi-currency world monetary system can best be made to work to the advantage of all of us. It is unlikely that we shall return to a system wholly dominated by one currency: the dollar, and hinged on that currency's link with gold. But if the world environment is right, the Versailles monetary undertakings could prove to be a step towards a more ordered and stable multi-currency system.

20. The Versailles undertakings rightly put the emphasis on policy and on international co-operation. Monetary stability in a multi-currency system depends first on principal



currencies - let us say for this purpose the 5 SDR currencies - gaining and retaining a reputation as moderate or low inflation currencies. The more important a currency is in the world, the more important this obligation becomes in the interests of the system. There is a special reciprocal obligation among the 5, but also an obligation, recognised at Versailles, from them to other nations. Within the 5 there is a particular need for co-operation on policy, a recognition by each of an international obligation and of the right of each to urge the needs of the system on its partners. This is how I understand what was said at Versailles about convergence of policy.

21. There is a sense in which the policy makers responsible for these currencies are the main custodians of the world money supply. Collectively they have a responsibility for guarding the world from inflation. The scale of their responsibilities is very different but it is real in each case. Each owes it to the other, and to the whole membership of the IMF, to facilitate the exercise of this responsibility and not to make it more difficult.

22. This is where the mix of policies used by the major countries is important. It can have both domestic effects and effects on other economies and their efforts to meet their obligations.



23. A multi-currency system cannot succeed through immobility. Greater stability is not the same as immobilism. Arguably the Bretton Woods system suffered from being immobile for too long. We cannot expect the major economies to develop at exactly the same pace or to retain precisely the same importance as at present in the international monetary system. The system will have to accommodate change in relative currency values and the operation of markets in bringing about those changes. But the thrust of policy, reinforced by co-operation, should be to reduce volatility and instability by fostering confidence in monetary management and confidence in the important currencies. The necessary changes in their relative values ought, with such confidence and with lower inflation rates, to be more gradual, smaller and less feverish.

24. I have spoken so far of the obligations of the major currencies. But there are reciprocal obligations by others towards those responsible for these currencies if they keep their part of the bargain. By definition the major countries are eschewing competitive devaluations. The Versailles undertakings specifically said this. They undertake not to use currency manipulation for trade advantage. Their currencies would tend to be relatively hard. The counterpart of that ought to be a progressively more open trading system not only between them but in the rest of the world. This has some special relevance to newly industrialising countries which benefit greatly from the rapid growth of world trade.





25. An orderly multi-currency system has implications for the world-wide management of reserves. This is a legitimate matter of interest to the IMF. Reserves are there to be used in need and to ease the process of adjustment. But sharp swings in the currency composition of reserves, whether as a result of diversification or intervention, could in some circumstances add to the instability we would all like to reduce. As I said last year, the SDR could ultimately develop as one answer to that. Of course, nothing will prevent this type of instability if the management of the main currencies fails through policy weakness to maintain market confidence. But currencies can also be affected, and affected differently, by shocks - political instability, oil price changes and so on. I hope we can find ways in a multi-currency system to see that the management of reserves does not add to such shocks and so to the resultant instability.

26. In offering these thoughts I hope I have made some contribution to discussion about the most useful ways forward in the development of a multi-currency system.

#### The Role of the SDR

27. I referred just now to the role of the SDR. A greater convergence of policy in the sense I have described would lead to a more stable multi-currency system. I have some sympathy with the view expressed in papers discussed this summer in the Fund Board that the achievement of such greater



stability might well also be beneficial to the role of the SDR: and in that event increased SDR-denominated reserve holdings would represent an additional cement.

28. If the SDR developed, as I have suggested it may, as a rather hard unit, this might itself tend to act as a stimulus to private sector development: we cannot and need not force the SDR pace on the private sector. At the same time I welcome the ideas that have been emerging on how the SDR might be made more attractive to official holders. Given developments on these lines, increased official and private sector usage should be mutually reinforcing.

#### The Intervention Study

29. I have spoken about one theme taken up at Versailles. A second initiative at that meeting [to which the US Treasury Secretary has just referred] was the decision to undertake a study of exchange market intervention. Of course the two initiatives were very different: and the second will be finite in time. Exchange market intervention is not a subject that has been studied in this way before: that in itself may make this endeavour worthwhile. A pooling of national experience may be expected to have something to contribute to all our thinking in this area.



The US Economy - Key to the Timing of Recovery

30. I stressed a moment ago the importance of the policies of the major countries in guarding the world against inflation. This is the only way to create the conditions for a lasting economic recovery. We must all accept our due share of responsibility, but perhaps the United States by virtue of the weight of its economy in the world and the importance of its currency in international financial markets can have a particular influence in helping the recovery and speeding its arrival.

31. The progress that the United States has made in reducing inflation is welcome. The Administration's firm and public commitment to prudent monetary and fiscal policies should be a re-assurance that inflationary pressures will not once again be allowed to undermine the recovery. The implementation of these policies, however, is not easy as many of us know from our own domestic experiences.

32. The effort to control monetary growth has been accompanied by high, and at times volatile, interest rates. These not only put immediate pressure on borrowers, whether persons or companies. They also put at risk the investment in the future which is so necessary if economic recovery is not quickly to be constrained by bottlenecks. We have seen, too, how they have been accompanied by a sharp rise in the dollar's exchange rate which has reinforced the pressure for protectionism.



33. The reductions in US interest rates in recent weeks are welcome. We must all hope that not only these are to be sustained but also taken further. This emphasises the need for the Federal Reserve's firm monetary policies being supported adequately by stringent fiscal control. We have all seen the many rival estimates of the likely size of the US budget deficit and the conflicting views about the strength of the upturn in the economy on which they are based. It sometimes seems as if the unhesitated and long-heralded demise of the weekly Friday afternoon money supply figures may be replaced by weekly estimates of the budget deficit.

34. Perhaps the conclusion that the sympathetic outside world can offer is that an early resolution of the budget problem which convinced markets that the deficit was set on a declining medium-term trend would be of immeasurable benefit not only to the US economy but also to the rest of the world. It would give economic agents and governments everywhere the confidence that at least in the world's largest economy the recovery was going to be sustainable and non-inflationary. Of course, if other countries are to share the benefits fully, then they, too, need to follow prudent policies.

#### Easement of Global Conditions

35. The recovery of the world economy has sometimes seemed like an ever-retreating mirage but I believe that if we continue with prudent policies it is now within our grasp. I note that both the Fund staff and the OECD Secretariat





their latest forecasts both expect a steady upturn in output over the coming year. A recovery of activity, coupled with lower interest rates, should bring some important easing of the global pressures on developing countries. Renewed growth should help to increase the volume of their exports and halt the decline in commodity prices which has so worsened their terms of trade. Higher export earnings and lower interest rates should in turn ease the problem of servicing their debts.

36. Some continuing adjustment of the economies of developing countries, however, is unavoidable. This is particularly the case for those who have over-borrowed in the past. We must not forget, however, that good progress has already been made by some. No more dramatic example can be found than Jamaica where after years of falling living standards and steep inflation, a firm policy of monetary restraint coupled with denationalisation, has halved inflation, and created the conditions for attracting foreign investment. Capital formation is up by over a quarter; there has even been a modest drop in the unemployment rate.

#### Banking and International Institutions

37. I referred earlier to the debate about the respective role of banks and the international financial institutions. The first important area of development is the continued improvement in relevant international banking expertise, and in the standards and arrangements for international banking supervision. Banks have in recent years



improved their methods for risk assessment, monitoring and control, and have also been able to gain experience in the handling of problem cases when they arise. The result is an international system that has continued to show itself remarkably flexible and resilient in handling the consequences of huge changes in the world economic environment: first the oil shocks, and more recently the problems to which I have referred as we pass through a period of transition back to lower inflation and more soundly-based economic growth.

37a. At the same time the world's banking supervisory authorities have made significant progress in raising standards and improving co-operative arrangements. Much of this work goes on under the aegis of what has come to be called the 'Cooke Committee' of banking supervisors. We can be confident that we now have international banking supervisory arrangements far superior to those that existed 50 years ago and significantly better than those that existed as little as a decade ago. The most important element in these arrangements is the raising of standards to reduce the risks of problems arising, but the co-operation also covers the mechanisms and responsibilities for dealing with international banking difficulties should they occur. There is, of course, further work to be done, for example, to make sure that no gaps in the arrangements are left between the responsibilities of different national supervisory authorities; and to avoid the risk of competitive pressures between financial



centres leading to a decline in prudential standards. It is important that this work should continue, and for prudential practices to be revised and improved in the light of experience.

38. The second area of development is perhaps improvement in the relationship between banks and the Fund. This probably includes better sharing of information, involvement of the banks in adjustment programmes and streamlining of the response of the banks, the Fund and official donors to crisis conditions. It cannot be right that banks which made loans on optimistic assumptions, should expect to be bailed out by Fund loans or official aid to countries in difficulty. It cannot be right either that official donors should be expected to fill any financing 'gap' after the finance available from banks and the Fund has been counted. A proper balance of responsibilities needs to be struck between official and private finance, aid and adjustment by the country concerned.

39. This brings me to the role of the Fund itself. I believe the Fund has essentially a catalytic role in helping to provide a stable and orderly framework within which private capital flows can take place. But the Fund has of course a direct role itself in the recycling process, particularly during a period when it has enlarged members' access to its own resources. How this role is expected to develop during the 1980s is central to a judgment on the appropriate size of the Fund, and in particular on the Eighth Quota Review.



40. I do not subscribe to the view that the Fund should be confined to a role of lender of last resort, although it is true that during the last decade many countries, both developed and developing, have tended to treat it as such. To the extent that they have exhausted the credit available from other sources, they have had eventually to seek Fund support for an adjustment programme which has necessarily been much more painful than if the difficulties had been identified and acted upon earlier. This is not necessarily an argument for increasing the access to the Fund's resources, but for encouraging members to approach the Fund at an early stage of their emerging difficulties.

41. On the other hand, as the Managing Director has rightly pointed out in past speeches, members may not be inclined to approach the Fund early unless the Fund is in a position to offer resources in sufficient volume (and, I would add, sufficient concessionality). Moreover, the structural nature of much of the maladjustment - in both developed and developing countries - tends to take longer to correct than problems of excess aggregate demand. The Fund's facilities have rightly evolved to reflect this, but the object of adjustment supported by the Fund should still be the restoration of a member's economy over a reasonable period to a position which can be sustained from other sources of finance. We must lose sight of the revolving character of the Fund resources.





42. These considerations are complex ones. They suggest to me that quotas will need to be increased fairly substantially, particularly if the Fund's borrowed resources are to be gradually displaced as they mature. I recall that following the first oil shock the Fund's quota resources were increased by 50 per cent from SDR 40bn to SDR 60bn, and it seems to me that a further 50 per cent increase could be justified now. I am aware that several colleagues have argued for a much larger increase. Their arguments, however, seem to be based on the expectation of much more severe global imbalances persisting throughout the 1980s. If that were to materialise (and we must each do our utmost to ensure that it does not) then it would be more appropriate and effective in my view to augment the Fund's resources by borrowing.

43. As regards the distribution of the quota increase, there seems to be a fairly widespread view, which I share, that the existing pattern of quotas is not ideal and hence not an ideal basis for allocating a fresh quota increase. There are of course a variety of opinions on attractive methods of distributing the increase. For my part, given the Fund's role in supervising the international monetary system and in shaping the world economy, I believe that the increase should be distributed in a way which is both uniform and systematic but which also more closely reflects members' share in the world economy.



## Development Issues

44. Turning to the World Bank and the International Development Association, I believe that we all recognise that the last year has been difficult for IDA. The Association is vitally important to many developing countries. It is the main instrument for the World Bank's focus on poverty: it concentrates its lending on the poorest countries and aims to reach the poorest people within those countries. The report 'IDA in Retrospect' reveals how far the Association has gone towards meeting those aims in its first 20 years.

45. The United Kingdom has been and continues to be one of the Association's staunchest supporters. We were particularly concerned over the hiatus in its funding last year. But we were in a dilemma. We attach great importance to the principle of fair burden-sharing among donor countries because the Association needs a wide base of support. On the other hand we were well aware of the severe difficulties which IDA's predicament was causing many of the borrowing countries. These were put to us cogently by several heads of government. We felt obliged to act immediately.

46. Earlier this year, without hesitation, we told the IDA Management that, regardless of other donor's contributions, the Association could use in full the UK's second instalment of £185m to the Sixth Replenishment. I am glad to see that many other donors have since followed suit.



47. The Association's resource problem should not be so acute this year. . But not all donor countries will be able to make their agreed contributions on time and there could well be a problem. Next year (fiscal year 1984) the difficulties could be even greater, if it proves impossible to bring the Seventh Replenishment into effect on the original schedule. IDA Deputies have been considering these short-term funding problems [ ] .

48. We attach great importance to early agreement on the next replenishment of IDA funds. We stand ready to play a constructive part when negotiations begin in Washington in the autumn. We cannot be sanguine about the prospects for a real increase in donors' contributions over the total agreed for IDA 6. It is generally recognised that the UK for example has been contributing more than is justified by its relative economic strength. This cannot continue. The Association will need to look constructively at all possible ways of speeding up the recycling of IDA's funds.

49. This has also been an important year for the World Bank itself. The changes in borrowing and lending rate policies recently agreed by the Executive Board represent a significant new departure. The new borrowing policy should give the Bank the necessary flexibility to tap all available sources to fund its lending programme. The new system for calculating the lending rate half yearly is a necessary corollary. Although interest rates remain high for borrowers,



the new system should in the long run bring them some relief by minimising the effects of temporary fluctuations in the Bank's borrowing costs. With the Bank's borrowing and lending programmes both at record levels it is in the interests of all the Bank's members to maintain the confidence of the financial markets and it is for this reason that I welcome the policy changes.

50. I would also like to welcome the progress made during the year on subscribing to the general capital increase. The United Kingdom was glad to be able to help the Bank with its problem of finding sufficient shares for the initial subscription if its newest member country, Hungary, and for existing members with justified claims for increased shareholdings. I can now confirm that we will be seeking Parliamentary authority in the autumn to take up the remaining shares allocated to the United Kingdom.

51. I understand that the Bank Management have recently circulated new proposals on co-financing with commercial banks in response to the recommendations of the Development Committee's Task Force on Non-Concessional Flows. This is welcome news. It remains my view that increased co-operation between the multilateral development banks and private sector financial institutions is the best hope for increasing financial flows to the developing countries in the short-term. Perhaps add commendation of proposal for a Multilateral Investment Insurance Agency under the aegis of the World Bank - still under consideration.





