

PO-CH/NL/0059

PART E

Part. E.

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(Circulate under cover and notify REGISTRY of movement)

Begins: 16/5/84.
Ends: 21/5/84



PO -CH /NL/0059



PART E

Chancellor's (Lawson) Papers:

LONDON ECONOMIC SUMMIT
JUNE 1984

Disposal Directions 25 Years

D. Lawson

21/7/95.

PO -CH /NL/0059

PART E

(mys)



16/5	
VENCHEQUER	
16 MAY 1984	
ON	Mr Litter
COPIES TO	CST EST
	Sir P. Middleton
	Sir T. Burns
	Mr Unwin, Mr Lavelle
	Mr Mountfield, Mr Bottrell
	Mr Kelly.

Foreign and Commonwealth Office

London SW1A 2AH

16 May 1984

John Johnson

London Economic Summit: Prime Minister's Meeting
with President Reagan

As you know, arrangements for briefing for the Prime Minister's meetings with President Reagan and Mr Nakasone are being handled separately from the briefing exercise for the Summit which is being coordinated by the Cabinet Office. In your letter of 14 May you agreed the proposals in Peter Ricketts' letter of 11 May on the handling of the meeting with Mr Nakasone. It would be helpful to have your views on the topics to be covered in the meeting with President Reagan so that the preparation of the necessary briefs can similarly be put in hand.

This will be the Prime Minister's first meeting with the President since her visit to Washington last September. It will take place against the background of the US Presidential elections and will be an important and timely opportunity to cover not only Summit-related subjects but also wider political issues. The final agenda for the Prime Minister's tete-a-tete and working dinner on 5 June will depend to some extent on developments between now and then. The Foreign Secretary will be having a working dinner with Mr Shultz in Washington on 28 May, the eve of the NATO Ministerial Meeting. This may give us an indication of what is uppermost in President Reagan's mind, and will also eliminate the need for any kind of tour d'horizon when he calls on the Prime Minister a week later.

The Prime Minister may therefore like to concentrate on a short list of points during her meeting with the President:

- (a) the London Economic Summit, including the agenda on both the economic and political sides, and the organisation of the meeting;
- (b) East/West relations, including defence and arms control questions: the signs at the moment are that the truculent Soviet attitude is likely to continue, causing continued friction between Washington and Moscow and possibly a public opinion problem in the West, as people generally become anxious about the direction in which matters are moving;

/(c)



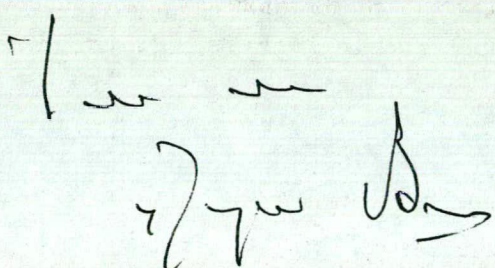
- (c) China, on which the President may like to give his impressions of his recent visit.
- (d) Northern Ireland, since the President will just have been in the Republic of Ireland and will no doubt have said something in public about the North.

Other international issues which the Prime Minister may like to mention are Southern Africa, in view of Mr Botha's visit on 2 June; and the Gulf War, if the situation there continues to deteriorate.

Among non-Summit economic issues affecting our bilateral relations, it might be appropriate for us to provide briefs on EC/US relations, Extraterritoriality, Unitary Taxation and Civil Aviation in case these are raised.

If you agree we shall now prepare such further briefing as is required to supplement the main Summit briefs, consulting other Whitehall Departments as appropriate. We would aim to have these ready by the deadline of 1 June mentioned in Robin Butler's minute of 1 May to Sir R Armstrong.

Copies of this letter go to Richard Hatfield (Cabinet Office), and to Private Secretaries at the Department of Trade and Industry, the Treasury, the Ministry of Defence, the Northern Ireland Office, the Department of Transport, the Department of the Environment and the Department of Energy.


(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

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16/5/84 13106.1

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10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG
CABINET OFFICE

CH/EXCHEQUE	
REC.	17 MAY 1984 ✓ 17
ACTION	MR LITTLE
COPIES TO	PS/CST, PS/EST
	SIR P. MIDDLETON
	SIR T. BURNS, MR UNW
	MR LAVELLE
	MR MOUNTFIELD
	MR BOTTRILL
	MR C. KELLY

LONDON ECONOMIC SUMMIT

The Prime Minister held a meeting today to consider preparations for the Summit. It was attended by the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Home Secretary (for Item 1), the Minister for Trade, you yourself, Sir Peter Middleton, Sir Julian Bullard and Sir Crispin Tickell.

Statement on International Terrorism

The meeting considered the draft enclosed with Mr. Bone's letter of 15 May. It was agreed that the drafting needed to be clarified. In particular the first two sub-paragraphs in paragraph 2 should be reworded so that their meaning was plain. The last paragraph should read "In these and other ways the Heads of State and Government meeting in London intend to take the lead in developing action by the international community to prevent and punish terrorist acts and to identify and condemn those states which sponsor them". A revised draft of the statement would be submitted urgently to the Prime Minister so that it might be circulated to other participating Governments on 18 May. In discussion with other countries we should also explore the scope for agreement on offences for which diplomatic immunity should be waived.

Statement on Democratic Values

It was agreed that work should continue on the basis of the FCO draft. The draft should be revised with the aim of making the statement as effective as possible.

In the first paragraph the word "underlie" should be replaced by "sustain". The paragraph should also refer to the fact that the London Summit would be the tenth Economic Summit (thereby providing some justification for issuing a

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statement of this kind). The third paragraph should begin: "We believe in a system of democracy which ensures ...". The fourth paragraph would need radical revision in the light of the discussion at the meeting. The first sentence of paragraph 6 should be reworded to remove the word "paramount". The last paragraph should also be reworded - substitutes should be found for the words "enjoy", "creativity" and "dynamism".

The meeting agreed that it would also be necessary to consider the public justification which we would advance for issuing such a statement at the Summit. One possible line would be that the participants wished to put their economic conclusions in a political and moral framework.

A fresh draft of the statement should be submitted to the Prime Minister urgently so that it might be circulated to other participants on 18 May. The Foreign and Commonwealth Office should also submit a speaking note which might be used in answer to questions from the media about the purpose of the declaration.

UK Initiative on Industry and the Environment

The meeting had before it the Foreign and Commonwealth Secretary's minute of 8 May and comments thereon from the Environment Secretary, the Trade and Industry Secretary and the Chancellor of the Exchequer. Following discussion it was agreed that the United Kingdom should propose that the tasks set out in paragraph 6 of the Foreign and Commonwealth Secretary's minute should be entrusted to the existing Versailles group.

Draft Economic Declaration

The meeting considered the draft annexed to your minute of 15 May. It was agreed that the draft needed to be considerably shorter and tighter. The Prime Minister asked that the sentences in it should be made terse and taught. You were invited to revise the draft in consultation with the Treasury and in the light of the drafting points made at the meeting.

I should be grateful if the Cabinet Office could circulate before the weekend a proposed agenda for the Prime Minister's next meeting on the Economic Summit which will be held at 1700 hours on Wednesday 23 May.

I am copying this minute to Peter Ricketts (Foreign and Commonwealth Office), David Peretz (HM Treasury), Hugh Taylor (Home Office), Jonathan Rees (Office of the Minister for Trade) and, in view of the interest of their Ministers in the initiative on the environment, John Ballard (Department of the Environment), Michael Reidy (Department of Energy), David

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Normington (Department of Employment), John Graham (Scottish Office), Dinah Nichols (Department of Transport), Ivor Llewelyn (MAFF), and Joan Dunn (Mr. William Waldegrave's Office, DOE).

A. J. Cole.

16 May 1984
DCAAAZ

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Text of Mrs Gandhi's letter to the Prime Minister

New Delhi,
May 16, 1984

Last year, after the Nonaligned Summit I wrote to you, drawing your attention to its recommendations on the current economic crisis as well as for longer term structural changes.

There have been several discussions to find a basis for the North-South dialogue. None has yielded any positive results. There is general despondency amongst developing countries because their plight is worsening, and threatening prosperity and stability everywhere. The problems of the industrialised countries are also not entirely over. In some of them, there are signs of recovery but it remains weak and uncertain and we have yet to see its impact on developing countries. In an inter-dependent world, recovery in the North will be difficult to sustain without growth in the South.

Hasn't the time come for us to give some impetus to such a dialogue? For instance, a fresh initiative could be considered on the question of money and finance. The functioning of the international monetary and financial system has been under close scrutiny in different forums, including the Williamsburg Summit and the Commonwealth Heads of Government Meeting. In pursuance of a decision taken by the Nonaligned Summit in New Delhi to call an International Conference on Money and Finance for Development, we set up a high level group of experts, which has just finalized its report. Such a Conference would be possible only after a thorough preparatory process, which will take time. Therefore, our immediate concern is to break through the impasse and find a way of beginning some dialogue between the North and the South. Time is not on our side. The different summit processes would eventually need to come together.

The urgent need to implement a programme of immediate measures and to launch global negotiations remains. These issues have been discussed on several occasions, notably at UNCTAD VI and during the 38th session of the UN General Assembly.

Both these long-term and the short-term issues are probably also engaging your attention and may figure in your deliberations at the forthcoming London Summit. I am asking my personal emissary Mr.L.K.Jha to explain our suggestions to your Government. There will be other ideas also. We are open to suggestions and I should be glad to know your own views. I also hope that our concerns will be taken into consideration in the course of your talks in London.

With regards and good wishes,

The Rt. Hon. Margaret Thatcher,
Prime Minister of Britain,
London.



10 DOWNING STREET

CH/ XCHEQUE	
REC.	16 MAY 1984 ✓ 16/5
ACTION	MR LITTLER
COPIES TO	PS/CST, PS/EST
	SIR I. MIDDLETON
	SIR T. BURNS, MR UNWIN
	MR LAVELLE, MR MOUNTFIELD MR BOTTRILL MR C. C. C. C.

From the Private Secretary

MR. HATFIELD
CABINET OFFICE

London Economic Summit: Post-Summit Briefing

Thank you for your minute of 9 May.
The Prime Minister has approved the proposals
in Annex A of your minute for the post-Summit
briefing of non-participants.

I am copying this minute to Mr. Ricketts
and Mr. Peretz.

