



Mr. Wicks

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 June 1988

I enclose a copy of a letter to the Prime Minister from Helmut Schmidt reporting the conclusion of the session of the InterAction Council held in Moscow from 17-19 May and commending them as relevant to the Economic Summit.

I should be grateful for a draft reply.

I am copying this letter and enclosure to Alex Allan (HM Treasury) and to Nigel Wicks here.

(C. D. POWELL)

A. C. Galsworthy, Esq., C.M.G.,
Foreign and Commonwealth Office.

656

10 JUN 1988.

Büro Helmut Schmidt

— Bundeskanzler a.D. —

5300 BONN 1, 8. Juni 1988

Bundeshaus

☎ 16 78 80

S.E. dem
Botschafter des Vereinigten Königreichs
Großbritannien und Nordirland
Herrn Christopher Mallaby
Friedrich-Ebert-Allee 77

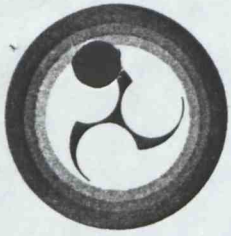
5300 Bonn 1

Dear Mr. Ambassador,

on behalf of former chancellor Mr. Helmut Schmidt
in his capacity as chairman of the InterAction
Council I would like to ask your kind service to
transmit the enclosed letter to H.E. Mrs. Margret
Thatcher.

Grateful for your help and with the expression
of high esteem


(Jens Fischer)



**INTERACTION
COUNCIL**
OFFICE OF THE CHAIRMAN

BUNDESHAUS • 53 BONN 1 • FEDERAL REPUBLIC OF GERMANY • TELEPHONE: (0228) 167580 • TELEX: 886808

Helmut Schmidt, Chairman

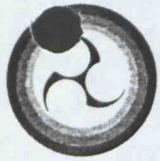
- *Helmut Schmidt, *Chairman*
Federal Republic of Germany
- *Takeo Fukuda, *Honorary Chairman*
Japan
- Ahmadou Ahidjo
United Republic of Cameroon
- Giulio Andreotti
Italy
- Kirti Nidhi Bista
Nepal
- James Callaghan
United Kingdom
- Jacques Chaban-Delmas
France
- Kriangsak Chomanan
Thailand
- Mathias Mainza Chona
Zambia
- Jeno Fock
Hungary
- Malcolm Fraser
Australia
- Arturo Frondizi
Argentina
- Kurt Furgler
Switzerland
- Selim Hoss
Lebanon
- *Manea Mănescu
Romania
- Michael Manley
Jamaica
- *Hedi Nouira
Tunisia
- Olusegun Obasanjo
Nigeria
- Ahmed Osman
Morocco
- *Misael Pastrana Borrero
Colombia
- Carlos Andrés Pérez
Venezuela
- Maria de Lourdes Pintasilgo
Portugal
- Mitja Ribicic
Yugoslavia
- *Léopold Sédar Senghor
Senegal
- Adolfo Suárez
Spain
- Pierre Elliott Trudeau
Canada
- Ola Ullsten
Sweden
- Andries van Agt
Netherlands
- Bradford Morse
United States of America

June 8, 1988

Excellency,

From 17 to 19 May 1988, the InterAction Council held in Moscow its annual session which was devoted to the overall theme "Preparing for the twenty-first century". At the conclusion of its deliberations, the Council adopted a final statement. In my capacity as Council Chairman, I am pleased to transmit to you, attached, this statement and a list of participants for your information and perusal.

As the Council considered in some detail the prospects for the world economy in the 1990's, I wish to commend for your attention sections I and II of our statement which may be of particular relevance both for the forthcoming summit of industrialized countries in Toronto and for the Hannover summit of the leaders of the European community. Section III of the statement addresses the strategic panorama of the world in the 1990's.



INTERACTION
COUNCIL

- 2 -

All members of the InterAction Council would very much welcome, if our suggestions and proposals could be taken up and given due consideration at the Toronto and Hannover summits.

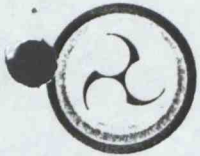
With high esteem and best personal wishes,

Yours sincerely

Helmut Schmidt

H.E. Mrs. Margret Thatcher
Prime Minister of the United Kingdom
of Great Britain and Northern Island
10, Downing Street

London, United Kingdom



1. At the invitation of the authorities of the Union of Soviet Socialist Republics, the InterAction Council met in Moscow from 17 to 19 May 1988. The session was devoted to the overall theme:

PREPARING FOR THE TWENTY-FIRST CENTURY

2. At the beginning of this century, world population ranged somewhere between 1.5 and 2 billion. In 1999, just eleven years from now, world population will have reached the astronomical number of 6 billion, requiring food, health, shelter, energy, education and employment. It is time to consider the necessary steps to be taken during the 1990's to bring about a more equitable and stable world than the one we have today.