## Final Reflections

52. Perhaps I could offer two final reflections. All of us here have read a large number of analyses in recent months of the likelihood of some kind of breakdown in the system. Sometimes such articles are sparked off by trouble in a particular country: or in an individual corporation or bank - perhaps quite a small one. If we say we think the system is healthy, we sound complacent. If we express concern, maybe we spark off a lot more articles.

53. I said at the start that on this subject I suggest we are vigilant rather than dogmatic. I believe that 'disorder' is to a substantial extent an aspect of the problem of transition. It has a number of facets. There are a number of warning lights. There are a number of relevant solutions. Some of the eruptions are very trivial. Some of the solutions require action by countries, some by supervising authorities. But looked at in general terms, the problems should be transitional not cumulative: in particular we will not have high interest rates for ever.

54. My second reflection is about the nature of the new system we may be moving towards based on convergence on fundamentals and steady, secure growth. Perhaps that will prove a more secure base than Bretton Woods.



PPS  
We hope that you  
will do your best  
to get the speech to  
us as early as possible.  
X is a fair point. Let's  
discuss reverse the time  
MMG 8/3

JR  
Jlf to Jk  
on 23/8  
Jlf  
pmp

1. MR HALL
2. PPS/CHANCELLOR

FROM: LIZA MCKINNEY  
11 August 1982

cc: Mr Page  
Mr C Gunawardena, Commonwealth Secretariat  
Miss Randall, Treasury  
Miss A Hutchinson, FCO (PCD)  
Miss M McGlone, (FCO, News Dept)

Daily Folder

COMMONWEALTH FINANCE MINISTERS MEETING  
CHANCELLOR'S OPENING SPEECH/FINAL COMMUNIQUE

Following discussions with Charles Gunawardena of the Commonwealth Secretariat, we propose the following arrangements be made to ensure the prompt availability of the Chancellor's opening speech to the press.

- i. The final text of the speech should be with IDT by mid-day, Thursday 26 August. Mr Gunawardena is content for Treasury to issue it on Treasury headed press notice paper. We propose to issue it under embargo to selected journalists on Friday and copies will be handed out to the media on arrival for the opening ceremony, together with copies of the other speeches (to be provided by the Commonwealth Secretariat).

PA

It is essential to keep to this timetable as there will be operational difficulties in reproducing copies of the speech during a Bank holiday weekend.

- ii. It was also agreed with Mr Gunawardena that he would take the responsibility for duplicating and making available additional copies of the final communique to IDT for distribution to the media present, at least 30 minutes in advance of the press conference. This would make for a more meaningful session with the press.

- iii. COI will record both the opening ceremony and the press conference - transcripts will be made for record purposes.

  
LIZA MCKINNEY



MINISTRY OF FINANCE

The Minister

|                 |                                   |
|-----------------|-----------------------------------|
| CHIEF EXECUTIVE |                                   |
| REC.            | 16 AUG 1982                       |
| ACTION          | MISS RANDALL                      |
| COPIES TO       | MR CAREY,<br>MR SLATER, MR BONNEY |

Tel. 626309



Floriana,

11th August 1982

M18/8.

The Rt Hon Sir Geoffrey Howe MP

*Dear Sir Geoffrey*

Thank you for your kind invitation of 21st June. I am sorry I did not reply earlier, but I could not be definite about my plans.

I am now pleased to inform you that I shall be coming for the Commonwealth Finance Ministers' Conference. My wife, unfortunately, will be unable to accompany me.

My party will include Mr Henry C de Gabriele, Deputy Governor of the Central Bank of Malta and Mr Anthony R Preca, my Private Secretary.

*Yours sincerely*

*Lino Spiteri*

Lino Spiteri





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# Commonwealth Information

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NEWS RELEASE

11 August 1982

82/23

## COMMONWEALTH FINANCE MINISTERS TO MEET IN LONDON

Commonwealth Finance Ministers will have their annual meeting this year in London on 30-31 August. Senior Finance Officials will meet on 29 August.

These meetings as usual precede the annual meetings of the International Monetary Fund and the World Bank. Fund/Bank issues will be on the agenda of the Commonwealth meetings, which will also review world economic trends, assess prospects for economic growth and development and review Commonwealth programmes for economic co-operation.

Ministers meet at a time when forecasts for economic growth in both developed and developing countries have been scaled down once again, with economic recovery proving to be much more elusive than expected earlier. Rising unemployment in many countries, high interest rates in both real and nominal terms, and increased financial difficulties for developing countries form the back-drop to the discussions. Ministers are expected to focus attention on policy options to promote a sustained world economic recovery. They will be particularly concerned with the impact of high interest rates and volatile exchange rates. Ministers are expected to discuss measures to alleviate the growing financial stringency and debt problems faced by many developing countries, which could threaten stability not only in those countries but also in the world at large.

Ministers will also be concerned with the worsening world trading environment. An important consequence of the persistent and deepening recession has been the increasing resort to protectionist measures, particularly against the exports of developing countries. Ministers will have the recent report by

**COMMONWEALTH  
SECRETARIAT**  
Marlborough House  
London SW1Y 5HX  
01-839 3411





a Commonwealth Group of Experts entitled "Protectionism: Threat to International Order - The Impact on Developing Countries". The report was prepared specially to assist Commonwealth governments in their preparations for the forthcoming GATT Ministerial Meeting.

On Bank/Fund issues, Ministers are expected to examine ways in which the lending programmes of the World Bank can be increased and additional resources secured for IDA to meet the financial needs of the poorer developing countries. The recent slow-down in commitments and disbursements by the IMF when it should be playing an enlarged role in providing balance of payments support to its members will concern Ministers. In this context, they can be expected to give attention to the Eighth Quota Review and proposals for a fresh allocations of SDRs.

In discussing Commonwealth co-operation, Ministers are likely to review trends in official aid in general, the activities of the Commonwealth Fund for Technical Co-operation, and the Secretariat's programmes to assist members in mobilizing financial resources, including those from capital markets.

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FMM(82)7

MEETING OF COMMONWEALTH FINANCE MINISTERS  
LONDON, 30-31 AUGUST 1982

Aid and the Commonwealth  
(Paper by the Commonwealth Secretariat)

Note by Secretary

The attached paper, reporting on aid provided in 1981, is circulated as a background document in connection with Item 4 of the Draft Agenda - Commonwealth Functional Co-operation. It is also relevant to Item 3 - Current World Economic Situation and Problems (including IMF and World Bank Questions).

Unfortunately this year, data normally received from Commonwealth governments in relation to their ODA disbursements have been late in arriving and details for all Commonwealth donors are not yet available.

B. Persaud

Commonwealth Secretariat,  
Malborough House,  
London, S W 1.

11 August 1982.

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AID AND THE COMMONWEALTH

(Paper by the Commonwealth Secretariat)

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AID AND THE COMMONWEALTH

(Paper by the Commonwealth Secretariat)

I. Introduction

After a period of moderate growth, aid disbursements by DAC countries fell by about 4 per cent in real terms in 1981. Although the decline largely reflected irregularities in the timing of payments to multilateral institutions and too much significance should not be attached to year-to-year changes, 1981 illustrates strikingly the difficulties that are being experienced in securing increases in the volume of overseas development assistance (ODA) particularly that channelled through multilateral institutions. According to the latest World Development Report, it is only under the optimistic "High Case" scenario that aid disbursements will continue to increase at about the same rate (4 per cent) as in the 1970s. If the industrial countries' recovery is delayed further and the assumed policy improvements do not take place, aid flows from DAC countries could decline significantly to around 0.33 per cent of their combined GNP by the end of the decade. This "Low Case" scenario has serious implications for many developing countries which depend heavily on concessional external resource flows. It would reinforce the trend towards reductions in per capita incomes in sub-Saharan Africa and permit only modest increases in South Asia.

2. This paper presents the available data on aid and other external financial flows in 1981 and looks at the prospects for ODA in the immediate future. It also includes a summary of the views of a number of Commonwealth Governments which have responded in recent years to the Secretariat's request for qualitative information on the aid they receive. Their reactions are especially pertinent at a time of scarcer concessional resources, when increased effort is required to improve their effectiveness.

II. Aid performance in 1981(a) All DAC Countries

3. Preliminary data for 1981 show that net disbursements of ODA from DAC countries fell to \$25.5 billion compared with \$27.3 billion in 1980. This reduction in current dollar terms was mostly due to the fact that the dollar appreciated markedly against most DAC members' currencies. At constant exchange rates, DAC ODA rose by 6 per cent, which was slightly below the rate of inflation while, in real terms (i.e. adjusting for both exchange rate and price changes), there was a decline of about 4 per cent. As a proportion of DAC GNP, combined ODA fell from 0.38 per cent to 0.35 per cent. Bilateral disbursements were unchanged in current dollar terms but contributions to multilateral institutions, in particular those to IDA and the regional development banks, declined because of a bunching of payments in recent years

4. Declines in their ODA/GNP ratio were recorded by Australia, Japan and the US (in each case as a result of lower issuances of multilateral letters of credit), and by New Zealand and Norway. Among the other countries, many achieved substantial increases, including three major donors, Britain, France and Germany. ODA flows from the Netherlands reached 1.08 per cent of GNP, which was a record level for any DAC country since the early 1960s, while Austria more than doubled its ODA/GNP ratio.

(b) Commonwealth Countries

5. Net ODA disbursements by the Commonwealth members of the DAC are given below:

| Country                    | 1980   |                 | 1981   |                 |
|----------------------------|--------|-----------------|--------|-----------------|
|                            | £m     | Per cent of GNP | £m     | Per cent of GNP |
| Australia                  | 667    | 0.48            | 649    | 0.41            |
| Britain                    | 1,851  | 0.35            | 2,194  | 0.43            |
| Canada                     | 1,075  | 0.43            | 1,187  | 0.43            |
| New Zealand                | 72     | 0.33            | 67     | 0.29            |
| All Commonwealth Countries | 3,665  | 0.39            | 4,097  | 0.42            |
| All DAC Countries          | 27,256 | 0.38            | 25,461 | 0.35            |

6. After falling sharply in 1980, Britain's ODA/GNP ratio recovered in 1981 owing mainly to a resumption of the issue of promissory notes in favour of IDA which raised the volume of ODA by 35 per cent in national currency. However, aid appropriations are planned to increase only moderately in nominal terms over the next few years. The Canadian Government has accepted a target for aid appropriations of 0.50 per cent of GNP by 1985. In 1981 disbursements rose by 13 per cent in national currency and the ratio of ODA to GNP, which had been declining since 1976, steadied at the 1980 level. Australia's aid performance has been falling steadily for several years. The drop in aid in 1981 was due mainly to the deferral of its contribution to IDA to the second half of fiscal year 1981-82. There should therefore be a strong recovery in calendar year 1982. Although New Zealand's ODA in 1981 increased slightly in national currency, the long-term decline in relation to GNP continued in 1981.

7. The share of Commonwealth recipients in the bilateral aid disbursements of the three principal Commonwealth donors has been declining in recent years. Britain's gross disbursements to Commonwealth countries fell by 7 per cent and accounted for 63 per cent of total bilateral aid compared with 69 per cent in 1980. In net terms, the reduction in British ODA to Commonwealth countries amounted to some \$3 million; aid to a number of countries in Africa and Asia was lower but this was partly offset by a recovery in



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disbursements to India which had been at a relatively low level in 1980. Australia's aid disbursements to Commonwealth countries increased by 13 per cent and accounted for 75 per cent of Australian bilateral aid. Although its share has been declining, Papua New Guinea still accounted for over half of the Australian aid programme and increased its receipts in absolute terms. Several Commonwealth countries in Africa and Asia also received more Australian aid in 1981. Net disbursements of Canadian aid to the Commonwealth rose by 27 per cent in 1981 and accounted for 38 per cent of an increased bilateral total compared with 35 per cent the previous year. Of the four Commonwealth DAC countries, New Zealand aid shows the heaviest concentration on Commonwealth recipients. Also, New Zealand has recently been directing a growing proportion of its aid to Commonwealth countries, which accounted for 81 per cent of the bilateral total in 1980, the latest year for which details are available.

(c) Non-DAC Countries

8. No estimates for 1981 are as yet available of ODA flows from OPEC or CMEA countries, which have in recent years accounted for 20 to 25 per cent of developing countries' ODA receipts from bilateral sources. Developing countries themselves are also known to be playing an increasing role in the provision of financial and technical assistance. India has been extending assistance, mainly to other countries in Asia, for several years and makes contributions to UN agencies, the Asian Development Bank and the CFTC. In 1979-80 India's aid disbursements amounted to \$140 million. In the Caribbean, Guyana has received \$66 million (as of October 1981) under the Oil Facility established by Trinidad and Tobago in January 1980 to provide fast disbursing concessional finance to certain countries to cover the incremental cost of petroleum products, fertilisers and asphalt products purchased from Trinidad and Tobago. Mexico and Venezuela agreed in July 1981 to renew for a further year the Mexico/Venezuela Oil Facility which provides five-year loans at 4 per cent interest to cover 30 per cent of oil purchases by Caribbean countries from Mexico and Venezuela. If the loan proceeds are used for economic development projects the terms are softened to 20 years at 2 per cent. Venezuela has also established, in 1981, a \$16 million fund to provide development assistance to the East Caribbean countries.

(d) Terms of ODA

9. The share of grants in ODA commitments by DAC countries fell in 1981 to 74.6 per cent compared with about 76 per cent in the previous two years. The overall grant element was 89.2 per cent in 1981 compared with 90.1 per cent in 1980 and 90.8 per cent in 1979. The grant element of German aid fell from 89.3 per cent to 85.9 per cent and was thus just below the 1978 DAC Terms Recommendation of 86 per cent. Japanese aid again had a low grant element (75 per cent) while in the case of Austria, a sharp fall in the share of grants reduced the overall grant element from 70.3 per cent to 55.4 per cent. All other DAC countries achieved a degree

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of concessionality above the 86 per cent norm, in all cases by a considerable margin. Australia, New Zealand and Norway continued to provide all their aid in grant form. The other two Commonwealth donors, Britain and Canada recorded grant elements of just under 97 per cent which in both cases was slightly below the previous year's level.

(e) ODA Flows to Low-Income Countries

10. In 1980, 55 per cent of aid from DAC donors and multilateral development institutions, went to the low-income countries. The share of the least developed countries, with 12 per cent of the total population of developing countries, was 22 per cent and that of the other low-income countries, with over half the total population, was one third. Details of flows to low-income countries from all DAC countries are not available for 1981, but among the Commonwealth donors Britain directed almost two-thirds of its bilateral aid to low-income countries and Canada around 56 per cent. In the case of Australia, low-income countries received less than one third of bilateral ODA, reflecting the heavy concentration of aid on Papua New Guinea. Grants by private voluntary agencies in DAC countries, which mostly go to the poorer countries or poorer sections of the population in the recipient countries, amounted to \$2 billion in 1981 (\$2.4 billion in 1980).