A. J. COLES

16 May 1984



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EXCHEQUER	
16 MAY 1984	
Mr Litter	
CST EST	
Sir P. Middleton	
Sir T. Burns	
Mr Unwin, Mr Lavelle	
Mr Mountfield, Mr Bottrill	
Mr Kelly	

Foreign and Commonwealth Office

London SW1A 2AH

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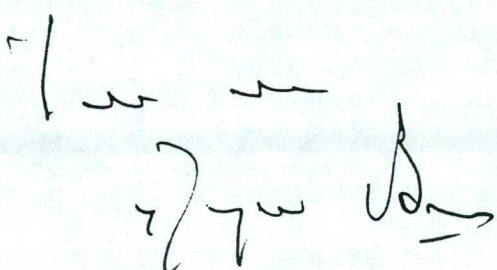
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 (R B Bone)
Private Secretary

A J Coles Esq
 10 Downing Street



10 DOWNING STREET

From the Private Secretary

CH/EXCHEQUER	
REC.	17 MAY 1984 ✓ 17
ACTION	MR LITTLE
COPIES TO	PS/CST, PS/EST
	SIR P. MIDDLETON
	SIR T. BURNS
	16 May 1984
	MR UNWIN

(pl)

MR LAVELLE
 MR MOUNTFIELD
 MR BOTTRILL
 MR C. KELLY

PRIME MINISTER'S MEETING WITH PRESIDENT REAGAN

Thank you for your letter of 16 May.

I agree that briefing should be prepared on the lines you propose. But you should know that the Prime Minister has already indicated that she does not regard her meeting with President Reagan as a Summit occasion, but rather an opportunity to cover major issues of mutual concern. I think therefore that the briefing on the Summit which you provide for her meeting with the President could be relatively concise.

I am sending copies of this letter to the recipients of yours.

A & COLES

Roger Bone, Esq.,
 Foreign and Commonwealth Office.

Phy

CH/EXCHEQUER	
REC.	17 MAY 1984 ✓ 2015
ACTION	Mr Litten
COPIES TO	PS/EST, PS/EST
	Sir P. Middleton
	Sir T. Burn
	Mr Uwin

Private Secretary

copy to: PS/Chancellor of the Exchequer
Mr Tait, ERD, FCO

ECONOMIC SUMMIT: GIFTS

1. The Secretary of State asked about gifts. The Prime Minister has decided on the following gifts, which will all be presented in her name:

Mr Laville, Mr Mounif

Mr Bottrill, Mr Kelly

(a) For Heads of Delegation

A number of different pictures, including some by Henry Moore and John Piper.

(b) For Foreign and Finance Ministers

A brass carriage clock supplied in a presentation case with an engraved brass plate on the back saying "Presented on the occasion of the London Economic Summit 1984".

(c) Personal Representatives

Still to be decided by Sir Robert Armstrong, who has been looking at examples of British technology.

(d) Senior officials

A number of glass paperweights made in front of customers' eyes in the back of a shop near Covent Garden with the Economic Summit logo engraved on the base. Also a number of Crown Derby paperweights.

(e) Support Staff

A small pale blue Jasper box with the Summit logo in 22 ct gold on the lid.

(f) Delegates, like journalists, will also be presented with a Summit souvenir tie provided courtesy of the British Clothing Industry Association (for Delegates) and Burtons (for journalists). Also a commemorative medallion produced by the Royal Mint.

U. Armstrong

N J Barrington

16 May 1984



10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

(M)

CH/EXCHCC	
REC.	17 MAY 1984/17
ACTION	MR LITTLER
COPIES TO	PS/CST, PS/EST
	SIR P. MIDDLETON
	SIR T. BURNS
	MR UNWIN

MR LAVELLE
MR MOUNTFIELD
MR BOTTRILL
MR C. KELLY

LONDON ECONOMIC SUMMIT: KEYNOTE SPEECH

I regret that the Prime Minister has not yet been able to see the first draft of the keynote speech which was annexed to your minute of 15 May - and I am not sure that she will be able to deal with this before the weekend. But I am confident that she would like you to seek comments from Departments, as you propose, and to submit a revised draft for consideration at her meeting on 23 May.

I am sending copies of this minute to Peter Ricketts (Foreign and Commonwealth Office), David Peretz (HM Treasury) and Callum McCarthy (Department of Trade and Industry).

A. J. COLES

16 May 1984

CONFIDENTIAL

Phys



FROM: A M ELLIS
DATE: 16 May 1984

MR LITTLER

cc PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
PS/Minister of State
Sir P Middleton
Sir T Burns
Mr Unwin
Mr Battishill
Mr Lavelle
Mr Mountfield
Mr Bottrill
Mr C Kelly

SUMMIT: LONDON CHARTER

The Economic Secretary has read the draft charter covered by Mr Coles' letter of 15 May.

He suggests that the phrase "a system of pluralist democracy", in the third paragraph of the draft, is heavy handed. "Liberal democracy" would probably suffice.

AZE

A M ELLIS



10 DOWNING STREET

From the Private Secretary

16 May 1984

CH/EXCHEQUER	
REC.	16 MAY 1984 ✓ 16/5
ACTION	MR LITTLE
COPIES TO	PS/EST, PS/EST
	SIR P. MIDDLETON
	SIR T. BURNS, MR UNWIN
	MR LAVALLE

MR MOUNTBATT
MR BOTTRILL
MR C. KELLY

Special Emissary from Mrs. Gandhi

Thank you for your letter of 14 May.

The Prime Minister could see Mr. Jha for 30 minutes at 1445 on Friday 18 May. I should be grateful for a brief.

I am copying this letter to David Peretz (HM Treasury) and Richard Hatfield (Cabinet Office).

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

CH/EXCHEQUER	
REC.	16 MAY 1984
ACTION	
COPIES TO	

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GR 1400
CONFIDENTIAL
FM WASHINGTON 170410Z
TO IMMEDIATE FCO

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PS/CHANCELLOR OF THE EXCHEQUER
TREASURY

✓ r

cf You only need read the top one, but you might find it of interest.

TELEGRAM NUMBER 1543 OF 17 MAY 1984
SAVING TO PARIS, BONN, ROME, TOKYO, OTTAWA, UKREP BRUSSELS,
MOSCOW, UKDEL NATO, UKHIS NEW YORK, OTHER EC POSTS, MEXICO CITY.

MIPT
FORTHCOMING BILATERALS: US ECONOMY

B.

1. THE PRESIDENT'S PRINCIPAL OBJECTIVE BETWEEN NOW AND THE ELECTIONS WILL BE TO KEEP THE ECONOMY GROWING, MAINTAIN THE FALL IN UNEMPLOYMENT AND HOLD INFLATION DOWN. HIS ADVISERS WILL TELL HIM THAT ALL THIS SHOULD BE ATTAINABLE AND SUSTAINABLE AND THEY WILL GIVE HIM WHAT SEEMS TO BE A PLAUSIBLE RATIONALE FOR PRESENTING THIS PICTURE CONVINCINGLY TO THE ELECTORS. HE SHOULD BE ABLE TO DO THAT. BUT THERE ARE REAL FINANCIAL RISKS AROUND, FOR EXAMPLE, A MAJOR UPSET IN THE FINANCIAL MARKETS, WHICH COULD CALL INTO QUESTION THIS CAREFULLY PLANNED SCENARIO.
2. SO FAR THE STRATEGY IS SET FAIR. THE ECONOMY GREW STRONGLY IN THE FIRST QUARTER OF 1984 AT AN 8.3 PERCENT ANNUAL RATE, AND, AFTER FURTHER GAINS IN EMPLOYMENT, INDUSTRIAL PRODUCTION AND HOUSING STARTS IN APRIL, IS GROWING STEADILY IN THE SECOND QUARTER. THE UNDERLYING RATE OF INFLATION IS MODERATE.
3. THE LOOMING CLOUD ON THE HORIZON IS FURTHER INCREASES IN INTEREST RATES. SINCE THE BEGINNING OF THE YEAR THEY HAVE RISEN BY A PERCENTAGE POINT, REFLECTING THE COMPETITION FOR CREDIT BETWEEN THE PRIVATE SECTOR AND THE FEDERAL GOVERNMENT AT A TIME WHEN THE FEDERAL RESERVE SEEMS DETERMINED TO KEEP THE LID ON INFLATION BY MAINTAINING CONTROL OVER MONETARY POLICY. THE GENERAL EXPECTATION IS THAT INTEREST RATES WILL CONTINUE UPWARD. THE DEBATE IS BY HOW MUCH AND WHEN.
4. DESPITE SECRETARY REGAN'S PROTESTATIONS, MAJORITY OPINION IN BUSINESS AND FINANCIAL CIRCLES HERE ASCRIBES THE RISE IN INTEREST RATES TO THE HIGH BUDGET DEFICIT. BECAUSE MANY IN CONGRESS SEEK A LARGE REDUCTION IN THE DEFICIT, CONGRESS IS MAKING HEAVY WEATHER OF WHAT MANY ON THE HILL REGARD AS ALL TOO MODEST. THE PRESIDENTIAL QUOTE DOWN-PAYMENT UNQUOTE PROPOSAL FOR A DOLLARS 150 BN DEFICIT REDUCTION SPREAD OVER FY85 - FY87. EVEN IF THIS IS PASSED, AND IN ITS ESSENTIALS IT PROBABLY WILL BE, THE BUDGET DEFICITS ARE UNLIKELY TO BE MUCH BELOW SOME DOLLARS 175-200 BN IN BOTH FY85 AND FY86. ONLY PART OF THE DOWN-PAYMENT SAVINGS IS TRULY ADDITIONAL AND THIS WILL BE OFFSET TO SOME EXTENT BY HIGHER INTEREST CHARGES ON THE NATIONAL DEBT.

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15.

5. A CONTINUATION IN THE DISTURBING TREND IN INTEREST RATES WOULD WORRY THE WHITE HOUSE STRATEGISTS. THE WHITE HOUSE AND THE TREASURY ARE ALREADY BUILDING UP THEIR ALIBIS. SECRETARY REGAN IS BLAMING THE FED FOR THE RISE IN INTEREST RATES AND THE WHITE HOUSE IS BLAMING CONGRESS FOR ITS FAILURE TO CURB SPENDING AND LOWER THE BUDGET DEFICIT. BUT THE DEFICIT IS NOT AN ISSUE THAT WINS OR LOSES MANY VOTES. WITH FELDSTEIN SOON TO DEPART AND STOCKMAN A BROKEN REED, THERE WILL BE NO-ONE READY TO CONFRONT THE WHITE HOUSE WITH THE INHERENT CONTRADICTIONS IN ITS POLICY AND NO ONE TO INJECT SOME COHERENCE INTO ECONOMIC POLICY FORMULATION. THIS WILL HAVE TO AWAIT EITHER THE PRESSURE OF ECONOMIC EVENTS OR NEW FACES IN A SECOND REAGAN ADMINISTRATION.