3. We enter into the 1990's facing a plague which may prove to be the worst of modern times. AIDS not only threatens human lives but also could rend the fabric of international relations which has developed gradually through centuries. In other areas of health care, progress has been achieved under international auspices. We commend in particular intensified support for the programme of Universal Child Immunization and we call on all governments to continue and enlarge the efforts to reach all children of the world.

4. The pursuit of happiness, economic growth, physical health of mankind as well as the survival of a nature to which we are physically and socially adjusted hinges on the solution of complex ecological problems, among which the energy supply and global deforestation - which will lead to disastrous climatic changes - rank high.

5. These problems have acquired a strategic quality. They transcend national boundaries. They cannot be solved by nation states individually and in isolation from each other. From now on, all peoples are living in interdependence. Therefore, the 1990's must be a decade of multilateral approaches and international solutions if we are to prepare ourselves for the twenty-first century.

I. THREATS TO THE ENVIRONMENT

6. Based on the findings of a High-level Expert Group on Global Deforestation Trends, convened by the InterAction Council in January 1988 in Lisbon, we are convinced that indiscriminate deforestation and its effects on climate and environment will present one of the major problems of the twenty-first century. Already today, it is an established scientific fact that the mutually reinforcing trends of burning of ever higher amounts of hydrocarbons and global deforestation have induced climatic changes described as the so-called "greenhouse effect". Governments should be prepared to apply risk evaluation to all energy sources, for example for fossil fuel-based and nuclear-based energy, and to recognize that a call for an increase in fossil fuel-based energy is undesirable.

7. The InterAction Council calls upon the Secretary-General of the United Nations to place this question on the agenda of the next session of the General Assembly with a view to assessing the present degree of operational security of nuclear power plants and to evaluating the state of nuclear waste disposal. Furthermore, we strongly endorse all regional endeavours to reach more understanding of, and solutions to, environmental problems.

II. THE WORLD ECONOMY OF THE 1990'S

8. The decade of the 1980's will end in dramatic imbalances among the industrialized countries as well as between creditor and debtor countries. Indeed, since the creation of the InterAction Council in 1983, the United States has transformed itself from the biggest creditor to the biggest net debtor country of the world. During the same period, the debt aggregate of the developing countries has doubled to US\$ 1.2 trillion. The debt burden, therefore, has become unbearable for most debtor countries in the Third World.

9. We are convinced that further postponement of a radical solution to Third World debt - which has been proposed by this Council since 1984 under the principle of burden-sharing - will disrupt global financial relations, increase tensions, misery and instability of societies and governments in developing countries and prove detrimental to other parties involved. Concrete co-operation on the restructuring of the economies of the low-income countries may lay the foundation for future improvement.

10. On the other hand, to leave the United States debt problem unsolved increases the risk of new inflation and economic breakdown. We, therefore, emphasize the urgency of adjustment policies on trade and finance. We are convinced that growth is the pre-condition for these adjustment processes.

11. The InterAction Council is deeply worried by the magnitude of the adjustments needed to balance international trade. Increasing shares of global trade are distorted by protectionist measures. Balance of payments policies and strategies to cope with the debt problem are vital to facilitate the necessary adjustment processes. We, therefore, urge a thorough survey of the ongoing Uruguay Round of GATT by the end of this year to enhance steps towards dismantling protectionism.

12. The United States, the European Community and Japan have engaged in costly and devastating agricultural protectionist policies. There is widespread concern that the free internal market of Europe envisaged for 1992 might well trigger new protectionist acts. The new economic entity has a great potential of contributing positively to the world economy, but in order for that potential to be realized the pursuit of liberal trade policies is no less than essential.

13. To prevent the emergence of new imbalances in the next decade, the InterAction Council is convinced of the need to establish norms for balance of payments policies. These norms should provide for regulations that would avoid excessive deficits

and surpluses. They should also imply a commitment of the rich countries to transfer part of the savings to developing countries. In particular, Japan, being the biggest creditor country, should seek to increase dramatically her contribution to official development aid. To bring about this set of norms, we call for an international dialogue to which the International Monetary Fund should contribute constructively.