III. Multilateral agencies

(a) Development Banks

11. The decline in contributions<sup>1</sup> to multilateral institutions has not yet been reflected fully in disbursements by the institutions concerned. Notwithstanding its financial difficulties, IDA managed a 10 per cent increase last financial year (1st July 1981-30 June 1982), from \$1.9 billion in FY 1981 to \$2.1 billion. Commitments in FY 1982 were \$10.3 billion for the IBRD (\$8.8 billion in FY 1981), while IDA's commitments showed another fall to \$2.7 billion (\$3.5 billion in FY 1981 and \$3.8 billion in FY 1980) which will have an adverse effect on future disbursements. Disbursements by the IBRD in FY 1982 were \$6.3 billion, an increase of almost 25 per cent in nominal terms over \$5.1 billion in the previous year.<sup>2</sup>

1. OECD estimates of total aid flows include bilateral disbursements by donor countries and their contributions to multilateral agencies rather than the disbursements by these agencies to recipient countries.
2. Of the total commitments of \$13 billion made by the World Bank last year, \$3.1 billion was for agriculture and rural development (23.7 per cent of all commitments), \$1.1 billion for development finance companies (8.4 per cent), \$766 million for oil, gas and coal development (5.9 per cent), \$2.1 billion for power (16.4 per cent), \$1.2 billion for structural adjustment and other non-project lending (9.5 per cent), and \$1.6 billion for transportation (12.4 per cent). In FY 1983, the IBRD plans to commit \$11.2 billion and IDA, \$3.3 billion. Further details of the World Bank Group's activities are outlined in FMM(82)5.

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12. Concessional disbursements by the regional development banks, with the exception of the Inter-American Development Bank, declined in 1981. Soft loan disbursements by the Asian Development Bank declined from \$150 million in 1980 to \$149 million. However, non-concessional loans, which accounted for 78 per cent of total loans by the Asian Development Bank, increased from \$429 million to \$518 million. In the case of the African Development Bank Group there were reductions in both hard and soft loans and the total was down by \$20 million to \$200 million. The decline was less marked, however, for African Development Fund loans. While the Caribbean Development Bank maintained its total disbursements at about the previous year's level (\$55.1 million compared with \$55.6 million in 1980), there was a reduction of some \$6 million in disbursements from soft loan operations, which totalled \$20.8 million.

(b) Commonwealth Fund for Technical Co-operation

13. In 1981-82, the Fund's expenditure increased substantially, from about £10.82 million in 1980-81 to £14.4 million. The Fund's activities increased accordingly:

|  | <u>1981-82</u> | <u>1980-81</u> |
|--|----------------|----------------|
| No. of long term technical assistance experts in post: | 268            | 192            |
| No. of short term assignments undertaken:              | 66             | 72             |
| No. of consultancy firm assignments undertaken:        | 45             | 38             |
| No. of projects undertaken by IDU:                     | 85             | 83             |
| No. of persons in receipt of E&T awards: (approx.)     | 1,200          | 1,065          |

14. Experts were recruited from 20 countries and were serving in 42 developing Commonwealth countries (figures as at 1 July 1982). In response to requests from Governments, the Fund's assistance continues to be provided primarily in the fields of natural resources development, fiscal and legal matters, agriculture, fisheries, tourism, economic planning and export markets.

IV. Some recent initiatives

(a) Caribbean Basin Initiative CBI

15. In 1981 a group of western hemisphere countries (Canada, Mexico, US, Venezuela and, more recently, Colombia) announced their intention to concentrate more financial and other assistance on Central American and Caribbean countries. The Caribbean Basin Initiative (CBI), according to the sponsors, is to reflect and respond to the economic and social development priorities and needs

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of the region and is to be developed on the basis of consultation between sponsors and potential recipients. While the donors are to co-operate with each other, each of them will be free to choose the recipient countries for its aid and the ways in which its aid will be provided. Subsequently, the US President announced that the US contribution to the CBI would include the following principal elements:

- (i) duty-free access to the US market for 12 years for most Caribbean exports (textiles and clothing are excluded and there are limits on sugar exports);
- (ii) measures to promote private investment in the region, including a 10 per cent tax credit on new equity investments;
- (iii) \$350 million in additional economic aid for balance of payments support in 1981-82 and \$664 million in 1982-83; the funds for 1981-82 to be distributed as follows (\$ million):

|                    |     |                        |    |
|--------------------|-----|------------------------|----|
| El Salvador        | 128 | Belize                 | 10 |
| Costa Rica         | 70  | Eastern Caribbean      | 10 |
| Jamaica            | 50  | Haiti                  | 5  |
| Dominican Republic | 40  | American Institute for | 2  |
| Honduras           | 35  | Labour Development     |    |

(There is to be a separate package of \$60 million in military aid.)

- (iv) an expanded programme of Eximbank credit guarantees for Caribbean imports from the US; and
- (v) measures to address non-tariff barriers to imports into the US. The US proposals include conditions which effectively exclude Grenada, Nicaragua and Cuba from its benefits.

16. The final outcome of the initiative has not yet been determined and difficulties have arisen in the US Congress with regard to the necessary authorization, particularly for aid to El Salvador. The various committees of the US Senate and House of Representatives have made recommendations affecting the allocation of funds and the range of goods eligible for duty-free access. For their part, the Caribbean countries have appointed a Technical Group to prepare a technical position outlining Caribbean needs and norms for ODA, private foreign investment and trade liberalisation to guide consultations between themselves and the sponsors. They have also stipulated that assistance under the initiative should be open to all Caribbean countries, respect national autonomy and the right of each country to determine its development strategy; support national and regional goals and priority areas for development; contribute to the maintenance and strengthening of the economies of the region; seek to encourage the use of local resources; be predictable and on a timely basis; and be mainly in the form of

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grants and channelled through existing regional institutions, while respecting and maintaining the integrity of these institutions. At the annual meeting of the Caribbean Development Bank in May this year, concern was expressed at the exclusion of Grenada from the US programme, the threat to regional integration and the implications for the role of the CDB in channelling assistance.

(b) The UN Conference on the Least Developed Countries

17. The UN Conference on the Least Developed Countries held in Paris in September 1981 adopted a Substantial New Programme of Action for the 1980s for the 31 countries classified by the UN as least developed. The programme proposed a four-fold increase in annual concessional flows to the least developed countries by 1990. To achieve that target each donor country was called upon to provide a minimum of 0.15 per cent of its GNP as ODA to the least developed countries during 1981-1985 and to increase the proportion to 0.20 per cent during the second half of the decade. Most donors accepted the 0.15 per cent target and some announced that they would double their ODA to the least developed countries in the coming years, although no time period was specified. It was also agreed that assistance to these countries should, as a general rule, be in grant form and should as far as possible be on an untied basis. The programme also called for immediate action in the following areas: provision of urgent relief in cases of acute shortage of critical commodities; financial assistance in the form of debt relief and balance of payments support; emergency disaster relief; and assistance in overcoming bottlenecks in management, maintenance, repair and physical facilities in order to obtain better use of existing infrastructure and industrial plant.

V. Quality of aid

18. In recent years several Commonwealth recipient countries have provided the Secretariat with qualitative information on aid received. These have included both major recipients, whose sources of aid are fairly diversified, as well as some small island states which still rely to a large extent on Commonwealth donors, though among the latter some efforts have been made to diversify aid sources. While caution is required in interpreting responses from a relatively small number of countries, some interesting conclusions emerge from the replies to the Secretariat questionnaire.

19. With regard to the speed of disbursements, some countries cited as obstacles the administrative procedures of the donor countries (especially the centralisation of decision making), procurement/tendering procedures, inadequate provision for local cost financing, deficient project design, lack of implementation capacity, and customs delays. Countries, however, have found that funds were generally disbursed fairly rapidly after commitment. Problems more commonly arose in attracting suitable official financial assistance for certain projects or programmes which had been given a high priority in a country's development plan or policies. This was particularly true of social sector projects, since donors typically had a strong preference for projects in the productive sectors.

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20. Some respondents had been able to use food/commodity aid to finance local costs of projects. One country, however, pointed out that the administrative costs associated with commodity aid could be relatively high. Commercial loans from overseas were generally used, if at all, only for high priority or on-going projects for which no concessionary finance was forthcoming. One country stated that such loans financed projects which were normally revenue generating and covered loan servicing costs.

21. The impact of aid tying seems to vary greatly among recipients. It was considered to ~~have been~~ a greater problem in the Caribbean, where a substantial portion of aid receipts originates in Britain and is tied to British goods whereas the main markets are the US and Puerto Rico. It was less onerous in the Pacific where procurement under British aid has been permitted from Commonwealth countries in the region. The main difficulties created by tying were said to be delay in the implementation of projects, higher costs and the use of inappropriate equipment.

22. All the respondents had had access to technical and financial assistance as integrated components within single projects. In general, the quality, experience and training of technical assistance personnel had been found satisfactory, although countries with more attractive climates and working environments seemed to do better in this respect. In selecting personnel, the importance of previous experience in developing countries was stressed.

23. The respondents had mixed experiences in obtaining advance indications of aid flows from donors; some either did not seek advance indications or had no difficulties in obtaining them, while others had found that the absence of this information had created problems for long-term financial planning and the determination of priorities.

VI. Total financial flows to developing countries

24. Preliminary estimates by the DAC indicate that the total net flow of official and private resources to developing countries and multilateral institutions from DAC countries amounted to \$81.4 billion in 1981 compared with \$76.1 billion in 1980. This was an increase in real terms (after taking into account both exchange rate and price effects) of 11 per cent and represented a rise in relation to DAC countries' GNP from 1.05 per cent to 1.13 per cent. Most of the increase occurred in bilateral portfolio lending (mainly bank lending) which reached a new peak of \$26.2 billion and accounted for almost a third of the total, compared with less than a quarter in 1980 and only 4 per cent in 1970. The share of ODA in the same period fell from 44 per cent in 1970 to 36 per cent in 1980 and 31 per cent in 1981. The flow of direct investment, which had fallen from 23 per cent of the total in 1970 to 12 per cent in 1980, recovered to 14 per cent (\$11.3 billion) in 1981. The increases in both direct and bilateral portfolio investment were mainly due to the effect of sharp rises in these flows from the US. Net export credits declined by \$3.5 billion to \$9.1 billion, reflecting increased amortisation payments.

*\* This endorses wisdom of cash planning*

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*- which makes it harder to identify  
a projected "cut" in real terms?*

## VII. Prospects for aid

25. According to the OECD Secretariat, the prospects for the evolution of aid flows over the next few years have become extremely uncertain but it now seems unlikely, on the basis of available information on current trends and policies of DAC countries, that the overall rate of growth achieved in recent years (4 per cent in real terms in 1975-80) can be sustained. The main factor is the outlook for aid flows from the US, which is still the largest single source of aid among DAC countries, and there is no indication that there will be a reversal in the current downward trend in these flows. Another major donor, Germany, now faces a serious budgetary situation which may prevent it from implementing earlier plans for an expansion of aid expenditures. In the case of Britain, aid appropriations are planned to increase only moderately in nominal terms over the next few years. Aid disbursements from France and Japan are, however, expected to continue to increase and should result in substantial additional amounts in the medium term. The French Government's intention to raise ODA to independent developing countries (i.e. excluding French overseas territories/ departments) to 0.7 per cent of GNP by 1988 implies a doubling of these flows in real terms within that period. Prospects for Canadian aid are also encouraging, with budgetary appropriations being increased by a substantial amount in 1982-83 in line with the decision to raise ODA to 0.5 per cent of GNP by 1985. Another country which, given the size of its economy, might make a significant contribution to aggregate ODA is Italy, which intends to raise the ratio of ODA to GNP from 0.19 per cent to the current average for DAC countries combined (i.e. 0.35 per cent) by 1983. Among the countries which have already exceeded the 0.7 per cent target, the Netherlands, Norway and Sweden are expected to maintain the growth of their ODA in line with that of their GNP while Denmark, in spite of economic difficulties, plans to resume the growth in its ODA/GNP ratio from 1983 with a view to raising it to 1 per cent eventually. For the other DAC donors the outlook remains uncertain.

26. While precise quantitative details of OPEC disbursements in 1981 are not yet available, there are indications of future cut-backs by a number of countries. Iraq has announced that, with the country's oil production down to less than 20 per cent of its established norm, it cannot enter into any new aid commitments. Major donors, the United Arab Emirates and Kuwait, have made or are planning cuts of 58 per cent and 40 per cent in their respective aid budgets. On the other hand, recently there have been increases in the capital of the Kuwait Fund and the Saudi Fund and new funds have been created for the poorest Arab countries (\$5 billion) and for Islamic countries (\$3 billion).

27. Whatever may be the outcome for total aid disbursements, it is clear that multilateral programmes particularly will be constrained. The DAC Chairman pointed out in the 1981 Development Co-operation Review that ODA contributions to the multilateral development agencies and funds grew rapidly throughout much of the

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1970s; from 16.1 per cent of total DAC ODA in 1970 to 31.7 per cent by 1978 at a (nominal) rate of 24.2 per cent per annum. Since 1978, even excluding the US, there has been a significant decline in multilateral contributions as a proportion of total ODA. Multilateral contributions by non-US donors fell by 2 per cent per annum in 1978-80 in real terms. The shift away from multilateralism cannot be explained solely in terms of IDA 6 or the US attitude. A number of major donors consider that the multilateral share may be too large. Earlier hopes that OPEC might become a major additional source of funds have dimmed. OPEC has been discouraged by the actions and attitudes of DAC donors in relation to IDA 6, and has concentrated more of its efforts on strengthening OPEC bilateral and multilateral agencies. The 1981 DAC Chairman's Review refers to the possibility of serious funding problems arising for existing multilateral institutions and to little scope for new institutions to be created. Since the multilateral institutions show a significantly stronger concentration on agriculture; assist the lower income countries more actively than DAC bilateral donors; and play a valuable co-ordinating, advisory and catalytic role, the implications of the projected slow-down in multilateral operations are very serious.