6. THEN THERE IS THE OUTSIDE PICTURE. THE RISE IN INTEREST RATES HAS ALREADY PROMPTED A CHORUS OF CRITICISM OF US POLICY NOT ONLY FROM EUROPE BUT FROM LATIN AMERICAN GOVERNMENTS AS THEIR DEBT SERVICE BURDEN PROGRESSIVELY INCREASES. NO DOUBT THE LATIN DEBTORS CAN ACCOMMODATE THE INCREASE. BUT THERE MAY COME A POINT WHEN THE DEBTORS WILL CRY QUOTE ENOUGH IS ENOUGH UNQUOTE, AND FORCE RELIEF ON THEIR BANKERS. NO-ONE KNOWS WHAT THAT WOULD DO TO THE US FINANCIAL SYSTEM. BUT IF IT HAPPENED AT A TIME WHEN THE FINANCIAL MARKETS WERE JITTERY OR THERE WERE RUMOURS ABOUT THE HEALTH OF A MAJOR FINANCIAL INSTITUTION, THERE COULD BE A REAL FINANCIAL UPEHAVAL. NO DOUBT THE FED WOULD STEP IN TO SAVE THE DAY. BUT NOT EVEN THIS PRESIDENT MIGHT BE ABLE TO WALK AWAY FROM THAT WITH HIS POLITICAL REPUTATION INTACT.

7. SUCH IMPONDERABLES MAY NOT MUCH WORRY THE PRESIDENT. IF ROCKS EXIST, THEY LIE BEYOND HIS IMMEDIATE HORIZON, AND THERE IS LITTLE THAT HE COULD DO TO AVOID THEM BEFORE THE ELECTIONS.

8. ON INTERNATIONAL TRADE THE SITUATION IS A BIT DIFFERENT. THERE, THE PRESIDENT NEEDS TO TAKE A FIRM STANCE AGAINST PROTECTIONISM DURING THE CAMPAIGN. THE PRESIDENT AND HIS COLLEAGUES ARE ALL IN FAVOUR OF FREE TRADE, AND HAVE SAID SO PUBLICLY, NOT LEAST BECAUSE MONDALE HAS TAKEN THE OPPOSITE VIEW. NEVERTHELESS THEY ARE UNDER DELIBERATE PRESSURE FROM SECTORS OF AMERICAN INDUSTRY WHO ARE TRYING TO EXPLOIT THE ELECTORAL PERIOD TO GET THEMSELVES PROTECTED AGAINST QUOTE UNFAIR UNQUOTE FOREIGN TRADERS. THE AMERICANS (INCLUDING BALDRIGE WHEN HE SPOKE TO MR TEBBIT IN MARCH) HAVE ADVISED US MORE THAN ONCE THAT THE PRESIDENT WELCOMES SUPPORT FROM HIS FRIENDS IN RESISTING PROTECTIONISM: INDEED, THE AMERICANS HOPE THAT THE ECONOMIC SUMMIT WILL PRODUCE GOOD PUBLIC LANGUAGE FOR THIS PURPOSE.

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9. THE REAL QUESTION IS WHAT WILL HAPPEN AFTER NOVEMBER. THE PRESIDENT PROBABLY ACCEPTS THE NEED FOR A MORE SUBSTANTIAL DEFICIT REDUCTION. HIS PROBLEM IS HOW TO SECURE IT. HE WILL NOT WANT TO ALTER HIS OPPOSITION TO TAX INCREASES. THAT LEAVES CUTS IN EXPENDITURE ON THE SOCIAL SECURITY ENTITLEMENT PROGRAMMES AND IN THE GROWTH OF THE DEFENCE BUDGET. THE FIRST WILL BE AS POLITICALLY DIFFICULT AS EVER. THE WHITE HOUSE RAN FOR COVER RECENTLY WHEN SECRETARY REGAN ALLOWED ON TELEVISION THAT THE ADMINISTRATION MIGHT NEED TO LOOK AT MEANS TESTING OF PENSIONS AFTER THE ELECTIONS. THE SECOND, CUTTING BACK THE GROWTH IN DEFENCE SPENDING, IS MORE LIKELY, NOT LEAST BECAUSE THE CONGRESS IS MORE LIKELY TO PRESS THAT ROUTE. BUT IT WILL REMAIN DIFFICULT TO GET THE SECRETARY OF DEFENSE TO SHARE THIS OBJECTIVE.

10. IN SHORT, THE PUSH WILL HAVE TO COME FROM THE TOP, AND FROM THE PRESIDENT HIMSELF, IF THE DEFICIT IS TO GO DOWN. BUT HE LACKS BOTH A MEDIUM-TERM ECONOMIC AND FINANCIAL STRATEGY AND SOMEONE WHO CAN PUT ONE TOGETHER AND IMPLEMENT IT. (SHULTZ MUST RECOGNISE THIS, THOUGH HE WOULD NOT ADMIT TO IT IN SO MANY WORDS). THE PRIME MINISTER STANDS A BETTER CHANCE THAN ANYONE ELSE ABROAD OF CONVINCING THE PRESIDENT OF WHAT NEEDS TO BE DONE AFTER NOVEMBER. THEIR DISCUSSION AT THE SUMMIT WOULD BE A GOOD MOMENT TO MAKE A START.

11. I THEREFORE SUGGEST THAT DURING THE FORTHCOMING BILATERALS, IT WOULD BE WORTH TRYING TO GET ACROSS THE FOLLOWING POINTS:-

(A) THERE IS NO DOUBT THAT THE STRENGTH OF THE AMERICAN ECONOMY MEANS THAT THE U.S. IS PERFORMING ITS TRADITIONAL ROLE AS MOTOR OF THE WORLD ECONOMY. BUT THERE IS A REAL RISK OF CHOKING OFF THE RECOVERY BY HIGH INTEREST RATES. WALL STREET IS ALREADY SIGNALLING THAT DANGER. NO ONE IN EUROPE THINKS THE FED IS TO BLAME.

(B) REAGAN'S BUDGET IN 1981 SHOWS THE BENEFITS TO THE DOMESTIC ECONOMY OF DETERMINED FISCAL ACTION. BUT THE UNITED STATES INFLUENCE ON THE WORLD ECONOMY MAKES ACTION BY THE ADMINISTRATION TO CONTROL INTEREST RATES EVEN MORE IMPORTANT. WITHOUT FIRM ACTION HERE INTEREST RATES WOULD-WIDE WILL REMAIN AT DAMAGINGLY HIGH LEVELS, DRAINING CAPITAL, SLOWING WORLD RECOVERY AND SAPPING THE RESOLVE OF DEBTORS COUNTRIES TO ADJUST.

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(C) THE ROOT CAUSES OF MANY OF THE QUOTE OUT OF AREA UNQUOTE PROBLEMS WITH WHICH THE US IS HAVING TO WRESTLE, EG IN CENTRAL AMERICA, ARE AS MUCH ECONOMIC AS POLITICAL. THE EFFECTS OF HEAVIER DEBT BURDENS COULD BE TO CREATE MORE SUCH PROBLEMS. ONE KILLS MOSQUITOES BEST BY DRAINING THE SWAMP: AND IN THE LONGER TERM THE BEST HOPE FOR THE THIRD WORLD, AND US INTERESTS IN IT, LIES IN ECONOMIC DEVELOPMENT, AND ORDERLY DEBT MANAGEMENT LEADING TO MORE INWARD INVESTMENT AND SUSTAINED NON-INFLATIONARY GROWTH. IT WOULD BE TRAGIC IF US OBJECTIVES ABROAD, WHICH WE SHARE, WERE FRUSTRATED BY THE CONSEQUENCES OF CONTINUING HIGH INTEREST RATES.

(D) WE UNDERSTAND THAT THE AMERICAN GOVERNMENT (LIKE OURSELVES) IS UNDER PRESSURE TO INTRODUCE PROTECTIONIST MEASURES. SUCH PRESSURES ARE HARDER TO RESIST IN AN ELECTION YEAR. WE WILL NOT CARP PUBLICLY. BUT THE UNITED STATES CANNOT ESCAPE ITS RESPONSIBILITIES AS THE WEST'S ECONOMIC SUPER POWER. WE HOPE THE ADMINISTRATION WILL RESIST THE PRESSURES IT IS UNDER (FROM STEEL, TEXTILES, FOOTWEAR ETC). WE WILL GIVE WHATEVER PUBLIC SUPPORT WE CAN, NOT LEAST IN THE MARGINS OF THE SUMMIT.

FCO PASS SAVING TO:
PARIS, BONN, ROME, TOKYO, OTTAWA, UKREP BRUSSELS, MOSCOW,
UKDEL NATO, MEXICO CITY, ATHENS, BRUSSELS, COPENHAGEN, DUBLIN,
LUXEMBOURG, THE HAGUE.

[REPEATED AS REQUESTED]

WRIGHT

STANDARD (PALACE)
NAD
FED
TRED
MCAD
MR. WILSON
MR. J.C. THOMAS

ADDITIONAL DISTN
ECONOMIC SUMMIT.

Littler to speak
to Sprinkel.



Note

Mr Littler will speak to Mr
Sprinkel about this later this
week. ~~para 21/5~~

Although no one liked
para 4, no one could think
of a better version. So the PM
approved this version over the
weekend, and it has now
been distributed for today's
Shorpa's meeting.

Of course there may be further
opportunities to redraft - but
that will have to be a public
exercise with the 7. (The
part of the para, of course,
to keep the French happy - but
it really is pretty awful).