14. A new international monetary arrangement should be empowered to exercise a more effective disciplinary function and should apply equally to all participants of the international currency market.

15. The InterAction Council is concerned by the tendency to solve monetary and trade problems through bilateral arrangements and by the weakening of the indispensable multilateral framework. Do political leaders understand that meaningful solutions require multilateral approaches?

16. We strongly believe that the development of reserve currencies in addition to the United States Dollar would greatly facilitate the improvement of international equilibria. We are convinced that, in the long run, there should be more than just one currency to bear the brunt of global economic growth. Are policy-makers in Japan prepared to meet this challenge? Are the leaders of the European Community aware of the need to develop a European monetary unit (ECU) that will be capable of also becoming a world reserve currency?

17. The past two decades have been characterized not only by serious economic imbalances in current accounts but also by a series of tremendous economic shocks, e.g. the two oil price explosions of the 1970's and the obvious vulnerability of the global money and stock markets. The industrialized countries as well as the developing countries have not been able to absorb these shocks in a satisfactory manner.

18. Leaders of the Third World must be conscious that disciplined economic and financial management is a prerequisite for increased assistance and credit confidence. Therefore, they must assume a share of responsibility for a successful and open economic policy, preventing the misuse of resources and unnecessary military expenditures.

19. The 1990's will foreseeably be characterized by continuous rapid changes: in the fields of technology, of market competition, of energy. Are political leaders decided to take the necessary actions in order to bring about more flexibility in their national economies and abolish market rigidities? Are they prepared to search for a new balance of social and economic needs, a new balance between the principles of equity and efficiency?

20. The 1990's will be increasingly characterized by the growth of interdependence among nations. This calls for better co-ordination of macro-economic policies of major economies and joint international action to create a secure economic environment. We are aware that this process will face the resistance of many vested interests. We nevertheless call for courageous leadership in the interest of the long-term benefits to all mankind.

III. THE STRATEGIC PANORAMA OF THE WORLD IN THE 1990'S

21. We share the cautious optimism stemming from the resumption of summit talks between the United States and the USSR. The agreement on intermediate nuclear forces, which the InterAction Council has advocated since 1983, eliminates for the first time an entire class of weapons. We welcome it as a first constructive step towards a reduction of nuclear weapons.

22. The leaders of both powers must now build on this foundation, de-ideologize international relations and respond to the economic imperatives confronting both economies. During the next decade imagination, leadership and political will are required to achieve security at lower levels of armaments.

23. The United States and the USSR bear a special responsibility to apply fully and observe strictly the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). Yet, the growing number of countries possessing a nuclear capability increases the prospect of a regional nuclear conflict. Can discussions begin on how to reduce this dreadful threat?

24. The ABM Treaty between the United States and the USSR is a centerpiece in preventing a destabilizing additional arms race in outer space. We again urge both parties to stand by the ABM Treaty. They must urgently settle on an agreed interpretation and application of it and on "offensive" and "defensive" postures, thereby strengthening the Treaty.

25. The very existence of nuclear weapons has imposed caution on the nuclear powers and their allies. Developments in the area of strategic defence and the emergence of new military doctrines require greater clarity. Talks on military doctrines may help bring about a better mutual understanding of strategic intentions and thus reduce the likelihood of conflict. We call on the countries concerned to expand on their initial discussions.

26. The prospect of a cut by 50 per cent in strategic weapons by the United States and the USSR should trigger preliminary work for a succession of strategic arms reductions. What is then the role of European strategic forces? What further cuts may induce China, the United Kingdom and France to join in a multilateral conference among all nuclear powers to reduce existing nuclear forces? May we reach a point at which the nuclear weapons on each side could become symbolic deterrents?

27. Efforts to reduce conventional forces in Europe may require the application of asymmetries, both in terms of redeployment and destruction of hardware and reduction of troops, so as to reach parities on lower levels than hitherto.

28. At least sixteen countries currently possess chemical weapons. Will these countries, on a priority basis, accede to a comprehensive ban on chemical weapons and abandon modernization?

29. The policies of perestroika and glasnost pursued by the Soviet Union may lead to a new balance in the country's economic, political and military commitments. Do these policies imply a new strategy approach to co-operation with the West in tackling the challenges of the 1990's? Will they entail a lesser emphasis on ideological differences? What is meant by the notion of a "common home" (M.S. Gorbachev) in Europe and also in the Pacific?