TABLE I

Commonwealth Countries: ODA Disbursements (Gross), 1980 and 1981  
(Million US Dollars)

|  | Britain             |                    | Canada |        | Australia |       | New Zealand |      | Total <sup>a</sup> |        |
|--|---------------------|--------------------|--------|--------|-----------|-------|-------------|------|--------------------|--------|
|  | 1980                | 1981               | 1980   | 1981   | 1980      | 1981  | 1980        | 1981 | 1980               | 1981   |
| All bilateral recipients                                     | 1488.4              | 1515.6             | 649.1  | 759.2  | 480.9     | 551.3 | 51.3        | ..   | 2618.4             | 2826.1 |
| Commonwealth recipients                                      | 1021.4 <sup>b</sup> | 951.8 <sup>b</sup> | 230.0  | 291.5  | 366.1     | 413.1 | 41.6        | ..   | 1617.5             | 1656.4 |
| Multilateral   | 526.9               | 866.3              | 396.4  | 442.1  | 179.7     | 101.8 | 19.9        | ..   | 1103.0             | 1410.2 |
| Total ODA (Gross)  | 2015.3              | 2381.9             | 1045.5 | 1201.4 | 660.5     | 653.1 | 71.2        | ..   | 3721.3             | 4236.4 |
| Bilateral to Commonwealth<br>as % of total bilateral         | 68.6                | 62.8               | 35.4   | 38.4   | 76.1      | 74.9  | 81.1        | ..   | 60.6               | 58.6   |
| Increase: all bilateral<br>recipients 1980-81(%)             |                     | 1.8                |        | 17.0   |           | 14.6  |             | ..   |                    | 7.9    |
| Increase: Commonwealth<br>bilateral recipients<br>1980-81(%) |                     | -6.8               |        | 26.7   |           | 12.8  |             | ..   |                    | 2.4    |

<sup>a</sup> Excludes New Zealand.

<sup>b</sup> Includes CDC investment loans containing grant element greater than 25%.

Source: DAC and country returns to the Commonwealth Secretariat.

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TABLE II

Commonwealth Countries: ODA Disbursements (Net)<sup>a</sup>, 1980 and 1981  
(Million US Dollars)

|  | Britain            |                    | Canada |        | Australia |       | New Zealand |      | Total <sup>b</sup> |        |
|--|--------------------|--------------------|--------|--------|-----------|-------|-------------|------|--------------------|--------|
|  | 1980               | 1981               | 1980   | 1981   | 1980      | 1981  | 1980        | 1981 | 1980               | 1981   |
| All bilateral recipients                                   | 1255.1             | 1329.0             | 639.8  | 746.1  | 477.3     | 547.5 | 51.3        | ..   | 2372.2             | 2622.6 |
| Commonwealth recipients                                    | 810.4 <sup>c</sup> | 807.3 <sup>c</sup> | 223.7  | 283.2  | 362.5     | 397.9 | 41.6        | ..   | 1396.5             | 1488.4 |
| Multilateral   | 525.8              | 865.3              | 396.4  | 442.1  | 179.7     | 101.8 | 19.9        | ..   | 1101.9             | 1409.2 |
| Total ODA (Net)  | 1780.9             | 2194.3             | 1036.2 | 1188.2 | 657.0     | 649.3 | 71.2        | ..   | 3474.1             | 4031.8 |
| Bilateral to Commonwealth as<br>% of total bilateral       | 64.6               | 60.7               | 35.0   | 38.0   | 75.9      | 72.7  | 81.1        | ..   | 58.9               | 56.8   |
| Increase: all bilateral recipients<br>1980-81 (%)          | 5.9                |                    | 16.6   |        | 14.7      |       | ..          |      | 10.6               |        |
| Increase: Commonwealth bilateral<br>recipients 1980-81 (%) | -0.4               |                    | 26.6   |        | 9.8       |       | ..          |      | 6.6                |        |

<sup>a</sup> Net of amortization.

<sup>b</sup> Excludes New Zealand.

<sup>c</sup> Includes CDC investment loans containing grant element greater than 25%.

Source: DAC and country returns to the Commonwealth Secretariat.

TABLE III

Commonwealth Countries: ODA Disbursements (Net Transfer)<sup>a</sup>, 1980 and 1981  
(Million US Dollars)

|   | Britain            |                    | Canada |        | Australia |       | New Zealand |      | Total <sup>b</sup> |        |
|---|--------------------|--------------------|--------|--------|-----------|-------|-------------|------|--------------------|--------|
|   | 1980               | 1981               | 1980   | 1981   | 1980      | 1981  | 1980        | 1981 | 1980               | 1981   |
| All bilateral recipients  | 1207.2             | 1329.0             | 636.9  | 741.0  | 476.4     | 546.8 | 51.3        | ..   | 2320.5             | 2616.8 |
| Commonwealth recipients   | 765.2 <sup>c</sup> | 807.3 <sup>c</sup> | 222.6  | 281.5  | 361.6     | 408.6 | 41.6        | ..   | 1349.4             | 1497.4 |
| Multilateral  | 525.8              | 865.3              | 396.4  | 442.1  | 179.7     | 101.8 | 19.9        | ..   | 1101.9             | 1409.2 |
| Total ODA (Net transfer)  | 1733.0             | 2194.3             | 1033.3 | 1183.1 | 656.1     | 648.6 | 71.2        | ..   | 3422.4             | 4026.0 |
| Bilateral to Commonwealth<br>as % of total bilateral            | 63.4               | 60.7               | 35.0   | 38.0   | 75.9      | 74.7  | 81.1        | ..   | 58.2               | 57.2   |
| Increase: all bilateral<br>recipients 1980-81 (%)               | 10.1               |                    | 16.3   |        | 14.8      |       | ..          |      | 12.8               |        |
| Increase: Commonwealth<br>bilateral recipients<br>(1980-81 (%)) | 5.5                |                    | 26.5   |        | 13.0      |       | ..          |      | 11.0               |        |

<sup>a</sup> Net of amortization and interest.

<sup>b</sup> Excludes New Zealand.

<sup>c</sup> Includes CDC investment loans containing grant element greater than 25%.

Source: DAC and country returns to the Commonwealth Secretariat.

## RESTRICTED

TABLE IV

Commonwealth Countries: Total Official Flows Disbursements (Net)<sup>a</sup>, 1980 and 1981  
(Million US Dollars)

|   | Britain |         | Canada  |         | Australia |       | New Zealand |      | Total <sup>b</sup> |         |
|---|---------|---------|---------|---------|-----------|-------|-------------|------|--------------------|---------|
|   | 1980    | 1981    | 1980    | 1981    | 1980      | 1981  | 1980        | 1981 | 1980               | 1981    |
| All bilateral recipients                                      | 1,091.5 | 1,682.1 | 1,317.7 | 1,026.4 | 488.9     | 566.9 | 54.2        | ..   | 2,898.1            | 3,275.4 |
| Commonwealth recipients                                       | ..      | ..      | 223.7   | 275.1   | 369.7     | 418.8 | 42.4        | ..   | ..                 | ..      |
| Multilateral  | 525.8   | 865.3   | 379.6   | 436.7   | 180.3     | 101.8 | 19.9        | ..   | 1,085.8            | 1,403.8 |
| Total Official Flows(Net)                                     | 1,617.3 | 2,547.4 | 1,697.3 | 1,463.1 | 669.2     | 668.7 | 74.1        | ..   | 3,983.8            | 4,679.2 |
| Bilateral to Commonwealth<br>as % of total bilateral          | ..      | ..      | 17.0    | 26.8    | 75.6      | 73.9  | 78.2        | ..   | ..                 | ..      |
| Increase: all bilateral<br>recipients 1980-81 (%)             | 54.1    |         | -22.1   |         | 16.0      |       | ..          |      | 13.0               |         |
| Increase: Commonwealth<br>bilateral recipients<br>1980-81 (%) | ..      |         | 22.9    |         | 13.3      |       | ..          |      | ..                 |         |

<sup>a</sup> Net of amortization. Includes flows from official sources which do not qualify as ODA under the DAC definition.

<sup>b</sup> Excludes New Zealand.

Source: DAC and country returns to the Commonwealth Secretariat.

## RESTRICTED

TABLE V

Commonwealth Countries: Bilateral ODA Commitments, 1980 and 1981  
(Million US Dollars)

|  | Britain |       | Canada |        | Australia |       | New Zealand |      | Total <u>a</u> |        |
|--|---------|-------|--------|--------|-----------|-------|-------------|------|----------------|--------|
|  | 1980    | 1981  | 1980   | 1981   | 1980      | 1981  | 1980        | 1981 | 1980           | 1981   |
| All recipients                                   | 1457.9  | 999.5 | 533.2  | 1010.8 | 521.5     | 590.0 | 53.7        | ..   | 2512.6         | 2600.3 |
| Commonwealth recipients                          | 894.9   | 577.0 | 216.0  | 475.6  | 366.9     | 414.2 | 41.3        | ..   | 1477.8         | 1466.8 |
| Commonwealth as % of total                       | 61.4    | 57.7  | 40.5   | 47.1   | 70.4      | 70.2  | 76.9        | ..   | 58.8           | 56.4   |
| Increase: all recipients<br>1980-81 (%)          | -31.4   |       | 89.6   |        | 13.1      |       | ..          |      | 3.5            |        |
| Increase: Commonwealth<br>recipients 1980-81 (%) | -35.5   |       | 120.2  |        | 12.9      |       | ..          |      | -0.7           |        |

a Excludes New Zealand.

Source: DAC and country returns to the Commonwealth Secretariat.