P.S. Do you still have the draft ^{key note} ^{speech} ~~speech~~ ~~he & Lapp's~~ ~~with it~~ (Mr Littler says) ^{has nothing to add}

PLP



Foreign and Commonwealth Office

CH/EXCHEQUER	
REC.	17 MAY 1984
ACTION	MR LITTLER
COPIES TO	PS/CST, PS/EST
	SIR P. MIDDLETON
	SIR T. BURNS
	MR UNWIN

17/5 London SW1A 2AH

17 May, 1984

Dear John

MR BOTKILL
 MR C. KELLY
 MR LAVELLE
 MR MOUNTFIELD

*1 agree with the
 Foreign Sec. re X:
 para 4 which
 was not
 1 as 1/2
 of the*

London Economic Summit: Draft Declarations on Terrorism
and Democratic Values

In your minute of 16 May to Sir Robert Armstrong, you recorded the outcome of the Prime Minister's meeting that day. You asked that revised versions of the draft statements on international terrorism and democratic values should be submitted urgently to the Prime Minister.

X I accordingly enclose revised draft statements on these two subjects. The Foreign Secretary is content with the draft on international terrorism. He is not however satisfied that paragraph 4 of the statement on democratic values is yet right. He will wish to consider this further on his return from Paris. I am however circulating the draft as it stands now and will let you have any further comments he may have on paragraph 4 as soon as possible.

We discussed the question of the circulation of these texts to participating governments. I understand that it is the intention to make them available, with any further amendments which the Prime Minister may wish, at Sir Robert Armstrong's meeting with the Sherpas on 20/21 May.

The Home Secretary also raised the question of waiver of diplomatic immunity amongst the Ten in cases involving crimes of violence. Sir Julian Bullard will be raising this with the Political Directors of the Ten in Paris today using the attached speaking note as a basis for discussion.

I am copying this letter to Hugh Taylor (Home Office), David Peretz (HM Treasury), Nick Evans (MOD) and Jonathan Rees (Office of the Minister for Trade).

*Comments on
 re 2/4/84, saw
 this is the
 para 4*

on the
 Peter Ricketts
 (P. F. Ricketts)
 Private Secretary

A J Coles Esq
 10 Downing Street

DRAFT

The London Charter

We, the Heads of State and Government of Seven major industrial countries with the President of the Commission of the European Communities, assembled in London for the Tenth Economic Summit meeting, affirm our commitment to the values which sustain and bring together our societies.

We believe in a rule of law which protects without fear or favour the rights and liberties of every citizen, and provides the setting in which the human spirit can develop in freedom and diversity.

We believe in a system of democracy which ensures genuine choice in elections freely held, free expression of opinion with full respect for dissent, and capacity to respond and adapt to change in all its aspects.

We believe in an economic system which provides the best possible conditions for enterprise to promote sustained growth, without neglecting the social context, and in which the fruits of scientific discovery can best be applied to the benefit of all.

We believe in close partnership with each other in the conviction that this will reinforce political and economic stability in the world as a whole. We look for cooperation with all countries on the basis of respect for their independence and territorial integrity, regardless of differences between political, economic and social systems, and reaffirm our determination to help those who most need it.

/We

We believe in the overriding need for peace between the peoples of the world. We reject the use of force as a means of settling disputes and will maintain only the military strength necessary to deter aggression and ensure effective defence. We reaffirm the statement made on defence and disarmament at Williamsburg in May 1983. Our dedication to the rule of law, democracy and individual freedom is a guarantee of our commitment to closer and more open international relationships.

We know that strong in these beliefs, our countries are endowed with unrivalled diversity and creative vigour. With such a heritage we look forward to the future with confidence.

London, 9 June 1984

LONDON ECONOMIC SUMMIT: DRAFT DECLARATION ON INTERNATIONAL
TERRORISM

1. The Heads of State and Government recall the declaration on hijacking at the Bonn Summit in 1978, the declaration on diplomatic security at the Venice Summit in 1980, and the Statement on Terrorism at the Ottawa Summit in 1981.

2. The Heads of State and Government express their serious concern at the continued growth of international terrorism and the ease with which it has been able to acquire weapons, explosives and finance. They recognise the importance which attaches, and must continue to attach, to the inviolability of the diplomatic mission. But inviolability brings obligations as well as rights. They view the increasing involvement of states and governments in terrorist acts, notably through the abuse of diplomatic privilege, as a grave menace to the international community. They are resolved to do all in their power, nationally and in conjunction with others, to combat this threat. In particular they intend to develop, within the scope of international law, a common approach to states which sponsor terrorist acts and movements. To this end they are ready:

- to promote the strict application of the Vienna Convention in particular as it affects the immunities enjoyed by the staff of diplomatic missions (Articles 29, 31 and 37), the size of diplomatic missions (Article 11) and the number of buildings enjoying diplomatic immunity (Article 22);
- to review the level of diplomatic relations and the scale of political contacts with states which sponsor terrorist acts;
- to prevent the entry of known terrorists, including persons of diplomatic status, into their countries;
- to review the sale of weapons to states supporting terrorism;
- to examine, in the longer term, the implications of international terrorism for the future of the Vienna Convention.

3. In these and other ways the Heads of State and Government meeting in London intend to take the lead in developing action by the international community to prevent and punish terrorist acts and to identify and condemn those states which sponsor them.

SPEAKING NOTE

Waiver of Diplomatic Immunity

1. We have considered whether we might seek to achieve amongst like-minded countries an agreement which would secure that each party would waive the immunity of its own diplomats in well-substantiated cases involving the use of violence by such persons.

2. Arguments in favour of such an arrangement are:

- a) an example would be set to the rest of the world;
- b) a clear signal would be given that we are not prepared to tolerate the use of violence by anyone, including those holding full or partial diplomatic immunity; and
- c) in practice amongst those countries likely to agree to such a proposal the similarities (and fairness) of the judicial systems are unlikely to result in practical difficulties with such a proposal.

3. Arguments against the proposal are:

- a) states involved in supporting terrorism are unlikely to co-operate in any such agreement;
- b) the concept of total immunity enshrined in the Vienna Convention would be breached with possible serious implications for other sections of the Convention;
- c) if such an arrangement were to be widened beyond close friends and allies, any waiver of immunity in advance of specific circumstances could be exploited by unscrupulous governments to embarrass our diplomats; and

d) since it is impossible to foresee the circumstances of every case in advance, governments would generally be unwilling to surrender their freedom to examine the merits of a waiver on a case by case basis.

4. We should however be interested in the views of others.

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	Mr Uwin

(pl)

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

Mr Lavelle, Mr Monaghan
Mr Kelly, Mr Battisford

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A084/1500

17 May 1984

Dear Sir,

Sir Robert Armstrong circulated, under cover of his minute to Mr Coles of 15 May, a first draft of the keynote speech which the Prime Minister will make when she opens the plenary session of the London Economic Summit on the afternoon of Friday 8 June. I would be grateful for any comments on this draft to be sent to this office by midday on Monday 21 May, so that a revised draft can be circulated for consideration at the Prime Minister's meeting on 23 May.

I am sending copies of this letter to David Peretz, Treasury; Callum McCarthy, Trade and Industry; and (with a copy of the speech) to Dinah Nichols, Transport; and John Ballard, Environment.

[Handwritten signature]

(R. P Hatfield)
Private Secretary

L V Appleyard Esq

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OO BONN
GRS 243
CONFIDENTIAL
FM F C O 171545Z MAY 84
TO IMMEDIATE BONN
TELEGRAM NUMBER 280 OF 17 MAY 1984
INFO ROUTINE TOKYO
YOUR TELNO 459 (NOT TO TOKYO) AND TELEPHONE CONVERSATION
BARRINGTON/ESCRITT
LONDON ECONOMIC SUMMIT: GERMAN THIRD MINISTER

1. WE REGRET NOT TO HAVE INFORMED YOU BEFORE OF THE TEXT OF THE MESSAGE THE PRIME MINISTER SENT TO CHANCELLOR KOHL DIRECT ON 11 MAY ABOUT MINISTERS COMING TO THE SUMMIT, WHICH IS IN M I F T.
2. WE NOTED THE VIEWS IN YOUR TEL UNDER REFERENCE, BUT MINISTERS CONSIDERED IT NECESSARY TO MAKE A FINAL ATTEMPT TO EXPLAIN THE SITUATION TO CHANCELLOR KOHL TO AVOID EMBARRASSMENT IN LONDON. GERMAN CLAIMS ON PRECEDENTS (CF TIETMEYER'S MESSAGE IN YOUR TELNO 456) ARE DUBIOUS, AND IT IS UNREASONABLE FOR THEM TO EXPECT US TO CREATE NEW PRECEDENTS FOR THEM IN LONDON IN THE FACE OF GENERAL HOSTILITY TO BREACHES OF THE RULES OF PARITY.
3. YOU WILL NOTE, HOWEVER, THE ATTEMPT IN THE PRIME MINISTER'S MESSAGE TO FIND WAYS OF HELPING THE GERMANS. ASSUMING TWO GERMAN MINISTERS DEALING WITH ECONOMIC AND FINANCIAL AFFAIRS DO COME TO LONDON, WE SHALL OF COURSE DO OUR BEST TO SHOW THEM COURTESY, THOUGH THERE WILL INEVITABLY BE OCCASIONS WHEN THE MINISTER NOT INVOLVED IN A PARTICULAR SUMMIT FUNCTION WILL FEEL LEFT OUT AND PERHAPS DISGRUNTLED.
4. MEANWHILE, WE ARE WAITING TO HEAR THE GERMANS' REPLY TO THE PRIME MINISTER'S MESSAGE. THEY HAVE INDICATED TO US THAT TIETMEYER WILL BRING A REPLY TO THE SHERPAS MEETING AT CHEVENING ON 20 MAY.

HOWE

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WED	PS/MR RIFKIND
FED	PS/MR WHITNEY
NAD	PS/MR RAISON
ECDs	PS/PUS
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TRED	SIR C TICKELL
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FM F C O 171545Z MAY 84

TO IMMEDIATE BONN

TELEGRAM NUMBER 281 OF 17 MAY 1984

INFO ROUTINE TOKYO

M I P T

MESSAGE FROM THE PRIME MINISTER TO THE FEDERAL GERMAN CHANCELLOR.
BEGINS

WE DISCUSSED BRIEFLY AT CHEQUERS THE QUESTION OF THE NUMBER OF MINISTERS WHO WILL ACCOMPANY HEADS OF DELEGATION TO THE LONDON SUMMIT IN JUNE. WE AGREED THAT THERE WOULD BE ONLY HEADS OF STATE OR GOVERNMENT PLUS TWO MINISTERS AT PLENARY MEETINGS AND MEALS, BUT YOU SUGGESTED THAT FOR THE SEPARATE MEALS AND MEETINGS OF FINANCE MINISTERS IT SHOULD BE POSSIBLE TO ADD ANOTHER CHAIR TO THE TABLE TO PROVIDE FOR ANOTHER GERMAN MINISTER.