30. The Pacific Basin, including China and Japan, is forecast to account for as much as 50 per cent of world GNP by the end of the century. The sheer economic power of Japan is bound to have political and strategic consequences.

31. We do not think it wise to put pressure on Japan to increase its military spending. Japan, in absolute terms, is already one of the largest defence spenders with unknown implications for the strategic balance which is of interest to all global powers.

32. The competitive supply of weapons to all regions causes increasing instability in a number of regions. Can a fresh effort be made to reach agreement on the supply of arms to developing countries which drains resources sorely required for development purposes?

33. The future of East-West relations should not rest entirely on arms control. A dialogue should build on policy stability less affected by changes in leadership. The agreement on Afghanistan is a first, welcome step and has positive repercussions beyond the immediate relations between the two global powers. Is the United States prepared to refrain from delivering further weapons to forces opposed to the Government of Afghanistan?

34. We enjoin the leaders of the United States and the USSR to co-operate in bringing about, inducing, mediating or even imposing peaceful solutions to regional conflicts to the Iran-Iraq war, the Middle East, Southern Africa, the Horn of Africa, Central America and South-East Asia.

- We ask for an early withdrawal of foreign troops from Kampuchea.

- Will leaders of countries with influence over the parties to the conflict in the Sudan be prepared to join hands and stop the military confrontation?

- Are the leaders of the industrialized nations now ready to impose economic sanctions against the Republic of South Africa as a signal of world disapproval of the system of apartheid and to demonstrate that these countries support the struggle for human rights? The InterAction Council believes that the international community must begin to address itself to the prospects of a non-racial, post-apartheid South Africa.

- For how long will the industrialized countries allow economic and military destabilization of neighboring countries by South Africa with impunity? Are the Western countries prepared to step up significantly their humanitarian, economic and non-lethal

aid in order to strengthen the resilience of the countries subject to destabilization? To that effect, will the industrialized nations be ready to join immediately in the financing of a massive multilateral assistance programme?

35. Ten years ago, the United Nations Security Council adopted Resolution 435 providing for a process leading to the independence of Namibia. What measures are the Western countries prepared to take, together with other members of the Security Council, to ensure the early and full implementation of this resolution?

36. The InterAction Council condemns any act of terrorism. We regret the disparity which has arisen between countries as to the best way to address the scourge of terrorism which involves the holding of innocent hostages. Cannot discussions be launched among Governments to arrive at a new consensus, in the light of experience, on how to deal with, and restrain, terrorism?

37. Since a new atmosphere prevails in international relations, especially between the United States and the USSR, the time is propitious to re-examine the role of the United Nations in the coming decade and to turn it, with the participation of all Member States, into a more successful organization than it has been.

Are the leaders of all countries, especially of the permanent members of the Security Council, prepared to undertake efforts to achieve a fresh start in using the United Nations in solving problems and conflicts?

PARTICIPANTS

Members of the InterAction Council

Helmut Schmidt (Federal Republic of Germany) - Chairman
Takeo Fukuda (Japan) - Honorary Chairman
Andries van Agt (Netherlands)
Kirti Nidhi Bista (Nepal)
Lord Callaghan of Cardiff (United Kingdom)
Mathias Mainza Chona (Zambia)
Jenoe Fock (Hungary)
Malcolm Fraser (Australia)
Arturo Frondizi (Argentina)
Kurt Furgler (Switzerland)
Manea Manescu (Romania)
Olusegun Obasanjo (Nigeria)
Misael Pastrana Borrero (Colombia)
Maria de Lourdes Pintasilgo (Portugal)
Mitja Ribicic (Yugoslavia)
Shin Hyon-Hwak (Republic of Korea)
Pierre Elliott Trudeau (Canada)
Manuel Ulloa (Peru)
Ola Ullsten (Sweden)
Bradford Morse (United States) - Honorary Member

Members of the InterAction Policy Board

Huang Hua (China)
Emile van Lennep (Netherlands)
Isamu Miyazaki (Japan)
Viktor F. Popov (USSR)
Mario Schimberni (Italy)
Tan Sri Ghazali Shafie (Malaysia)

Special guests

Kenneth W. Dam (United States)
Ivan D. Ivanov (USSR)
Vladimir F. Petrovsky (USSR)
William P. Rogers (United States)
Harald Malmgren (United States)
Diego Arria (Venezuela)