## RESTRICTED

TABLE VI

Commonwealth Countries: Net ODA Receipts from Commonwealth Donors, 1980 and 1981

|                    |  | Disbursements (Million US Dollars) |        |        |        |           |        |             |      |                    |          |
|--------------------|--|------------------------------------|--------|--------|--------|-----------|--------|-------------|------|--------------------|----------|
|                    |  | Britain                            |        | Canada |        | Australia |        | New Zealand |      | Total <sup>a</sup> |          |
|                    |  | 1980                               | 1981   | 1980   | 1981   | 1980      | 1981   | 1980        | 1981 | 1980               | 1981     |
| <b>Africa</b>      |  |                                    |        |        |        |           |        |             |      |                    |          |
| <b>Total</b>       |  | 349.02                             | 307.98 | 79.20  | 106.47 | 17.85     | 23.80  | 1.32        | ..   | 446.07             | 436.25   |
|                    | Botswana                                     | 19.49                              | 15.52  | 2.66   | 2.79   | 0.11      | 0.08   | .02         | ..   | 22.26              | 18.39    |
|                    | Gambia                                       | 4.67                               | 4.06   | 0.05   | 0.17   | 0.03      | 0.04   | -           | ..   | 4.75               | 4.27     |
|                    | Ghana  | 34.78                              | 13.32  | 13.86  | 7.92   | 0.65      | 0.72   | -           | ..   | 49.29              | 21.96    |
|                    | Kenya  | 38.93                              | 61.87  | 9.57   | 36.02  | 1.78      | 6.33   | -           | ..   | 50.28              | 104.22   |
|                    | Lesotho                                      | 9.59                               | 10.54  | 5.78   | 1.87   | 0.11      | 0.19   | .01         | ..   | 15.48              | 12.60    |
|                    | Malawi                                       | 25.38                              | 24.97  | 8.96   | 10.02  | 0.07      | 0.03   | .04         | ..   | 34.41              | 35.02    |
|                    | Mauritius                                    | 3.66                               | 4.00   | 0.13   | 0.13   | 3.94      | 1.18   | -           | ..   | 7.73               | 5.31     |
|                    | Nigeria                                      | 4.67                               | 2.90   | -0.13  | 0.80   | 0.34      | 0.18   | -           | ..   | 4.88               | 3.88     |
|                    | St. Helena                                   | 8.83                               | 8.24   | -      | -      | -         | -      | -           | ..   | 8.83               | 8.24     |
|                    | Seychelles                                   | 8.51                               | 7.51   | 0.04   | 0.06   | 0.43      | 0.75   | -           | ..   | 8.98               | 8.32     |
|                    | Sierra Leone                                 | 5.03                               | 5.26   | 0.29   | 0.60   | 0.03      | 0.01   | .05         | ..   | 5.35               | 5.87     |
|                    | Swaziland                                    | 13.51                              | 6.77   | 1.42   | 1.03   | 0.13      | 0.08   | .01         | ..   | 15.06              | 7.88     |
|                    | Tanzania                                     | 73.19                              | 54.81  | 19.37  | 27.17  | 5.55      | 7.32   | 1.10        | ..   | 98.11              | 89.30    |
|                    | Uganda                                       | 6.69                               | 13.68  | 0.94   | 3.34   | 1.78      | 3.21   | -           | ..   | 9.41               | 20.23    |
|                    | Zambia                                       | 43.12                              | 37.91  | 15.96  | 6.14   | 0.55      | 1.07   | .03         | ..   | 59.63              | 45.12    |
|                    | Zimbabwe                                     | 46.02                              | 34.40  | 0.03   | 8.17   | 2.33      | 2.61   | .06         | ..   | 48.38              | 45.18    |
|                    | General - Kenya, Uganda,<br>Tanzania         | 3.47                               | 2.22   | 0.27   | 0.24   | 0.02      | -      | -           | ..   | 3.76               | 2.46     |
|                    | General - Botswana,<br>Lesotho,<br>Swaziland | 0.51                               | -      | -      | -      | -         | -      | -           | ..   | 0.51               | -        |
|                    | General - Malawi, Zambia,<br>Zimbabwe        | -1.03                              | -      | -      | -      | -         | -      | -           | ..   | -1.03              | -        |
| <b>America</b>     |  |                                    |        |        |        |           |        |             |      |                    |          |
| <b>Total</b>       |  | 48.07                              | 45.17  | 20.83  | 32.08  | 0.36      | 0.25   | 0.22        | ..   | 69.26              | 77.50    |
|                    | Bahamas                                      | 0.16                               | 0.08   | -      | -      | -         | -      | -           | ..   | 0.16               | 0.08     |
|                    | Barbados                                     | 1.29                               | 1.03   | 0.44   | 2.63   | 0.03      | 0.01   | 0.01        | ..   | 1.76               | 3.67     |
|                    | Belize                                       | 9.94                               | 7.95   | 1.09   | 0.35   | -         | -      | -           | ..   | 11.03              | 8.30     |
|                    | Bermuda                                      | 0.06                               | 0.02   | -      | -      | -         | -      | -           | ..   | 0.06               | 0.02     |
|                    | Jamaica                                      | 7.68                               | 13.46  | 7.67   | 11.21  | 0.22      | 0.12   | 0.17        | ..   | 15.57              | 24.79    |
|                    | Trinidad and Tobago                          | 0.24                               | -7.19  | -0.27  | 0.66   | 0.01      | -      | .01         | ..   | -0.02              | -6.53    |
|                    | Anguilla                                     | 2.30                               | 2.63   | -      | -      | -         | -      | -           | ..   | 2.30               | 2.63     |
|                    | Antigua                                      | 1.00                               | 1.90   | 1.59   | 4.75   | -         | -      | -           | ..   | 2.59               | 6.65     |
|                    | Dominica                                     | 5.43                               | 3.07   | 0.88   | 1.62   | -         | 0.01   | 0.01        | ..   | 6.31               | 4.70     |
|                    | Grenada                                      | 0.32                               | -0.05  | 0.06   | 0.15   | -         | 0.04   | -           | ..   | 0.38               | 0.14     |
|                    | Montserrat                                   | 2.82                               | 2.26   | 0.24   | 0.35   | -         | -      | -           | ..   | 3.06               | 2.61     |
|                    | St. Kitts-Nevis                              | 1.59                               | 0.97   | 1.12   | 1.20   | -         | -      | -           | ..   | 2.71               | 2.17     |
|                    | St. Lucia                                    | 2.10                               | 2.97   | 0.16   | 0.54   | 0.02      | -      | -           | ..   | 2.28               | 3.51     |
|                    | St. Vincent                                  | 1.91                               | 2.53   | 0.05   | 0.54   | -         | -      | -           | ..   | 1.96               | 3.07     |
|                    | Cayman Islands                               | 0.99                               | 0.37   | 0.01   | 0.07   | -         | -      | -           | ..   | 1.00               | 0.44     |
|                    | Turks and Caicos Islands                     | 2.93                               | 6.81   | -      | 0.02   | -         | -      | -           | ..   | 2.93               | 6.83     |
|                    | Br. Virgin Islands                           | 2.86                               | 2.51   | 0.01   | 0.04   | -         | -      | -           | ..   | 2.87               | 2.55     |
|                    | Falkland Islands                             | 2.33                               | 2.10   | -      | -      | -         | -      | -           | ..   | 2.33               | 2.10     |
|                    | Guyana                                       | 1.07                               | 1.75   | 4.08   | 3.66   | 0.02      | 0.02   | 0.02        | ..   | 5.17               | 5.43     |
|                    | General - West Indies                        | 1.05                               | -      | 3.70   | 4.29   | 0.06      | 0.05   | -           | ..   | 4.81               | 4.34     |
| <b>Asia</b>        |  |                                    |        |        |        |           |        |             |      |                    |          |
| <b>Total</b>       |  | 325.92                             | 398.85 | 123.18 | 144.30 | 28.54     | 48.70  | 1.43        | ..   | 477.64             | 591.85   |
|                    | Bangladesh                                   | 99.18                              | 67.55  | 57.12  | 58.02  | 13.27     | 25.84  | 0.19        | ..   | 169.57             | 151.41   |
|                    | India  | 133.92                             | 280.29 | 35.79  | 51.85  | 3.16      | 2.73   | 0.33        | ..   | 172.87             | 334.87   |
|                    | Sri Lanka                                    | 73.26                              | 50.40  | 29.28  | 32.80  | 3.62      | 9.75   | 0.08        | ..   | 106.16             | 92.95    |
|                    | Brunei                                       | 6.03                               | 0.02   | -      | -      | -         | -      | -           | ..   | 6.03               | 0.02     |
|                    | Hong Kong                                    | 0.55                               | -0.07  | -      | -      | 0.06      | 0.06   | -           | ..   | 0.61               | -0.01    |
|                    | Malaysia                                     | 20.81                              | 2.19   | 0.99   | 1.57   | 7.32      | 8.53   | 0.71        | ..   | 29.12              | 12.29    |
|                    | Singapore                                    | -1.83                              | -1.53  | -      | 0.06   | 1.11      | 1.79   | 0.12        | ..   | -0.72              | 0.32     |
| <b>Oceania</b>     |  |                                    |        |        |        |           |        |             |      |                    |          |
| <b>Total</b>       |  | 72.31                              | 46.03  | 0.43   | 0.33   | 310.29    | 318.37 | 38.61       | ..   | 383.03             | 364.73   |
|                    | Cook Islands                                 | -                                  | -      | -      | -      | 0.47      | 0.73   | 9.33        | ..   | 0.47               | 0.73     |
|                    | Fiji   | 9.53                               | 8.07   | -      | 0.10   | 11.20     | 11.57  | 4.12        | ..   | 20.73              | 19.74    |
|                    | Kiribati                                     | 13.61                              | 9.54   | -      | -      | 2.73      | 3.15   | 0.32        | ..   | 16.34              | 12.69    |
|                    | Papua New Guinea                             | 0.48                               | 0.22   | 0.22   | 0.23   | 276.01    | 285.34 | 2.31        | ..   | 276.71             | 285.79   |
|                    | Solomon Islands                              | 23.22                              | 14.79  | -      | -      | 6.21      | 6.20   | 0.62        | ..   | 29.43              | 20.99    |
|                    | Tonga  | 2.18                               | 1.40   | -      | -      | 4.83      | 3.98   | 2.80        | ..   | 7.01               | 5.38     |
|                    | Tuvalu                                       | 2.93                               | 2.66   | -      | -      | 1.28      | 0.49   | 0.31        | ..   | 4.21               | 3.15     |
|                    | Vanuatu                                      | 20.14                              | 9.25   | -      | -      | 3.64      | 3.63   | 0.18        | ..   | 23.78              | 12.88    |
|                    | Western Samoa                                | 0.22                               | 0.10   | -      | -      | 3.77      | 2.87   | 4.07        | ..   | 3.99               | 2.97     |
|                    | Other Oceania                                | -                                  | -      | 0.21   | -      | 0.15      | 0.41   | 14.55       | ..   | 0.36               | 0.61     |
| <b>Europe</b>      |  |                                    |        |        |        |           |        |             |      |                    |          |
| <b>Total</b>       |  | 12.61                              | 9.21   | 0.02   | -      | 0.86      | 0.27   | -           | ..   | 13.49              | 9.48     |
|                    | Cyprus                                       | 1.46                               | 1.72   | -      | -      | 0.04      | 0.01   | -           | ..   | 1.50               | 1.73     |
|                    | Gibraltar                                    | 11.15                              | 7.42   | -      | -      | -         | -      | -           | ..   | 11.15              | 7.42     |
|                    | Malta  | -                                  | 0.07   | 0.02   | -      | 0.82      | 0.26   | -           | ..   | 0.84               | 0.33     |
| <b>Unspecified</b> |  | 2.42                               | 0.05   | -      | -      | 4.61      | 6.52   | -           | ..   | 7.08               | 6.57     |
| <b>TOTAL</b>       |  | 810.35                             | 807.29 | 223.66 | 283.18 | 362.51    | 397.91 | 41.58       | ..   | 1,396.32           | 1,488.38 |

<sup>a</sup> Excludes New Zealand.

Source: Information supplied by donors to the Commonwealth Secretariat.

TABLE VII

Evolution of Net Flow of Resources from DAC Countries to Developing Countries

|  | 1970 | 1977 | 1978 | 1979 | 1980 | 1981 |
|--|------|------|------|------|------|------|
| <u>ODA</u> - \$ billion                      | 6.9  | 15.7 | 20.0 | 22.4 | 27.3 | 25.5 |
| - as percentage of DAC GNP                   | 0.34 | 0.33 | 0.35 | 0.35 | 0.38 | 0.35 |
| <u>Total Flow</u> - \$ billion               | 15.9 | 51.7 | 71.0 | 75.0 | 76.1 | 81.4 |
| - as percentage of DAC GNP                   | 0.76 | 1.10 | 1.24 | 1.16 | 1.05 | 1.13 |
| <u>Percentage composition of ODA</u>         |      |      |      |      |      |      |
| Technical Assistance                         | 23   | 20   | 19   | 20   | 20   | 19   |
| Other grants                                 | 26   | 29   | 28   | 30   | 33   | 32   |
| Bilateral loans                              | 35   | 20   | 19   | 20   | 14   | 19   |
| Contributions to multilateral institutions   | 17   | 31   | 34   | 30   | 33   | 29   |
| <u>Percentage composition of total flows</u> |      |      |      |      |      |      |
| ODA  | 44   | 30   | 28   | 30   | 36   | 31   |
| Other official                               | 7    | 7    | 7    | 3    | 7    | 6    |
| Private investment <sup>a</sup>              | 30   | 44   | 49   | 50   | 40   | 49   |
| Private export credits                       | 14   | 16   | 13   | 14   | 17   | 11   |
| Grants by private voluntary agencies         | 5    | 3    | 2    | 3    | 3    | 3    |

<sup>a</sup> Direct and portfolio, including loans to multilateral institutions.

Source: DAC Chairman's Report, 1981 and OECD Press Release, 23rd June, 1982.

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TABLE VIII

DAC Members' Net Disbursements of ODA as Percentage of GNP

|                               | 1970 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 |
|-------------------------------|------|------|------|------|------|------|------|
| <u>Commonwealth Countries</u> |      |      |      |      |      |      |      |
| Britain                       | 0.39 | 0.39 | 0.45 | 0.47 | 0.51 | 0.35 | 0.43 |
| Canada                        | 0.41 | 0.46 | 0.50 | 0.52 | 0.46 | 0.43 | 0.43 |
| Australia                     | 0.62 | 0.41 | 0.42 | 0.55 | 0.52 | 0.48 | 0.41 |
| New Zealand                   | 0.23 | 0.41 | 0.39 | 0.34 | 0.33 | 0.33 | 0.29 |
| <u>Other DAC Countries</u>    |      |      |      |      |      |      |      |
| United States                 | 0.32 | 0.26 | 0.25 | 0.27 | 0.20 | 0.27 | 0.20 |
| Japan                         | 0.23 | 0.20 | 0.21 | 0.23 | 0.26 | 0.32 | 0.28 |
| Germany                       | 0.32 | 0.36 | 0.33 | 0.36 | 0.44 | 0.43 | 0.46 |
| France                        | 0.66 | 0.62 | 0.60 | 0.57 | 0.59 | 0.64 | 0.71 |
| Italy                         | 0.16 | 0.13 | 0.10 | 0.14 | 0.08 | 0.17 | 0.19 |
| Netherlands                   | 0.61 | 0.83 | 0.86 | 0.82 | 0.93 | 1.03 | 1.08 |
| Sweden                        | 0.38 | 0.82 | 0.99 | 0.90 | 0.94 | 0.79 | 0.83 |
| Belgium                       | 0.46 | 0.51 | 0.46 | 0.55 | 0.56 | 0.50 | 0.59 |
| Switzerland                   | 0.15 | 0.19 | 0.19 | 0.20 | 0.21 | 0.24 | 0.24 |
| Denmark                       | 0.38 | 0.56 | 0.60 | 0.75 | 0.75 | 0.73 | 0.73 |
| Austria                       | 0.07 | 0.12 | 0.22 | 0.27 | 0.19 | 0.23 | 0.48 |
| Norway                        | 0.32 | 0.70 | 0.83 | 0.90 | 0.93 | 0.85 | 0.82 |
| Finland                       | 0.06 | 0.17 | 0.16 | 0.16 | 0.21 | 0.23 | 0.28 |
| Total DAC                     | 0.34 | 0.33 | 0.33 | 0.35 | 0.35 | 0.38 | 0.35 |

Source: DAC Chairman's Report, 1981 and OECD Press Release, 23rd June, 1982.



MEETING OF COMMONWEALTH FINANCE MINISTERS  
LONDON, 30-31 AUGUST 1982

Protectionism : Threat to International Order  
The Impact on Developing Countries  
(Report by Commonwealth Group of Experts)

Note by Secretary

Commonwealth Heads of Government at their Meeting in Melbourne in September/October 1981 requested the Secretary-General to commission a group of high-level Commonwealth experts to investigate the impact of protection on developing country trade to assist Commonwealth Governments in their preparations for the GATT Ministerial Meeting in November 1982. It has been decided to circulate the Expert Group report to Finance Ministers in view of its relevance to Draft Agenda Item 3 — Current World Economic Situation and Problems (including IMF and World Bank issues) and the close relationship between trade and financial issues. A number of copies of the report have recently been forwarded separately to Governments. An additional two copies are now attached.

B. Persaud

Commonwealth Secretariat,  
Marlborough House,  
London S W 1

12 August 1982

# THE UNIVERSITY OF CHICAGO

THE UNIVERSITY OF CHICAGO  
CHICAGO, ILLINOIS

## STATEMENT OF WORK

This document describes the work to be performed under the terms of the contract between the University of Chicago and the contractor. The work is to be performed in accordance with the specifications and drawings attached hereto. The contractor shall be responsible for the design, construction, and installation of the system. The contractor shall also be responsible for the maintenance and repair of the system. The contractor shall provide a detailed schedule of work and a list of personnel to be assigned to the project. The contractor shall also provide a list of materials and equipment to be used in the project. The contractor shall be responsible for the safety of the project and for the protection of the University's property. The contractor shall also be responsible for the timely completion of the project. The contractor shall provide a detailed report of the work performed and the results of the project. The contractor shall also be responsible for the training of the University's personnel in the use of the system. The contractor shall be responsible for the documentation of the project and for the archiving of the data. The contractor shall be responsible for the security of the system and for the protection of the University's information. The contractor shall be responsible for the backup and recovery of the data. The contractor shall be responsible for the disaster recovery of the system. The contractor shall be responsible for the performance of the system and for the optimization of the system. The contractor shall be responsible for the monitoring of the system and for the reporting of the results of the monitoring. The contractor shall be responsible for the troubleshooting of the system and for the resolution of the problems. The contractor shall be responsible for the support of the system and for the assistance of the University's personnel. The contractor shall be responsible for the maintenance of the system and for the replacement of the parts. The contractor shall be responsible for the repair of the system and for the restoration of the data. The contractor shall be responsible for the upgrade of the system and for the migration of the data. The contractor shall be responsible for the decommissioning of the system and for the disposal of the equipment. The contractor shall be responsible for the compliance with the laws and regulations. The contractor shall be responsible for the adherence to the standards and best practices. The contractor shall be responsible for the communication with the University's personnel and for the reporting of the progress of the project. The contractor shall be responsible for the coordination with the other contractors and for the integration of the systems. The contractor shall be responsible for the management of the project and for the control of the costs. The contractor shall be responsible for the quality of the work and for the satisfaction of the University's personnel. The contractor shall be responsible for the safety of the project and for the protection of the University's property. The contractor shall be responsible for the timely completion of the project. The contractor shall provide a detailed schedule of work and a list of personnel to be assigned to the project. The contractor shall also provide a list of materials and equipment to be used in the project. The contractor shall be responsible for the safety of the project and for the protection of the University's property. The contractor shall also be responsible for the timely completion of the project. The contractor shall provide a detailed report of the work performed and the results of the project. The contractor shall also be responsible for the training of the University's personnel in the use of the system. The contractor shall be responsible for the documentation of the project and for the archiving of the data. The contractor shall be responsible for the security of the system and for the protection of the University's information. The contractor shall be responsible for the backup and recovery of the data. The contractor shall be responsible for the disaster recovery of the system. The contractor shall be responsible for the performance of the system and for the optimization of the system. The contractor shall be responsible for the monitoring of the system and for the reporting of the results of the monitoring. The contractor shall be responsible for the troubleshooting of the system and for the resolution of the problems. The contractor shall be responsible for the support of the system and for the assistance of the University's personnel. The contractor shall be responsible for the maintenance of the system and for the replacement of the parts. The contractor shall be responsible for the repair of the system and for the restoration of the data. The contractor shall be responsible for the upgrade of the system and for the migration of the data. The contractor shall be responsible for the decommissioning of the system and for the disposal of the equipment. The contractor shall be responsible for the compliance with the laws and regulations. The contractor shall be responsible for the adherence to the standards and best practices. The contractor shall be responsible for the communication with the University's personnel and for the reporting of the progress of the project. The contractor shall be responsible for the coordination with the other contractors and for the integration of the systems. The contractor shall be responsible for the management of the project and for the control of the costs. The contractor shall be responsible for the quality of the work and for the satisfaction of the University's personnel. The contractor shall be responsible for the safety of the project and for the protection of the University's property. The contractor shall be responsible for the timely completion of the project.