THE TROUBLE IS, I AM AFRAID, THAT A NUMBER OF OUR COLLEAGUES CONSIDER THAT EVERYTHING DONE AT SUMMITS SHOULD BE ON A BASIS OF PARITY BETWEEN NATIONAL DELEGATIONS.

THE JAPANESE HAVE MADE IT QUITE CLEAR TO US THAT IF YOU DECIDE TO BRING MORE THAN TWO MINISTERS WITH YOU TO LONDON THEIR M I T I MINISTER WILL ALSO COME. WE WOULD BE ON WEAK GROUND IN LIMITING ANY ADDITIONS TO YOU AND THE JAPANESE BECAUSE OTHER COUNTRIES HAVE DIVIDED ECONOMIC RESPONSIBILITIES AND THERE ARE MANY MINISTERS, MINISTERS OF STATE AND SENIOR OFFICIALS (THE DIVIDING LINE IS SOMETIMES THIN) WHO WOULD LIKE TO BE INCLUDED IN SUMMIT FUNCTIONS.

IF YOU FEEL THAT COUNT LAMBSDORFF SHOULD COME TO LONDON IN JUNE (AND WE SHOULD OF COURSE BE DELIGHTED TO SEE HIM) AS WELL AS DR STOLTENBERG, I HOPE YOU WILL AGREE THAT THEY SHOULD ALTERNATE AT NIGEL LAWSON'S FIRST TWO WORKING MEALS (DINNER ON THURSDAY 7 JUNE AND LUNCH ON FRIDAY 8 JUNE). NIGEL WILL TRY TO TAILOR THE TOPICS FOR DISCUSSION ACCORDINGLY. THE JAPANESE, AT LEAST, WOULD THEN FOLLOW THE SAME PATTERN. THE THIRD MEAL, NIGEL'S DINNER ON THE SECOND NIGHT, 8 JUNE, WILL BE AT THE BANK OF

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ENGLAND. HE AND THE GOVERNOR INTEND TO INVITE TWO REPRESENTATIVES PER DELEGATION ON THIS OCCASION - NORMALLY THE FINANCE MINISTER ACCOMPANIED BY A SENIOR OFFICIAL DEALING WITH FINANCIAL MATTERS. IF YOU WISHED BOTH GERMAN MINISTERS TO ATTEND, INSTEAD OF ONE MINISTER AND ONE SENIOR OFFICIAL, THIS WOULD OF COURSE BE PERFECTLY ACCEPTABLE.

AS FAR AS THE FINANCE MINISTERS' MEETING PLANNED FOR THE MORNING OF 8 JUNE IS CONCERNED AT LANCASTER HOUSE, I AM AFRAID THAT WE HAVE BEEN ABLE TO MAKE PROVISION (SEATS, HEADPHONES ETC) FOR ONLY ONE PLACE PER DELEGATION AT THE TABLE, AND ONE SEAT FOR A SENIOR ADVISER/NOTETAKER AT THE SIDE OF THE ROOM. IT IS CLEARLY FOR YOU TO DECIDE BY WHOM THE FEDERAL REPUBLIC OF GERMANY IS TO BE REPRESENTED AT THE MEETING.

I HOPE THAT WHAT I AM PROPOSING WILL COMMEND ITSELF TO YOU AS A REASONABLE SOLUTION TO THE PROBLEM. IF SO, I SHOULD BE VERY GRATEFUL IF YOU COULD LET ME KNOW AS SOON AS POSSIBLE, SINCE THE JAPANESE AND OTHERS WILL NEED TO BE TOLD.

ENDS

HOWE

ECONOMIC SUMMIT

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WED	PS/MR RIFKIND
FED	PS/MR WHITNEY
NAD	PS/MR RAISON
ECDs	PS/PUS
PLANNING STAFF	SIR J BULLARD
TRED	SIR C TICKELL
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GEOFFREY HOWE - INTERVIEW ON LONDON ECONOMIC SUMMIT AND AMERICAN INTEREST RATES

Transcript from: BBC Radio 4, Financial World Tonight, 17 May 1984

PRESENTER: Senior Ministers from the 24 nations making up the Organisation for Economic Co-operation and Development are meeting in Paris today and tomorrow. They called for urgent action to cut tariffs and other barriers to free trade. With the general agreement on tariffs and trade, or GAT, now agreed to be in some disrepair the meeting may call for a new GAT round. And it's not clear that as a result of the Paris discussions the pressing problem of the impact on third world countries of rising American interest rates will be well to the fore at next month's London economic summit. - as Foreign Secretary, Geoffrey Howe, has been telling Dominic Harrod

HOWE: The managing director of the International Monetary Fund said that a rise in interest rates of 1% could add between 3½ to 4 billion dollars to the interest payments of the developing world. And I'm sure people are concerned to see that action should be taken to prevent that going on and try and reverse the upward movement. The Americans appreciate the importance of this and the fact that the American administration have described the action they propose in that direction as a downpayment I think makes it clear that they regard that as the first instalment of a series of steps that are necessary.

INTERVIEWER : But of course everybody is also looking down the road to the London summit in June; do you think that these concerns, particularly those about debt and about the world recovery, have been sharpened by this recent move in American interest rates?

HOWE: I think the fact that interest rates have recently tended to move upwards rather than downwards is bound to focus increased attention on that problem. But it was a problem anyway, there was a very large burden of debt spread around the world particularly affecting the developing countries, not confined to them, and I think the management of that problem is something that has preoccupied, and is bound to preoccupy, Finance Ministers and Heads of Government for some time yet.

Trnascript from: BBC Radio 4, Today, 18 May 1984

INTERVIEWER : (Peter Hobday) ... At the meeting in Paris of the west's 24

richest nations it's re^{ported} that Britain has gained a small victory in international trade negotiations. Members of the OECD have agreed to consult each other before taking steps which could damage national trading rights. The agreement could prevent a recurrence of ~~instants~~ like like the Siberian pipeline row when America tried to use its laws to prevent British firms supplying parts to the Soviet Union. Well on the line now is our economics editor, Dominic Harrod. Good morning Dominic, does this mean then the demise of what's called COCOM, that ~~eminence~~ ^{grise} thought up by the Americans - effectively to stop us selling anything which might be sensitive to eastern Europe or to China or to anywhere else?

HARROD: I don't think it'll mean its demise. Because all that is now really contemplated is that countries who are going to take steps at home, or with a view to foreign trade, should tell each other. Now it doesn't necessarily mean that they won't do it but it does mean there will be consul tation. And I think the Americans desire not to trade in sensitive material with the Comecon block will continue. And I think that that will be so thing that, you know, they'll have to negotiate. But I think the idea is to head off situations like the gas pipeline row by talking first rather than pre.ssing ahead with legislation and so on and then finding yourself in a muddle afterwards. It's really a sort of lightning conductor attempt. And of course, by doing the talking first, to try to avoid the circumstances.

INTERVIEWER : Now to a certain extent some people see this meeting in Paris of the OECD is a scene set , if you like, for the economic summit due of ~~course~~ here in London in the first week in June. Does this mean to say that the worries over trade now will be less when the 7 meet here in London?

HARROD: Well I think they're^{re}leased at that little bit of progress. But if you can say there's been progress on the trade front there's been, of course, a major step backwards on the economic front. Because I think that when this meeting was

led everybody thought that things were going reasonably well. And indeed, many of the speeches made by Ministers here yesterday reflected a sort of complacency, until a couple of weeks ago when American interest rates started going up again. And there's one high official here said to me, there were two people who were really enraged by the American move. And the first one was the French Finance Minister, Mnsr De Lor. But the person who was second most enraged was our own Chancellor of the Exchequer, Nigel Lawson, who will be speaking to the other Ministers here later on today. But I think that their anxiety, as Geoffrey Howe, who was here yesterday, preferred to call it, anxiety about interest rates is absolutely understandable when you see the instability and the weakness of the situation at the moment. There is America with a very very large amount of borrowing and a very very heavy deficit, apparently going to run on for years, and here are we all in Europe really very much under the shadow of this. And just to sharpen up our perceptions there's the news from Chicago.

INTERVIEWER : What about the failure, or at least the rescue package, mean for the Continental Illinois, one of the seventh largest banks in the world. What about the point now, taking into account the economic scenario that they're discussing, of the likelihood of an upset in the Gulf; has that been taken into account?

HARROD: Well I think that one of the problems about these sort of meetings is we are trying to concentrate, and the Ministers here are trying to concentrate, on the world scene - that is to say on whether the recovery is actually happening or not and what appropriate trade policies are and so on - and then different bits of the ceiling keep falling in other parts of the building. There's Continental Illinois, which is quite clearly a serious business and is linked to the great difficulty about the American economic position. And quite obviously if they can't get their debts under control there's likelihood of more banking difficulties rather than less. And at the other end of the scale there is this new aggressiveness in the Gulf which is obviously clearly a major worry on the practical level. If things get really bad there what have you got, something like one quarter,

and one sixth of the free world's oil coming out of the Gulf. And if that ceases to come it would, of course not immediately impinge because , as you know, there's a large glut of oil, there's lots of oil about the place. But you can't just turn off that share of the supply without running a very high risk of another oil price explosion and an actual rationing of oil within a fairly short period. I mean one talks perhaps of two or three months rather than weeks. And of course that also assumes that the Gulf is closed, which it may easily not be.

PAUL NEALD - INTERVIEW ON APRIL PSBR FIGURES AND INDUSTRIAL OUTPUT FIGURES

Transcript from: BBC Radio 4, Financial World Tonight, 17 May 1984

INTERVIEWER : (Tom Maddox) ... A string of economic indicators today; they include news of a £2.4 billion public sector borrowing requirement for April - nearly a third of the target for the whole year. And industrial output took a 1.4% fall in March as the effects of the miners strike started to be felt, though manufacturers output is $\frac{1}{2}$ % up. So what do we make of the figures - I asked senior economist at Phillips and Drew, Paul Neald:

NEALD: The manufacturing output series has been depressed very slightly by the coal strike but only by a decimal point or two, manufacturing output is still fairly robust in the first quarter of this year. It has been effected by strikes elsewhere, such as in the auto industry, and if you take account of those I think that manufacturing activity is going along at a fairly decent pace. As regards all industries, of course included in that are adverse effects from coal output itself and secondly a fall in oil production.

INTERVIEWER : So presumably the full effects of the miners strike won't be felt till later on?

NEALD: No, I think that there'll be a further effect on the all industries index in April, probably another depressive impact of about 1% just from that one source. You won't get much of an impact on manufacturing activity until, or if, we get into power supply difficulties.

INTERVIEWER We've seen PSBR figures showing a much greater than expected requirement for April; what do you make of that?

NEALD: Yes, well we were going for a big number anyway. But even so it is ahead of our expectations. You've got front end loading of the Chancellor's £7 $\frac{1}{4}$ billion PSBR target for this fiscal year because a lot of his measures didn't actually pull in revenue until the second half of the year, so much of that £7 $\frac{1}{4}$ billion is concentrated into the first 6 months. So we're quite likely to get big PSBR

numbers for several months yet. And this would be somewhat worrying for the Government's ability to control money supply in the short term, unless it sold a lot of gilt edge stock.

INTERVIEWER : So is it too early in the financial year to get very worried about these figures, or are they an ominous sign?

NEALD: I think it's right to say they're an ominous sign, but I think it's too early to get very worried about them. We're a bit worried about them.



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	Sir P. Middleton
	Sir T. Burns
	Mr. Urwin, Mr. Havelle

(PFR)

Foreign and Commonwealth Office

London SW1A 2AH

17 May 1984

Dear John,

Mr. Mountfield, Mr. Bottrill
Mr. Kelly

Mr Jha's Call on the Prime Minister

Thank you for your letter of 16 May confirming that the Prime Minister could see Mr Jha at 1445 on Friday 18 May. I enclose a brief for the Prime Minister's use. Mr Jha last met the Prime Minister in London in mid-1983.

We understand that Mr Jha proposes to be accompanied by the Indian Deputy High Commissioner and by two officials: details at Annex to the brief. We agreed that Sir C Tickell will be present at the meeting.

We have just received through the Indian High Commission a copy of the message which Mr Jha will be conveying to the Prime Minister: I enclose a copy.

I am copying this letter, with its enclosures to David Peretz (HM Treasury) and Richard Hatfield (Cabinet Office).

Yours ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

MR L K JHA'S CALL ON THE PRIME MINISTER, FRIDAY 18 MAY 2.45 pm

Points to Make

A: INTERNATIONAL ECONOMIC ISSUES

LONDON ECONOMIC SUMMIT

1. Expect discussions to focus on how to consolidate the economic recovery, how to spread its benefits more widely, and how to strengthen the international trade and financial systems.
2. Will also address the difficulties faced by developing countries, particularly international debt.
3. Summit leaders will be very conscious of interest of rest of world. Have agreed to send special emissary to India to brief on outcome of Summit, if this would be welcome.

IDA 7

4. Have just heard that Americans now appear ready to support World Bank Selective Capital Increase proposal; hope IDA 7 will quickly be put in place. Sir Geoffrey Howe sent a message to Mr Shultz last week urging an end to the impasse.
5. Remain ready to contribute our share to a Supplementary Fund.

COMMONWEALTH CONSULTATIVE GROUP

6. Commonwealth Consultative Group on International Economic Issues playing useful role as envisaged by New Delhi Statement. Seeking practical changes within existing institutions the right approach.

B: BILATERAL (if raised)

PUNJAB CRISIS

Hope calm will soon be restored. Sympathise with efforts to deal with problem.

SIKH DEMONSTRATION - SUNDAY 20 MAY

Police alerted, taking seriously, and in touch with India House. Demonstration will be kept strictly under control.

MURDER OF INDIAN DIPLOMAT

Successful police investigation. Five men in custody, two charged with murder.

Essential Facts

GENERAL

1. Mrs Gandhi's message will probably be in the name of the Non-Aligned: the Indians are currently Chairman and lay stress on economic issues. A list of Mr Jha's party is at Annex A and a biographical note on Mr Jha at Annex B.

A: INTERNATIONAL ECONOMIC ISSUES

LONDON ECONOMIC SUMMIT

2. The Prime Minister agreed on 16 May to proposals for briefing non-participants on the outcome of the Summit. These included sending Sir Crispin Tickell (FCO) to brief the Indians and the Australians. A visit to New Delhi will demonstrate that the UK, as Summit host, recognises the significance of the Summit for developing countries.

IDA 7

3. Adoption of resolutions on IDA 7 and Selective Capital Increase (SCI) has been delayed. Both represent package deal whereby Japan assumes UK's second place ranking in Bank and contributes generously to IDA 7. US have blocked SCI resolution as lever in their talks with Japanese for liberalisation of her capital markets. UK have not accepted linkage and have appealed to US to end dead-lock. US Executive Director has now said (16 May) they are ready to support SCI proposal. Need to move fast on adoption of package to allow new money for IDA after 1 July.

COMMONWEALTH CONSULTATIVE GROUP

4. Chancellor attended second Ministerial meeting of this Group in London (16 May) which was set up at CHOGM to promote consensus on issues in New Delhi Statement on Economic Action. At latest meeting Ministers identified a number of issues on which agreement might be sought and how and where to do so. They also gave Mr Ramphal responsibility for carrying out further consultations both within and outside the Commonwealth. The Indians, who are also members of the Group, want conference embracing all major groupings.

B: BILATERAL**PUNJAB CRISIS**

Extremist Sikhs based on Golden Temple at Amritsar are directing violent agitation in the Punjab. Moderate Sikhs losing influence. Indian Government appears at a loss to restore order. Decision to storm Golden Temple could spark off violence by extremist Sikhs elsewhere, including UK. Contingency planning for this is in hand.

SIKH DEMONSTRATION - SUNDAY 20 MAY: 3-5 pm

Demonstration in Trafalgar Square (300-500 people) to protest about Punjab crisis. Police will only allow up to 50 demonstrators at a time into area in front of India House.

MURDER OF INDIAN DIPLOMAT

Mr Mhatre, Indian Assistant Commissioner in Birmingham. Murdered February 1984. 6 men charged in UK, 5 in custody. Seeking warrants for three more men believed to be in Pakistan (Indians should not be told this).

FOREIGN AND COMMONWEALTH OFFICE**17 May 1984**

ANNEX A

MR JHA'S PARTY

Mr L K Jha : Mrs Gandhi's Special Emissary

Mr Arjun Sengupta : Special Secretary for Economic Affairs,
Prime Minister's Secretariat

Mr I F Chaddha : DUS (Economic) Ministry of External
Affairs

Mr Pushkar Johari : Deputy High Commissioner

JHA, L K

Chairman of the Economic Administration Reforms Commission.

Born 1913; educated at Banares Hindu University and Trinity College Cambridge. Joined ICS in 1937. In 1947 was appointed Joint Chief Controller of Exports. He subsequently served as Additional Secretary in the Ministry of Commerce and Industry when he became internationally well known as India's outstanding representative at meetings of the GATT. He acted as Chairman of the GATT 1957-58 and was Chairman of the UN Interim Committee for Co-ordination of International Commodity Arrangements, 1959-61. He became Secretary, Department of Economic Affairs, Ministry of Finance in 1960, in effect the official head of the Indian "Treasury". Appointed Secretary to the Prime Minister July 1964. Governor of the Reserve Bank July 1967. Appointed Indian representative on the governing body of the IMF, July 1969. Indian Ambassador to the US 1970-73; Governor of Jammu and Kashmir 1973-80. A member of the Brandt Commission on North/South questions which he chaired during Willy Brandt's illness.

As Secretary to the Prime Minister he exerted a great deal of influence on Mr Shastri and initially on Mrs Gandhi. He was an active Governor of the Reserve Bank and was able to exert a good deal of influence on the Finance Ministry under Mr Morarji Desai. But in 1969 Mrs Gandhi disregarded his advice against nationalisation of the major banks. He was sent to Kashmir to get him out of the way though he subsequently played an important role when Sheikh Abdullah returned to power in 1975. After Janata's victory in 1977 many were surprised that he did not return to the Centre. He combines his present job with a general role as Mrs Gandhi's economic adviser and acts particularly as her special representative on North/South questions.

L K Jha is an outstandingly able man with great experience and a sure political touch. He is both pragmatic and imaginative. He is moderate on international economic policy and always looks for opportunities for collaboration rather than confrontation between developed and developing countries. He does not support everything in the Brandt Report. His ambition is to be Finance Minister and, technically, he could make a very good one. However, he is clearly a member of the Old Guard and has no political base of his own. It is doubtful whether Mrs Gandhi will promote him. Since he feels he has inadequate influence in his present job he might be offered and might accept the post of High Commissioner in London. He called on Mrs Thatcher during his visit to London in mid-1983.

He is pro-British, friendly to this Mission and has a delightful Bengali wife (Mekhala) who has done outstanding work in the social services. He has a good collection of Hindu sculpture and enjoys the amenities of life, including a drink.

New Delhi
May 16, 1984

Dear Prime Minister,

Last year, after the Nonaligned Summit I wrote to you, drawing your attention to its recommendations on the current economic crisis as well as for longer term structural changes.

There have been several discussions to find a basis for the North-South dialogue. None has yielded any positive results. There is general despondency amongst developing countries because their plight is worsening, and threatening prosperity and stability everywhere. The problems of the industrialised countries are also not entirely over. In some of them, there are signs of recovery but it remains weak and uncertain and we have yet to see its impact on developing countries. In an inter-dependent world, recovery in the North will be difficult to sustain without growth in the South.

Hasn't the time come for us to give some impetus to such a dialogue? For instance, a fresh initiative could be considered on the question of money and finance. The functioning of the international monetary and financial system has been under close scrutiny in different forums, including the Williamsburg Summit and the Commonwealth Heads of Government Meeting. In pursuance of a decision taken by the Nonaligned Summit in New Delhi to call an International Conference on Money and Finance for Development, we set up a high level group of experts, which has just finalised its report. Such a Conference would be possible only after a thorough preparatory process, which will take time. Therefore, our immediate concern is to break through the impasse and find a way of beginning some dialogue between the North and the South. Time is not on our side. The different summit processes would eventually need to come together.