## APPENDIX A

UNIVERSITY OF CHICAGO  
CHICAGO, ILLINOIS  
1999



1983 venue.

I gather Raphael told you  
he was hoping for Trinidad.

But you'll want to check  
with him what if anything

you say.

John

India - 1971  
Bilateral - World Bank  
or IMF

Reserve?  
Payment?  
Insurance?  
Policies?  
Conditions?

~~Export of goods~~  
~~Export of services~~  
~~Export of money~~  
~~Export of technology~~  
~~Export of know-how~~

Chicago

> Emphasis on export control

- Focus on export control in

When there is a comparison  
with commodities

Boothman (1971)

Old problems of '60s  
- Why no. they haven't to be

KAMUNDO: I know that the same



✓  
FROM: JILL RUTTER  
12 August 1982

MISS RANDALL

cc Mr Slater  
Mr Bonney

CFM: SOCIAL PROGRAMME

The Chancellor has seen your minute to me of 10 August. The Chancellor is now happy with the arrangements as set out, but has commented that Ministers and wives will need to be advised specifically that they are expected to go direct from the Conference to Westminster for boarding the boat to the Tower.

*JR*  
11 JILL RUTTER





FROM: JILL RUTTER  
12 August 1982

MISS RANDALL

cc Mr Slater

CFM: RECEPTION ON 30 AUGUST AND LUNCHEON ON 31 AUGUST

The Chancellor has seen the menu for the buffet supper at the Tower and is happy with that, subject to being enlightened on return as to the exact nature of tortoen (my German training suggests that this may be tarts - but I am sure you can find out the definitive answer by 24 August).

2. The Chancellor wanted to suggest one amendment to the boarding card for the boat which was to insert sharp after 6.20pm.

*JR*

JILL RUTTER







Indian High Commission

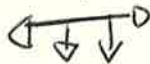
Fin. Min coming  
+ Mr <sup>RN</sup> Malhotra

Mr & B. Jalan (CEA)

Mr G K Arora

Mr C M Vasudev (IS/FinMin)

M Pretap.



Finance Minister.



1st September.



9.00.



FROM: JILL RUTTER  
16 August 1982



cc: Mr. Carey  
Mr. Bonney  
Mr. Slater

MISS RANDALL

COMMONWEALTH FINANCE MINISTERS MEETING : ATTENDANCE

I was rung today by the Indian High Commission to say that the following would be attending as India's party to the CFM:-

Finance Minister

Mr. R.N. Malhotra

Mr. B. Jalan

Mr. G.K. Arora

Mr. C.M. Vasudev (Private Secretary to the Finance Minister)

2. As far as I could ascertain, no central banker is coming though you might like to check this with the Bank directly, and the Finance Minister is not bringing his wife.
3. The Indians asked if it would be possible for their Finance Minister to pay a courtesy call on the Chancellor on 1 September. I thought that India definitely came into the category of countries that the Chancellor ought to agree to accept courtesy calls from, so I fixed a courtesy call at 9 a.m. on Wednesday, 1 September. You might like to consider who should come to support the Chancellor at the meeting which will be held in No.11 Downing Street, and what additional briefing will be required.

JJR

JILL RUTTER





Telephone : 01-491 4172/7  
 Telegrams : KWACHACOM, LONDON  
 Telex : 263308 Kwacha G

Please address all correspondence to the High Commissioner

In reply please quote No.

cc Miss K...  
 Mr Carey, Mr...  
 LC/3/9/12 M...

*ppp*

MALAWI HIGH COMMISSION

33 Grosvenor Street  
 London, W1X 0HS

16th August, 1982.

Sir Geoffrey Howe,  
 Chancellor of the Exchequer,  
 Treasury Chambers,  
 Parliament Street,  
 London SW1P 3AG.

|           |        |
|-----------|--------|
| CH/EXCH   |        |
| REC.      | 18 AUG |
| ACTION    | Miss   |
| COPIES TO |        |

*Dear Chancellor of the Exchequer,*

I have been asked to convey to you a message which I have received from Hon. L. Chakakala Chaziya, Minister of Finance in the Government of the Republic of Malawi, which reads as follows:-

" SIR GEOFFREY HOWE, CHANCELLOR OF THE EXCHEQUER, TREASURY CHAMBERS, PARLIAMENT STREET, SW1P 3AG, UNITED KINGDOM

THANK YOU VERY MUCH FOR YOUR LETTER OF JULY 1982, IN WHICH YOU EXTENDED HOSPITALITY TO MY WIFE AND ONE OTHER MEMBER OF MY PARTY AT THE FORTHCOMING COMMONWEALTH FINANCE MINISTERS MEETING TO BE HELD IN LONDON STOP

I ACCEPT, WITH PLEASURE, YOUR KIND OFFER OF HOSPITALITY TO MY WIFE, HOWEVER, WILL NOT BE ABLE TO ATTEND THE DELIBERATIONS OF THE BUSINESS AND FINANCE MEETING IN LONDON.

L. CHAKAKALA CHAZIYA  
 MINISTER OF FINANCE  
 16/8/82"

I avail myself of this opportunity to thank you, Sir, the assurance...

INVITATION TO SUCCESSFUL AN...



UNCLASSIFIED

bf 23/8.

C/This looks ok

FROM: C J CAREY  
DATE: 16 August 1982

JR

23/8

MISS RUTTER - 12/2

Hope so!

*mwp*  
cc Sir Kenneth Couzens  
Mr Littler o/r  
Mr Slater  
Mr Bonney  
Miss Randall

CFM: CATERING FOR DELEGATES AND STAFF

After his recent meeting with Sir Sonny Ramphal the Chancellor asked us to have another look at the arrangements for providing lunch for those officials who would not be involved in any of the officially sponsored lunches on the Monday or Tuesday 30 and 31 August. At that time, the plan was to offer the officials concerned a light cold lunch in the cafeteria of Lancaster House (and in addition to issue them with directions to the Buttery Coffee Shop at the Royal Overseas League, 5 minutes walk away, where good light lunches can be had at reasonable prices).

2. Following the Chancellor's meeting we have arranged for a buffet lunch to be offered to officials on Tuesday, 31 August, in the State Dining Room at Lancaster House. The cost will be £4 per head, which we should be able to manage within our budget on present estimates. We envisage a come and go as you please affair, without any formal host for the occasion.

3. Monday is more of a problem, because the State Dining Room at Lancaster House is booked for the Secretary-General's lunch on that day, and there is nowhere else suitable within convenient reach. We see no option but to stick with the cafeteria plan for that day, but the FCO Conference people will be making special efforts to ensure that the cafeteria does have the necessary space available to meet the needs of delegates.

✓ 4. I have explained the above to the Commonwealth Secretariat, who welcome the change and accept that these arrangements will be fully adequate in the circumstances.

*CJC*

(C J CAREY)



# TRADES UNION CONGRESS

CONGRESS HOUSE · GREAT RUSSELL STREET · LONDON WC1B 3LS

Telephone 01-636 4030

Telegrams TRADUNIC LONDON WCI

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
The Treasury  
Parliament Street  
London SW1P 3HE

YOUR REFERENCE

OUR REFERENCE LM/CW/AC/CK

DEPARTMENT Economic

August 16 1982

|             |  |
|-------------|--|
| EXCHEQUER   |  |
| 19 AUG 1982 |  |
| ACTION      | Mr Carly 19.8  |
| COPIES TO   | CST, FST, EST,<br>Sir A Wass,<br>Sir K Lowers,<br>Mr Litter, |

Dear Sir Geoffrey

Commonwealth Finance Ministers' Meeting  
London 29-31 August 1982

On previous occasions you agreed to make possible the distribution of a Commonwealth Trade Union Council Memorandum to government delegations at the annual meetings of Commonwealth Finance Ministers. The CTUC has prepared a memorandum for the 1982 Meeting of Commonwealth Finance Ministers (copies enclosed) and I would appreciate it if you could, in your capacity as Chairman, again ensure its distribution to government delegations.

Mr Bowley,  
Miss Randall,  
Mr. Ridley.

Subject to your approval, appropriate numbers of the CTUC Memorandum will be made available to the Commonwealth Secretariat for distribution.

Yours sincerely

General Secretary.

cc Mr J Small  
Deputy Secretary General  
Commonwealth Secretariat





**MEMORANDUM SUBMITTED TO THE  
COMMONWEALTH FINANCE MINISTERS' MEETING  
LONDON, 29 - 31 AUGUST, 1982**



## COMMONWEALTH FINANCE MINISTERS' MEETING

LONDON, 29-31 AUGUST, 1982

### MEMORANDUM SUBMITTED BY THE COMMONWEALTH TRADE UNION COUNCIL

#### I. Introduction

This is the third occasion that the CTUC has presented its views to Commonwealth Ministers of Finance; similar CTUC submissions were made to the 1980 and 1981 Meetings of Finance Ministers in Bermuda and The Bahamas. The CTUC was further able to present a 5-point Memorandum to the Chairman of the 1981 Commonwealth Heads of Government Meeting and Heads of Government agreed to the CTUC proposal for a meeting of Commonwealth Ministers of Employment/Labour; this meeting was held in Geneva, 1 June 1982.

The CTUC attaches particular importance to the Meetings of Finance Ministers as it is aware that this forum results in a high-level exchange of views on major economic and financial issues which have a direct bearing on the livelihood of working people and their families. The CTUC hopes that Ministers will take into account the trade union views presented in this Memorandum in the knowledge that the CTUC represents a total of 30 million organised workers in 40 Commonwealth countries.

#### II. World Economic Situation

Governments throughout the world should be aware that an economic crisis unprecedented since the 1930s is confronting them. Unemployment is measured in many millions even in the hitherto prosperous developed countries, economic growth has slumped and inflation remains stubbornly high. Thus economic growth in the seven largest economies is likely to be zero in 1982 and that of the oil importing developing countries slumped to 1.5% in 1981. The economic prospects for the developing countries are particularly disturbing on account of the effect of lower demand for their exports and the increase in their own import bills which has plunged many of them into domestic crisis and has entailed a current account deficit of a staggering \$75-80 billion.

The CTUC shares fully the deep concern expressed by Commonwealth Ministers of Employment/Labour about the economic and social implications of the high and rising levels of unemployment and underemployment at their First Meeting, held in June 1982. (Appendix). The number of unemployed and underemployed in the world totals an unacceptable 485 million, of which the great majority are in the developing part of the world. It is estimated that to absorb the present backlog of underemployed and new additions to the labour force, the developing countries alone will have to create 25 million new jobs a year. This figure will need to rise substantially in coming years if the expected increase in the labour force is to be dealt with. At the same time the fastest rate of increase in unemployment in recent years has taken place in the developed countries which had previously experienced full employment. Total OECD unemployment now totals

almost 30 million and this does not include many millions more who are in part-time jobs or training or who are not formally registered as unemployed. The level of official unemployment has increased a full third in only three years and the latest OECD forecast indicates that further increases are to be expected unless immediate counter measures are taken.

Commonwealth Ministers of Employment/Labour have recognised that unemployment has a disproportionate effect on young people and women. In the OECD countries young people account for some 20% of the labour force but 40% of the job-seekers. In the developing countries the proportion is even higher, partly on account of the population age structure; in some of them youth unemployment can reach as much as 60%. Similarly, the effect of unemployment on women workers has been particularly harsh, especially in low-income, low-skill and low-productivity jobs, which employ large numbers of women and are especially sensitive to economic downturns. In addition, there is firm evidence suggesting that the potential female labour force is being kept artificially low on account of women being discouraged from seeking employment at a time of economic recession.

Apart from the immediate cyclical economic factors, more complex structural factors have a serious impact upon the labour market and upon jobs. These include the introduction of new technology, such as micro-electronics. An increasing number of studies, including several commissioned by trade unions, are demonstrating that such new technology can destroy - as well as create - jobs, especially in developing countries where labour-intensive techniques are still common. The CTUC therefore welcomes the suggestion that a Commonwealth working party should be established to devise guidelines for possible strategies to be used in the management of technological change.

Since the onset of the world recession in the 1970s, trade unions have pointed to the responsibility of governments, especially those in charge of the world's leading economies, for taking action to ensure economic recovery and growth, and to effect direct measures to expand employment. In a submission to the 1982 Versailles Summit Meeting, the trade unions called upon the governments of the developed countries to take urgent joint action to reverse the relentless decline which each country now experiences. It was felt that the Summit must recognise fully the responsibility of the strongest economies to act now, as they have a decisive effect on the rest of the OECD area as well as on the whole developing world. Tight economic policies of the OECD countries have prolonged the recession instead of providing a way out of the downward spiral. The joint strategy hitherto followed, and largely inspired by the countries participating at the Versailles Summit, has become a straightjacket, as incipient signs of recovery in one or two countries have been threatened by the policy of others. The trade unions have accordingly proposed a far-reaching, but perfectly feasible change in policy:

- a) the direction of fiscal policies has to be expansionary and there has to be a simultaneous relaxation of tight monetary policies;

- b) the stimulus to the economy has to be targeted towards investment in economically and socially useful areas which also create jobs;
- c) Governments must cooperate to reduce the current high interest rates which distort investments and create obstacles for countries which need to follow more expansionary policies.