The urgent need to implement a programme of immediate measures and to launch global negotiations remains. These issues have been discussed on several occasions, notably at UECTAD VI and during the 38th session of the UN General Assembly.

Both these long-term and the short-term issues are probably also engaging your attention and may figure in your deliberations at the forthcoming London Summit. I am asking my personal emissary Mr. L.K. Jha to explain our suggestions to your Government. There will be other ideas also. We are open to suggestions and I should be glad to know your own views. I also hope that our concerns will be taken into consideration in the course of your talks in London.

With regards and good wishes,

sd/-

The Rt. Hon. Margaret Thatcher,
Prime Minister of Britain,
London.



plw

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

17 May 1984

Nicholas Barrington Esq CMG CVO
Foreign and Commonwealth Office
Downing Street
LONDON SW1A 2AH

Dear Nicholas,

I put to the Chancellor during my absence on leave the arrangements we discussed for the Finance Ministers' dinners on the Thursday and Friday evening during the Summit. He is quite content with the arrangements we suggested, which I confirm are as follows:-

(i) Thursday evening Dinner at 8.15pm for 8.45pm for Finance Ministers only, with pre-dinner drinks in the balcony off the State Drawing Room, photographs over drinks and coffee upstairs afterwards. The Chancellor is content to look first at the Prime Minister's menus. He is also content with the arrangements we suggested for Private Secretaries, aides, detectives etc.

(ii) Friday, Bank of England Dinner at 8.00pm for 8.30pm for Summit Finance Ministers, their senior officials and 3 senior members of the Bank. I understand that there is some negotiation going on about the number of Bank representatives, but the Chancellor is clear that he wishes this to be restricted to 3. Pre-dinner drinks would be in the Governor's room, photographs over drinks at the very beginning, and dinner upstairs in the large Court Room. Again the Chancellor is content with the arrangements made for the lesser entourage.

I also mentioned to him the question of Mrs Lawson's helping with the Ladies' programme. My understanding is that she would probably be prepared to help host a wives' luncheon on the Saturday, but there could be difficulties about doing anything else. I also understand that her Secretary,



Barbara Mathews has been in contact with Doreen Whitton in the Secretary of State's office about this question, and I suggest you liaise with her.

Yours etc,

Andie

Miss J C Simpson
Private Secretary

17/5/84

Ref. A084/1482

NOTE FOR RECORD

London Economic Summit: Trade Union Delegation

Mr David Lea, Assistant General Secretary of the TUC, called on Sir Robert Armstrong at 12.15 pm on 16 May to discuss the meeting to be held on 31 May between the Prime Minister and a trade union delegation concerning the London Economic Summit.

2. Mr Lea began by saying that the TUC hoped that it would be possible to present the meeting as having been useful, both to the press immediately afterwards and in the report that would be made to the Economic Committee in June. If the meeting was seen to have been positive this would be helpful to the Economic Committee's consideration of the future of the National Economic Development Council. The Trade Union Advisory Committee to the OECD (TUAC) paper for the Economic Summit was being presented to the OECD Ministerial Council that day and would be sent formally to the Prime Minister in about a week. Both the paper itself and the accompanying press statement being issued that day had tried to pick out themes which might receive a positive response but he would find it useful to discuss further the aspects on which the meeting with the Prime Minister might concentrate.

3. Sir Robert Armstrong said that he had noted that the twin objectives of the TUAC paper were creating jobs and achieving technological and structural change in a way which enhances rather than degrades peoples lives. The Prime Minister might respond by saying that the London Economic Summit would have much in mind the desirability of creating permanent, real jobs and the importance of adapting to technological change in both new and existing industries. The Prime Minister believed that there was a need for increased public acceptance of the possibilities offered by technological change. The Prime Minister could not, of course, be expected to endorse all that the TUAC paper said about the methods of achieving these objectives. Indeed, the objective of the Summit was primarily to promote an understanding

of the problems of and agreement on the objectives for the world economy. It was accepted these objectives should be pursued through national policies adapted to the individual circumstances of each of the countries.

4. Sir Robert went on to say that the Summit was likely to suggest that the recovery that was underway was partly the product of the sound monetary and fiscal policies and low inflation in the countries concerned. The objective now was to sustain this recovery but also to spread the benefits to the rest of the world, and the Prime Minister would no doubt wish to respond to the similar point in the TUAC paper.

5. Mr Lea commented that increased demand in the third world would lead to additional output and employment in the industrialised countries. He also commented on the importance of the international debt problem and interest rates in this context.

6. Sir Robert Armstrong said that the approach to the international debt problem agreed at Williamsburg had proved reasonably successful over the past year but the greatest help to the third world in this respect would be keeping down interest rates. The Summit would be likely to give renewed impetus to "surveillance" and would be bound to comment on the desirability of holding down inflation and interest rates. However, he doubted whether the Prime Minister or several of the other Summit leaders would share the view that the debt problem would be helped by loosening IMF conditions; on the contrary, they were likely to take the view that IMF conditions had played a significant part in helping countries like Brazil and Mexico to cope with their economic problems.

7. Continuing, Sir Robert said that the TUAC paper had also referred to the need for structural change to be linked to a better growth path. The Prime Minister considered that adaption of the economy was itself necessary in order to produce greater growth but he considered that it was more important to do this by removing obstacles to structural change than through the co-ordination of Government policy. The Prime Minister would also

agree that the results of the growth should be used for productive investment to create further employment.

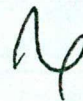
8. Mr Lea said that there were clearly areas on which the Prime Minister and the trade unions could not be expected to agree but he hoped that their meeting would concentrate on the positive elements. He hoped that the Prime Minister would be able to welcome the trade union document and commend it to her Summit colleagues as a constructive contribution to their debate, even though she did not agree with it entirely. He hoped in particular that the Prime Minister would make a positive response to the two main themes and the need to ensure that everyone shared in the benefits of the recovery. There were two areas, however, which it would probably not be profitable to discuss in detail in view of the wide differences between the Government and the unions. The first was that recovery might be helped by a reduction in real wages associated with a weakening of trade unionism, sometimes described as "flexible labour policies". The second was the trade unions' view that high employment could not be restored without a reduction in hours and which they did not see as being a barrier to increased competitiveness.

9. Turning to the question of technology, Mr Lea said that the public acceptance of this was not a one way process. It was important that new technology was explained to those affected by it, that they were involved in its introduction and agreed to it. This was the traditional trade union reaction to new technology but the public perception of the Prime Minister's view was rather different. He wondered whether it would be possible for her to say something helpful in this area.

10. Sir Robert Armstrong said that he imagined that the Prime Minister would respond on the lines that public acceptance involved persuading people that technology was their ally. She believed that new technology offered great scope for creating totally new jobs and, conversely, that there was no future in creating uneconomic jobs in traditional industries which could not be sustained. Mr Lea observed that the important thing for the unions was not to freeze an out-of-date economic structure but

that in adopting new technology the standard of living of those affected by the changes should be preserved. Finally, Mr Lea said that although it was largely a national matter, the TUAC paper had mentioned the question of investment in infrastructure which was currently a major topic of discussion between the TUC and CBI. He did not expect that this would be discussed at the Prime Minister's meeting or would feature largely at the Economic Summit.

11. In further discussion of the practical arrangements for the meeting, Mr Lea said that he hoped that it would be possible to allow about one and a half hours in order to give time to include a token contribution from each of the seven countries represented, in addition to the main statements and responses. It was agreed that there would be advantage in some advance preparation, without commitment on either side, of language for a possible press statement. Sir Robert Armstrong undertook to prepare some material which he would discuss with Mr Lea at a further meeting. This could then be used as the basis for consultation between the two Press Offices. Mr Lea noted that the TUAC delegation would be on-the-record and said that he imagined that the Prime Minister would be unattributable. Sir Robert Armstrong said that he thought that on this occasion it might be possible that some of the Prime Minister's remarks might be on-the-record but this too could be discussed further. Sir Robert Armstrong's office would confirm that translation arrangements were in hand for the TUAC delegation.



R P HATFIELD

17 May 1984

cc. Sir Crispin Tickell (FCO)
 Mr Littler (Treasury) ✓
 Mr Holloway (FCO)
 Mr Colvin (Cabinet Office)
 Mr Barclay (No 10)
 Mr Ingham (No 10)

Received 24 May

UNION DES INDUSTRIES DE LA COMMUNAUTÉ EUROPÉENNE

The Rt. Hon. Margaret Thatcher - M.P.
Prime Minister

(Handwritten notes)
1. ...
2. ...
3. ...

LE PRESIDENT
GC/BV/nm/14.C.1

18 May 1984.

Dear Prime Minister,

European industry attaches the highest importance to the forthcoming meeting of Heads of States and of Governments of the seven western countries which will take place in London from 7 to 9 June 1984.

I have pleasure in sending you herewith a resolution adopted unanimously by UNICE which includes in its membership all the industrial and employers federations of the member states of the European Community and of other countries of western Europe.

I thank you in advance for the consideration you may wish to give to this paper.

Yours faithfully,

(Handwritten signature)

G. Carli

Translation. Original : French

1.A.4

18 May 1984.

WESTERN ECONOMIC SUMMIT IN LONDON, 7-9 JUNE 1984.

UNICE RESOLUTION

UNICE as spokesman for the whole of European industry desires that the Heads of States and of Governments meeting in London should enter into firm commitments on concerted and coherent policies to be led by the principal industrialised countries to ensure that the recovery is sustained and durable, and to widen it to encompass the whole of the western economy.

This approach, if effectively followed up, would be a determining factor in strengthening business confidence, an indispensable factor in consolidating the recovery of economic activity.

The policies advocated by UNICE should lead to the creation of a more stable, more reliable and more predictable international economic and monetary environment which business needs to develop investment and trade, the bases for sound growth. To this end, policies implemented should be based on medium term objectives and designed to maintain an open trading system and reduce the imbalances and uncertainties which are still hindering a more favourable development of economic activity.

* * *

1. Last year, on the eve of the Williamsburg Summit, UNICE put on record the concern felt by industrial interests with regard to four factors impeding growth and the development of investment and international trade :
 - the excessive rate of inflation and of share of available resources taken by the state;
 - the instability and volatility of exchange rates;
 - the fragility of the international financial system;
 - the strengthening of protectionist pressures.