It was also pointed out that while a concerted expansionary policy in the OECD area will have an immediate beneficial effect on the prospects of the developing countries, this in itself will be far from enough. A considerable increase in official development assistance is needed to ensure that all developing countries - and particularly the poorest ones - will benefit. Such assistance must be directed as a matter of priority to improve the economic and social structures of developing countries. International agreements also have to be reached as a whole range of issues, some of which are already at an advanced stage of negotiations, such as the UN Code of Conduct on Transnational Corporations. In this respect the CTUC recalls that in its Memorandum submitted to the 1981 Commonwealth Finance Ministers' Meeting, it placed major emphasis upon agreement on the key elements of the so-called "Emergency Programme" of the Brandt Commission on International Development Issues. It is to be profoundly regretted that so little progress was made on key "North-South" issues at the 1981 Cancun Summit Meeting and at subsequent meetings, including within the UN framework.

Governments must not only be aware of their responsibility for the present world-wide economic malaise, and impasse in North-South negotiations, but must also act to break the deadlock and to effect economic recovery. Failure to do this will risk increased social and political disturbances, fed on the rising discontent of their population, who are ever less likely to accept declining living standards and mounting hardship: The last 12 months have seen a growing number of violent upheavals and disorders in both developed and developing Commonwealth countries, sometimes resulting in a total collapse of the existing order.

There is today a more than evident need for jointly agreed policies on the management of the economy. The CTUC therefore repeats the offer to governments at the Versailles Summit: Trade unions are ready to take their share of responsibility in working out recovery policies, but there has to be a political will from governments to accept them as full partners and to accord them the independence and respect that is demanded by trade union members. In designing and implementing such policies, it is essential that discussion takes place on the whole range of factors bearing on the development of the economy and shaping its future which is at present in jeopardy. An approach which concentrates on one or a few areas of economic policy and removes them from the broader context will inevitably fail to come to terms with the problems of complex and interdependent economies.

In this context, the CTUC shares the view of the ILO Director General who, addressing the UN Economic and Social Council in July 1982, noted that "social policies can constitute effective instruments for the solution of economic problems - as much in the North as in the South" and stressed that "measures of a social character - well defined and applied within a framework of unanimity with which the social partners should be

associated - would be able to provide important factors of solution".

### III. International Trade Issues

This November will see the holding of a special Ministerial Meeting of the General Agreement on Tariffs and Trade. Valuable work on some of the key policy issues before the Ministerial Meeting has been undertaken by the Commonwealth Expert Group on Protectionism under the Chairmanship of Professor Alec Cairncross and important recommendations are made in the Report of the Expert Group. Trade union opinions on trade and protectionism are frequently misunderstood and even misrepresented and the CTUC is therefore appreciative of the opportunity which was afforded to it to present its views on international trade issues to the Group and to hold an exchange of views with its Chairman.

The CTUC Memorandum submitted to the Expert Group has discussed a number of key policy issues and has stressed that GATT policy should have as its overriding aim the promotion of international trade and the furtherance of developing country exports within the context of the need for a new international economic order. It has also pointed out that trade policy cannot be seen in isolation from the overall world economic situation and the need to adopt new economic policies, based upon a global approach which recognises the interdependence of the world economy.

Among the issues raised by the CTUC Memorandum are the need for effective policies for structural adjustment and the importance of the respect for international labour standards. The relevance of labour standards in the context of international trade eg of a GATT "social clause" is not always fully accepted. In its meeting with the Chairman of the Expert Group the CTUC stressed that it was not meant to be some form of hidden protectionism, nor is access to markets to be conditional on the adoption of labour standards irrelevant to the level of development. It was, on the contrary, meant to encourage greater resort to consultations about trade controls and to avoid or minimise damage through emergency measures. Respect for minimum ILO labour standards, eg on health and safety, which have been drawn up with the full and active participation of developing countries themselves, would therefore help to counteract protectionism, as has indeed been recognised in the Brandt Report on International Development Issues.

### IV. International Financial Issues

The CTUC has already highlighted the interrelationship between world economic recovery and certain key financial issues, such as tight monetary policies and the high level of interest rates which needs to be reduced. If economic growth is effectively stimulated and world trade revived there is a likelihood that the external constraints on the economic prospects of developing countries can be removed. If however worldwide interest rates remain high, revenues from primary commodity exports continue to fall, and there is discrimination in access to OECD markets, the developing countries' ability to pay for loans and trade credits essential to their development programmes will be squeezed. Their own demand for imports from developed countries will also remain low, thereby exerting further deflationary pressure on the world economy.

In their submission to the 1982 Versailles Summit, the trade unions pointed out that direct foreign investment and commercial loans cannot be a substitute for assistance and "soft" lending. Government cut-backs in public expenditure have placed the whole concept of multilateral lending and especially soft loans in jeopardy. As a result of the failure of the donor countries, the IDA arm of the World Bank continues to have great difficulty in finalising its Sixth Replenishment. Very few new soft loans are being made, and the result is that some countries have been effectively deprived of badly needed assistance. This situation is moreover aggravated if bodies like the World Bank change their policies away from soft loans in an attempt to pacify their critics in certain leading donor countries.

Multilateral lending for energy projects will require substantial resources in the years ahead and this must remain a priority if foreign exchange constraints are not to choke the development effects of non-oil developing countries. The negotiations for the Seventh Replenishment must therefore see a substantial real increase in lending capacity.

The efficiency of development assistance will not be guaranteed by turning over responsibilities for assistance to private investors. Transnational corporations have an important role in the development process, but unless their activities are regulated so that benefits accrue to the host countries and their population, they merely distort the development process and increase gaps both within and between countries. Resources for development must be targeted to the fight against spreading poverty and unemployment and the creation of viable economic and social structures. To reduce waste, trade unions in both developing and industrialised countries should be associated with the process of channelling assistance and monitoring its efficiency.

Dealing with the immediate problems of replenishment and greater flow of concessionary resources to developing countries should not detract from the need to effect longer term structural and institutional reforms in the international monetary and financial system. In particular the CTUC recalls that the 1981 meeting of Commonwealth Finance Ministers re-emphasised that the IMF's guidelines on conditionality should be kept under constant review to ensure that they are adapted in the light of evolving circumstances and their impact on member countries, and that domestic social and political circumstances must be fully taken into account by the IMF in suggesting policies for individual countries. Developments over the past 12 months, including the possibility that the World Bank may revert to greater conditionality in its lending policies serve to underlie the importance of the 1981 decisions and the need to give greater effect to them.

The present situation on the oil market offers an opportunity to take agreed measures to ensure that the recycling of "petro-dollars" and the associated problems are better dealt with. This means that there should be negotiations between oil-producing and oil-consuming countries which result in common agreement on equitable and remunerative oil prices as well as a greater stability and transparency of markets, including in the operation of oil companies and traders.

#### V. Commonwealth Functional Cooperation

The 1982 Meeting of Commonwealth Heads of Government reaffirmed that the Commonwealth Fund for Technical Cooperation should be assured



of the resources required to exploit the many advantages of Commonwealth cooperation and agreed, in particular, that the level of activities carried out by the CFTC should be restored by 1983/84 to the level attained in 1978/79 as a basis for future growth. As a result CFTC expenditure is expected to rise from £14.28 million in 1981/82 to £17.57 million in 1982/83. This increase is to be welcomed, but it has to be remembered that it merely seeks to restore a level of activity which existed previously. There is therefore a major case for ensuring that the resources made available to the CFTC in the longer run continue to grow and to match up to both growing demands for assistance and rising costs. Indeed it is to be regretted that at a time when the argument for increased levels of development assistance has gained widespread acceptance thanks to the work of the Brandt Commission on International Development Issues and other bodies, financial stringency has prevented greater resources being allocated to the CFTC.

Commonwealth functional cooperation covers a number of different areas and the 1981 Commonwealth Heads of Government Meeting placed due emphasis on the existing programmes on Women and Development and the Commonwealth Youth Programme, and the work of the Commonwealth Foundation. In its submission to the 1981 Finance Ministers' Meeting, the CTUC had placed special emphasis on human resource development and the need to pursue balanced economic and social development with the aim of creating jobs and meeting the essential needs of the people. It is therefore to be welcomed that the First Meeting of Employment/Labour Ministers noted the "already significant extent of Commonwealth cooperation in the area of education and training and discussed the need for increased bilateral and multilateral assistance, especially in the fields of technical and vocational training".

The CTUC has suggested the establishment of a "Human Resources Development Unit" which, similar to the Industrial Development Unit established in 1980, could provide administrative backup - in this case in the area of employment, manpower and social affairs. Such a Unit should be compact and flexible and be integrated into the existing Secretariat activities, while having responsibility for the administration of projects relating to human resource development. As the objectives and principles of the Commonwealth Secretariat in the 1980's are currently being reviewed, it would be important to ensure that the implications of administrative backup in the labour area are dealt with in the review report.

In its submission to Commonwealth Ministers of Employment/Labour, the CTUC has sought to demonstrate the value of education and training projects being undertaken through non-governmental bodies such as trade unions. In this respect the training of workers and of trade union officials in accountancy, office and organisational skills, commercial, industrial, and employment law, economics, business and social studies is an essential component in any form of industrial or vocational training. It can indeed be argued that other, more specific, forms of in-plant training are dependent upon the establishment of a successful programme of workers' education and training.

CTUC education and training projects are implemented under the auspices of the CTUC Trust, the objectives of which are carefully defined in the Trust Deed:

"the advancement of public education within the Commonwealth with particular reference to studies in accountancy, office and organisational skills, commercial industrial and employment law, economics and business and social studies;

the advancement of public education by providing vocation-related education and training within the Commonwealth;

the relief of poverty including relief by provision of or assistance with specific community development projects;

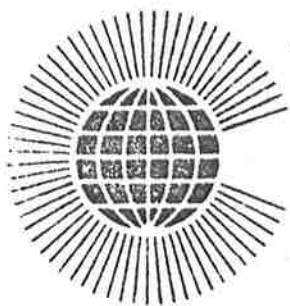
such other objectives as the Trustees shall think fit and which shall be charitable in accordance with the laws of England for the time being."

Funding for CTUC projects is derived from trade unions and several Commonwealth governments, as well as certain other grant-making bodies. To date, the CTUC has been given both "block" grants and grants earmarked for particular projects from the governments of Australia and Canada; these are normally applied for by the CTUC member organisations in the country concerned. It also received assistance from the British TUC drawing on a British government grant, and from the Commission of the European Communities. The CTUC has further received a grant from the Commonwealth Foundation earmarked for its Zimbabwe Assistance Project.

At present there is limited scope at Commonwealth level for the funding of training and other projects involving non-governmental organisations. Funding by the Commonwealth Foundation is essentially restricted to the furtherance of pan-Commonwealth contacts, rather than country-specific training. The Commonwealth Fund for Technical Cooperation is concerned with technical assistance projects submitted by governments and not non-governmental organisations, although CFTC technical assistance may involve outside bodies as executive agencies if this is requested by the government(s) concerned. It is also of interest that the 1981 Heads of Government Meeting agreed that non-governmental organisations should be encouraged to make use of the services provided under the programme on women, which includes training activities.

Possibilities may therefore exist for the funding of workers' education and training in accordance with the existing procedures for CFTC technical assistance. It may be noted that the 1978 working group on a Commonwealth Industrial Training and Experience Programme had suggested that funding for training should be derived from "offers from member governments of fully or partially financed training places, and through a central fund to be created for the purpose, to which should be credited additional contributions earmarked for this purpose to the CFTC for member countries and voluntary contributions from other bodies." In addition, there may be greater scope for drawing on the funds of the Commonwealth Foundation and working with other Commonwealth programmes of functional cooperation, such as Women and Development and the Youth Programme. Whatever the final modality adopted, it is apparent that the area of human resource development, and especially education and training, will need appropriate resources devoted to it.





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# Commonwealth Information

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NEWS RELEASE

7 June 1982

82/17

## FIRST COMMONWEALTH MEETING OF EMPLOYMENT/LABOUR MINISTERS

The first Commonwealth Meeting of Employment and Labour Ministers took place in Geneva on 1 June 1982, the day preceding the opening of the 68th session of the International Labour Conference.

The meeting was arranged in response to the request by Commonwealth Heads of Government, at their meeting in Melbourne in October 1981, that Ministers meet at the time of the International Labour Conference.

Twenty-seven countries attended the meeting. Observers from the International Labour Organisation were also present. The meeting was opened with addresses by Mr Shridath Ramphal, Commonwealth Secretary-General and Mr Francis Blanchard, Director-General of the International Labour Office. Mr Alfred C Tandau, Minister for Labour and Social Welfare, Tanzania, chaired the meeting.

Ministers discussed the effects of the current world recession on employment. They expressed deep concern about the economic and social implications of the high and rising levels of unemployment and under-employment in their countries, especially for young people and women who were disproportionately affected. They reviewed specific measures being taken by member governments to alleviate the situation; in particular, programmes for technical and vocational education and training and special schemes for employment creation, paying special attention to the rural sector.

COMMONWEALTH  
SECRETARIAT  
Marlborough House  
London SW1Y 5HX  
01-839 3411

Ministers also exchanged views on a number of related matters in the employment and labour field, including the international migration of labour, the impact on employment of micro-electronics technology, and industrial relations and worker participation in management.

The meeting noted the already significant extent of Commonwealth cooperation in the area of education and training and discussed the need for increased bilateral and multilateral assistance, especially in the fields of technical and vocational training. They considered the possibility of establishing a Commonwealth working party to devise guidelines for possible strategies to be used in the management of technological change.

Ministers saw considerable value in the opportunity the meeting afforded them to exchange views and experiences on important labour and employment issues and were pleased to receive a submission from the Commonwealth Trade Union Council on the experience of organised labour with special attention to workers' education and training.

They expressed their gratitude to the Director-General of the ILO for the excellent facilities provided for the meeting and the co-operation given by him and his staff to the Commonwealth Secretariat in arranging the meeting.

Ministers agreed to meet again in Geneva, for one or two days at the time of the 69th session of the International Labour Conference in 1983.

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UNCLASSIFIED

FROM: MISS B RANDALL  
DATE: 20 August 1982

MR BONNEY

*Miss Rutter*  
*This seems OK to me.*  
*Could you let Miss Randall*  
*have any comments by close*  
*of play on Monday (23/8)?*

CFM: RECEPTION AT TOWER OF LONDON, 30 AUGUST

This Reception is for all delegates. GHF need to have the guest list as soon as possible.

I attach a draft list of UK guests. The names of visiting Commonwealth delegates and their wives can be taken straight from our latest delegations list (copy attached). I will arrange to do this and send it to GHF. If we add High Commissioners and their wives, plus about 20 people from the Commonwealth Secretariat, the total guest list will be about 360-370. About 30-40 people will have to stay behind on the drafting Committee, so the maximum number attending the Reception will be about 340, of whom about 72 will be in the Ministers' boat. This means that we shall probably keep within the total of 350 for which GHF have been allowing, and that we should also just about manage with two boats.

You may wish to discuss the UK guest list with Private Office. Meanwhile I will let GHF have the Commonwealth delegates' names.

*B. Randall*

MISS B RANDALL



UK Guests

Treasury

Sir Kenneth and Lady Couzens

Mr Carey

Mr J O Kerr

Mr M A Hall

Mr R J Bonney

Miss J Rutter

Mrs M A Scott

FCO

? PUS and wife

Mr D Gordon

*Recd*

Mr N P Bayne

Miss A Hutchison

Mr L V Appleyard

Mr B Burrough

ODA

Sir William and Lady Ryrrie

Mr K G W Frost

Bank of England

Governor and (Mrs) Richardson

Mr and Mrs M J Balfour

GHF

Brigadier <sup>†</sup> Mrs Cowan

Tower of London

General and Mrs Mills

Brigadier and Mrs Mears

Colonel and Mrs Per<sup>†</sup>far





~~CONFIDENTIAL~~  
COMMONWEALTH SECRETARIAT

His Excellency Mr. Shridath S. Ramphal & Mrs Ramphal  
Commonwealth Secretary-General

Mr. C.R. Laidlaw  
Assistant Director

Mr. M.N.F. Robinson  
Assistant Director

Mrs. G.I. Cummings  
Personal Assistant

Miss J.P. Singh  
Senior Personal Secretary

Mr. C.J. Small & Mrs Small  
Deputy Secretary-General

Miss B. Cohen  
Senior Personal Secretary

Mr. D.A. Anderson  
Assistant Secretary-General and  
Managing Director, CFTC

Miss J. Schoenberger  
Executive Assistant

Dr. B. Persaud  
Conference Secretary

Miss M.G.M. Fernandes  
Personal Secretary

Mr. Gunawardena  
Director, Information Division

Miss R.A. Lewis  
Personal Secretary

~~Mr. Henry Lynch-Shyllon  
Director, Administration Division~~

Mr. E.A.K. Mwanjisi  
Director, Finance and Field  
Personnel Services Division, CFTC

Mr. Q.S. Siddiqi  
Assistant Conference Secretary

Mr. D.J. Barry  
Assistant Director, Administration Division

*Suggested Guest List  
(at least 10 are  
likely to be  
a duty at  
home. Mr.  
Atwood)*



Mr. J.K. Twinomusinguzi  
Assistant Director, Economic Affairs Division

Mr. D.L. Huntley  
Chief Economics Officer, Economic Affairs Division

Mr. F.M. Needham  
Conference Officer

Mr. J.D. Cowan  
Documents Officer

*Mr. Peter Senegal, Senegal Administration Officer.*  
Minute Writers

Mr. D.L. Dodhia  
Dr. R.G. Wanigatunga

Miss E.R. Minto  
Mrs. D. Penzo  
Dr. B. Mukherjee



FROM: C J CAREY  
DATE: 23 August 1982

M. J RUTTER

cc Chief Secretary  
Sir Douglas Wass  
Sir Kenneth Couzens o/r  
Mr Littler  
Mr Lavelle  
Mr Ridley  
Mr Bottrill  
Mr Hall  
Mr Slater  
Mr Bonney  
Mr Graham

CFM SPEECH

We had a word about this. The attached text is still a bit rough-hewn, I am afraid, and in particular Sir Kenneth Couzens has not had a chance to comment on it. But you thought the Chancellor would wish to see it immediately on his return, so I am sending it forward as it stands. We have done our best to take account of the comments in your minute of 9 August to Mr Bonney.

*CJC*

(C J CAREY)

- *Getting better*

- *but the content is still too stat. like + institutional.*

*We need > of the flavor of my letter framework (Annex 1 to JHR of 9 Aug): what (e.g.) are §§ 7-11?*

- *Man of the ... what the ... achieve rapidly, ... other success ... while we all ... no ...*

- *And man ... of ... family ... London, Toronto, N.Y., ... message (Leitmotifs, I think?)*



DRAFT

CFM SPEECH

Opening Courtesies

[Thanks to Sonny Ramphal and his staff.]

2. Very glad to welcome you all to London for first meeting of CFM to be held here since 1972. I find these meetings are among most rewarding tasks of Finance Minister. As you all know, our work rarely commands spontaneous popularity in our countries. For brief spell here we find ourselves in congenial company among colleagues who view the world's economic problems from a common standpoint. We pool experience, benefit from each other's advice, emerge fortified for future work.

Praise to Commonwealth

3. Special welcome to three new members - Belize, Antigua and Barbuda, Maldives. Commonwealth family grown fast over last decade some [48] independent Members and other friends represented at this meeting compared with 36 in 1972.

4. I value our solidarity. Commonwealth is the world in microcosm. That is one merit of our meetings - wealth of experience and knowledge they bring together. But this gathering is not just statistical sample of world's economies, large and small; it is a gathering of states related by ties of history, language and institutions. Commonwealth support of our objectives in the Falklands crisis was a tribute to Commonwealth solidarity, and a great source of strength to this country. We were and are





very grateful. Not an isolated example of Commonwealth's relevance and usefulness. Commonwealth has excellent record of promoting economic and other development.

Commonwealth Military Training Team in Uganda doing good work in that country.

Is it?  
O ad example.  
Budu draw  
from Tech.  
+ fine co. sh  
prog.

5. This is good moment for us to foregather, on eve of Bank/Fund meeting in Toronto. That annual event helps focus our discussions. The informality of our proceedings is the best guarantee that they will be fruitful. Given the diversity of our interests and experience obviously no question of seeking consensus on all issues but we gain valuable insight into needs and aspirations of our colleagues.

6. That diversity of experience is a reminder of the extent of our interdependence, and a safeguard against facile diagnosis of our problems. There has been a growing realisation among all countries, whatever their stage of development, that none of us can opt out of the major economic problems which confront the world. Those problems have affected nearly all countries, whether they are called North or South, East or West. The erratic movement of oil prices (first up a lot, then down a bit); the need for improved energy supply and conservation; inflation and monetary instability; the balance of policies and expectations in the US and their effects on interest rates; the recession caused by all these shocks and instabilities and made worse in some cases by war and civil instability - all these have hit everybody. The distinctions sometimes drawn between North and South have had less and less meaning. Problem situations as apparently

Be > explain  
in distinction  
of N/S myth





remote and far apart as Poland and Mexico are now seen as interrelated, and of direct relevance to all of us. The speed with which international assistance was mobilised for Mexico shows that the facts of interdependence are now generally accepted.

#### Role of private sector in development

7. The economic advance which we all seek springs from and is sustained by healthy and well-timed investment. Official aid has no monopoly in this; in fact, I believe every country looks forward to the day when it will no longer depend on external Government support. Direct private investment, involving very close collaboration between foreign and domestic interests, makes a vital contribution. When the climate for such investment changes, there can be a dramatic turn-round in economic activity - and I look forward very much to hearing what Prime Minister Seaga will have to say to us on this. The more countries are able to sustain their development from commercial sources, the more aid - a scarce resource - can be concentrated on those who need it most.

#### World economic situation

8. The roots of some of our current difficulties can be traced back for at least a decade when the collapse of the Bretton Woods system removed an important element of external stability and discipline.



9. The onset of the sharp increases in oil prices added to our difficulties. The oil price rises arrived as almost complete surprises. The shock to oil importers was as unexpected as Pearl Harbour was to the United States, and almost as irreversible too. The extent and nature of countries' response varied but the era of cheap energy was past and those who delayed their adjustment to the first oil price rise merely had further to go after the second.

Key factor  
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Muller  
early  
US inflation -  
did, +  
was.

Was it?

10. The collapse of Bretton Woods and the rise in oil prices put the stability of the international financial system under strain. We have learnt that floating exchange rates are no substitute for domestic price stability and that rising borrowing does not absolve us from the need to adjust our economies.

11. The consequences of high and unrestrained inflation are now well known and understood to affect all countries. If unchecked, inflation will eventually lead to falling living standards, recession and high unemployment. By creating expectations of more inflation, it has led to higher interest rates. That high interest rates depress activity and increase the burden of servicing debt are well known problems common to industrial and non-industrial countries alike.

12. Most of us now have learned these lessons. The major industrial countries have reined back their current account deficits and now look set to run small current account



surpluses that are necessary to release capital flows for development. Inflation is also being reduced; very successfully in the USA, UK, Japan and Germany, elsewhere less spectacularly but determinedly in most cases.

13. Unfortunately the adjustment process has costs which pile up for those countries which fail to react quickly enough. As the circumstances of individual countries vary so too do particular prescriptions and the country's ability to implement them without undue cost. For most industrial countries the failure is not the result of any particular short-term policy but is a consequence of past inflation and an accumulated failure to adjust our economies to past changes in our circumstances. Sometimes we have failed to apply firm fiscal and monetary policies. And we have all at times failed to adjust to changing demands for products and the emergence of new products, to changing methods, to the growth of new markets, to the loss of some traditional markets, or to the rise of the super-competitive Newly Industrialising Countries.

14. The transition to a low inflation economy has proved particularly difficult where arthritic rigidities are most severely entrenched. Canada and the UK are experiencing large costs of lost output and high unemployment due to the difficulties of removing rigidities in labour and product markets. Developing countries have suffered as a result of the dismal economic performance of all the industrial countries, but in some cases their problems have been made worse by domestic policy lapses and failure to adjust. This serves to underline the importance of self-discipline and firm macro-policies for us all.





15. Outside the major industrial group, experience is more diverse and differences in performance even more marked. Some have responded particularly well, especially Hong Kong and Singapore and other faster growing industrialising countries. The adjustment process can be long and demanding but countries such as India and Jamaica have faced up to the problems and are successfully making the necessary transition. Still others, who are rich in natural resources or are major commodity producers, such as Australia and many African Commonwealth members have suffered from worsening terms of trade as commodity prices have fallen along with world demand. The rise in foreign debt service costs has affected developing countries particularly severely.

16. The recent easing in interest rates is welcome. We must all hope it is sustained. This will help both industry in developed countries and the development process in developing countries, and bring forward the eagerly awaited recovery of world output growth. When will that occur? There are grounds for optimism as well as the habitual grounds for caution. As I have mentioned most of the major industrial countries have their current accounts under control, have reduced their oil demand, and most have made a determined assault on inflation which is showing real dividends in the three largest economies. The USA may now be growing again albeit rather slowly and the OECD Secretariat last month forecast GNP growth in 1983 to 2½ per cent for the OECD area. Full recovery has been

*Residual in forecasts, we need to see how?*



a long time coming but I think its there, and it ought to be sustainable rather than demand-induced counter-cyclical growth, of the sort which breeds stop-go policies and impedes the development process.

Lessons to be drawn

17. The crux of matter remains campaign to reduce inflation. This requires consistent application of appropriate monetary policies. This is the main task for the major industrial countries and best contribution they can make to eventual recovery and resumption of growth. Upward propensity of interest rates must be checked by containing and reducing deficits and public borrowing. The size of the US economy and the role of the dollar in financial markets underlines the importance to the rest of the world in reducing US inflation and interest rates. Pursuit of monetary restraint and the adoption of a declining path of budget deficits over the medium term are the best means to control inflation and reduce interest rates. Other countries will benefit to the extent they also follow prudent budgetary policies.

18. Meantime we must maintain and strengthen liberalism of international trading system and hold ring for competition both within our domestic markets as well as internationally. These measures inevitably entail strains on social and political structures as problems of unemployment and poverty continue to press, but we must persist knowing we are on right lines. As Finance Ministers we can sustain each other in confronting common problems arising from same cause.



## Role of Bank and Fund

19. It is in this context we look to contribution of the Bank and Fund. Bank has achieved record levels of lending and borrowing. Some people are worried that it is adopting policies which are too commercial. I think however that new policies should allow Bank to adapt to changing environment without loss of essential purpose. As to IDA, earlier this year we responded to representations from other Commonwealth Heads of Government and agreed to use of whole of our second instalment of £185 million to Sixth Replenishment. Many other donor Governments have done likewise. Next week in Toronto we will discuss together what can be done this year about IDA's short term needs. Can now confirm that we will be ready to release our third and final instalment to IDAB in full.

20. As for the IMF, this year has been one of consolidation. Many of last year's programmes have sadly proved to be over ambitious. But I am glad to see that most of those which ran into difficulty are now being restored or replaced by new programmes. The conditions sought by the Fund reflect the fact that severe adjustment is required to meet present difficult conditions. The record shows, I believe, that those who have been able to take the necessary adjustment measures - and to take them early - have found their path made more tolerable.

21. The Fund needs to have the resources necessary to carry out the role assigned to it during the 1980s. But I would hope that the very large imbalances of recent years, which brought a great surge in drawings from the Fund, will



not continue throughout the decade. While the Fund should be primarily financed from quota-based resources, borrowing remains appropriate to meet recurrent shocks.





C/ok?  
JR  
23/8

FROM: J F SLATER  
DATE: 23 AUGUST 1982

PRINCIPAL PRIVATE SECRETARY ✓


cc Sir K Couzens  
Mr Carey  
Miss Randall

COMMONWEALTH FINANCE MINISTERS MEETING  
CIRCULATION OF PAPER BY COMMONWEALTH TRADE UNION COUNCIL (CTUC)

The TUC wrote to the Chancellor of the Exchequer on 16 August asking if he could arrange for distribution of a CTUC Memorandum to delegations at the forthcoming meeting.

2. As the TUC say, this was done in the last two years. I have checked with Mr Small of the Commonwealth Secretariat; they have no objection. The Memorandum would be circulated by the Secretariat, not as a document of the Meeting, but as a paper submitted by an interested body.

3. I attach a draft reply to the TUC. ✓

  
J F SLATER

[Can I see his a  
compact, ~~the~~ documented  
summary of woody CTUC doc.]



DRAFT LETTER TO: <sup>Rt Hon Lionel</sup> ~~Sir Leonard Murray~~ OBE  
General Secretary  
TUC etc

✓ 24/8  
Re. Lyne  
c. Mr Small  
CW Secretariat

COMMONWEALTH FINANCE MINISTERS' MEETING

You wrote to the Chancellor on August 16 about circulation of a  
Memorandum by the Commonwealth Trade Union Council. The Chancellor has  
absolutely no objection and ↗

We have arranged with the Secretariat for this to be done.

JR.