The conclusions of Heads of State and Governments were to a large extent an echo of these preoccupations. The leaders were cognizant of the interaction of these problems and expressed their intention to seek to remedy them by appropriate and coherent policies.

The credibility of these meetings and the degree of confidence they inspire in the business community, which is essential for the recovery of growth, are dependent on the extent to which they are followed up and give rise to policies geared to commonly recognised requirements and objectives.

2. The economies of all the industrialised countries are involved in a vast process of industrial restructuring to adapt the means of production to the new conditions

of competition characterised by rapid technical progress and the upsurge of the newly industrialising countries. This process has been complicated, held up even, by a long period of acute recession from which most western countries are now emerging. However, the grave damage done to our economies by the recession cannot be made good in a short time. Hence, it is essential to gear recovery policies to the medium term prospect and to avoid stop/go movements which have destabilising effects on resource allocation and hold up decisions by businessmen. The latter need a stable, reliable and predictable framework for action.

3. The economic situation and outlook in the western world has improved. It is important not to waste the chances that are being offered. The challenge facing the London Summit is to arrive at a consensus on policies which should be pursued in concert so as to consolidate and widen the bases for growth and give it a more stable, sustainable and lasting character; this would help to resolve the problems of unemployment and of adjustment in industrialised countries and indebtedness in developing countries. The revival in economic activity which started last year continues, even though it is unequally strong in all countries.

Through a policy of budgetary stimulus and monetary restriction, the United States has achieved the best performance in terms of growth and reduction of inflation.

In Europe, the improvement is slower and less marked; it is also noteworthy that the situation differs from country to country. The European economy has serious structural problems, a particularly high level of unemployment and many in-built rigidities which hinder growth and adjustment. Most European governments, however, are now aware that to promote the sound and lasting growth which would revive employment, the fundamental equilibria should be re-established in conditions of stability. With this in mind, they have adopted financial strategies aimed to reducing inflation and the excessive burden of budgets and public deficits so as to free resources for the financing of productive activities. The average rate of inflation has gone down though rates in certain countries are still much too high. It is particularly important that wage costs in the public sector as in the private sector should not increase in such a way as to threaten price stability, profit margins and the external balance. As regards public finance, the first fruits of this policy can be seen already in some countries. However, there should be no relaxation of these endeavours, more particularly in countries where progress is still modest.

4. In most western countries, the revival of activity was based initially largely on consumer's expenditure, the upturn in private investment being slow to show itself. Many governments have rightly recognised that if a non-inflationary upturn is to be sustained and lasting, productive investment has to be fostered especially in the private sector, which remains the main source of wealth and employment. Hence, rather than furnishing subsidies which tend to distort competition and often delay structural adjustment, available budgetary funds should be used to provide fiscal incentives for investment in industrial development, especially in new technologies and innovation. Investment decisions by businessmen should be in response to market indicators. To this effect, a supply side policy designed to make the economic system more flexible by reducing the intervention and levies by governments, by decreasing the excessive burden of regulations and by lowering costs is indispensable to restore the profitability of companies.

Foreign investment in the United States is at present affected by the system of unitary taxation applied by a substantial number of federal states. The application of this system, which is contrary to the principles universally recognised by the OECD countries generally leads to the double taxation of the profits of the companies

concerned. This method of taxation constitutes a real threat to international investment and should be combatted as a matter of urgency to the extent that it is applied to companies established outside the territory of the United States.

5. The high level of interest rates in real terms associated with United States policy is a brake on the recovery of private investment in Europe, at any rate, where the financial situation of enterprises has deteriorated over the last decade.

The interdependence of the elements in the international financial system prevents divergence in interest rate policy, since that would mean erratic fluctuations in exchange rates and capital movements detrimental to the economies of the countries concerned.

Given the weight of the U.S. economy and the role of the dollar in the world economy, a special responsibility rests with the United States in the use of this influence. The prospect of a substantial reduction in the U.S. budget deficit would provide a positive signal in the sense of a lowering of interest rates. Experience frequently shows that budgetary expansion does not ensure lasting recovery.

Lower interest rates would have many positive effects on the world economy. The value of the dollar would thereby

more closely reflect the underlying economic situation. Pressure on the U.S. balance of payments would be eased and protectionist pressures on the other side of the Atlantic would be attenuated. More capital would be attracted to Europe and investment would be encouraged. In many developing countries, the burden of debt servicing would be lessened.

This adjustment in U.S. policy should be accompanied by:

- a consolidation of the European Monetary System which, through greater convergence in the economic, budgetary and monetary policies of the Community member States, will lead to a zone of greater monetary stability in Europe and in the world at large.
- concrete measures to internationalise the yen and to open up the Japanese financial market;

Interventions on the foreign exchange markets can only have limited effects, perhaps by smoothing out erratic fluctuations in exchange rates. They can be no substitute for national policies to ensure stability.

One should push ahead with the study of new bases for a stable international monetary system.

In view of the greater risks facing them, companies have a real need for a more stable monetary environment

which, by limiting uncertainty, would encourage investment initiatives and help to expand international trade. This would mean the pursuit of responsible and consistent policies on the part of the main powers.

6. The expansion of world trade is a key element for growth. It is very disquieting to note that, despite the many declarations of intent to maintain the freedom of trade, an ever increasing part of international trade is subjected to restriction in the form of official regulation or voluntary agreements. It would therefore seem urgent to follow up in concrete terms the declaration of the Ministers of the OECD in 1983, in bringing about a rollback of protectionist tendencies by, in the first instance, the relaxation of restrictive trade measures and then, in the longer term, by dismantling these restrictions.

Protectionism is not the right answer to our present problems. All it does is to maintain non profitable structures, delay adjustments, help to push up prices through bad allocation of resources. Because of the reprisals it provokes, it rapidly expands. The alternative to protectionism is to strengthen competitiveness; another is the respect by all trading partners, in letter and spirit, for the GATT rules and the agreements concluded under its aegis.

The efforts made by Japan, under the pressure of its main trading partners, to internationalise its economy and to open up its market should be actively pursued in order that they should lead to concrete results. There would be a danger to free trade if Japan should continue to maintain a trade deficit of such a size and, arguing that the period of unilateral concessions had passed, it should decline to make a further significant effort to liberalise its market.

The maintenance of an open commercial system should be the prime object of the new multinational trade negotiations which are being asked for by the United States and Japan. Indeed, instead of aiming for a big leap forward, the negotiations should above all fully carry out the results and achievements of earlier multilateral trade negotiations. This examination and effort to consolidate should concentrate on two weak links in the chain, namely the safeguard clause and the absence of consensus especially among the main trading partners, on the definition of subsidy.

7. The extent and aggravation of the indebtedness of many developing countries continues to pose grave threats to the stability of the international financial system. Agreements on the rescheduling of the most important debts and the cooperation which has developed between governments of creditor and debtor countries, the

central banks, international organisations and private banks have made it possible to cope with the most immediate crises. These efforts should be continued and indeed stepped up. They help the debtor countries to strike a more favourable balance between the requirements for adjustment and the burden of external finance. A background of more sustained growth would also be of help to the main developing countries in putting their economies in order.

The flow of private capital is an important element in the economic development of these countries, especially as a vehicle for the transfer of technology. This cannot however become a regular feature of the scene unless the general climate encourages investments. This being so, developing countries have every reason to offer their potential partners the widest possible range of provisions to promote and protect investment and thus inspire the confidence that is necessary.

* * *

These are the considerations which on behalf of all the business interests of Europe, UNICE would like to submit to the Head of State and Governments at the London meeting. They hope that a consensus will emerge on consistent policies that could be pursued in the medium term context so as to promote a lasting and non-inflationist revival of economic activity throughout the western world and reducing the threats and uncertainties which hinder this.

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AUSTRALIAN HIGH COMMISSION

THE HIGH COMMISSIONER

AUSTRALIA HOUSE
STRAND
LONDON WC2B 4LA
01-438 8000

18 May 1984

My dear Prime Minister,

Mr Hawke has asked me to pass to you, in your capacity as host to the Western Economic Summit, the following advance text of a letter dated 18 May:

Text begins:

My dear Margaret,

Australia considers the forthcoming Western Economic Summit, to be held in London from 7-9 June 1984, to be of crucial significance for the international community. Most importantly it comes at a critical juncture in the efforts by all of us to secure a durable and more broadly based international economic recovery.

Australia, as my Foreign Minister Bill Hayden would have indicated to you earlier this week, would want to see the Summit promote policies to ensure that the present international recovery is sustained and be of benefit to both developed and developing countries. The problems of unemployment, inflation, debt and continued interest rate pressures require realistic policy responses. Australia would urge the Summit participants, in conformity with their global responsibilities, to adopt a responsible, longer term perspective which recognises global interdependence and the interests of developing countries, debtors and middle countries such as Australia.

Australia attaches particular importance to the future shape of the world trading regime. We think it particularly necessary that the Summit promote a more open trading system through the liberalisation of trade.

As you know I have been urging countries of the Asia Pacific region to consider carefully their interests in a possible new multilateral round of trade negotiations. Following agreement by their respective

.../2

countries, Senior Trade Officials from Australia, Brunei, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Republic of Korea, Singapore and Thailand met informally from 30 April - 1 May 1984 in Denpasar, Indonesia, to discuss how countries of the Western Pacific region might approach the suggestion that there should be a new round of multilateral trade negotiations. More specifically the meeting sought to identify what countries of the region might expect of any new round and to isolate the concerns and apprehensions they would want taken into account in any decision to proceed with a new round.

An open trading system was acknowledged to be essential both to the improvement of the international economy and to the continued economic dynamism of the region. Those participating in the meeting agreed that, with strengthening economic recovery, now would be a good time to implement trade liberalisation.

These and other specific points arising out of the Denpasar meeting have since been considered by the ASEAN Economic Ministers and have, I believe, been the subject of a separate communication to you by them.

Australia, for its part, shares the widely held view of participants at the Denpasar meeting that the issue of trade liberalisation was not satisfactorily addressed either in the GATT Ministerial Meeting of November 1982 or in the GATT Work Programme which emerged from it. Effective trade negotiations can only proceed on the basis of the principle of trade liberalisation which improves access particularly in developed country markets.

Meaningful benefits, especially for developing countries, depend primarily on an unequivocal commitment on the part of the three major trading blocs to negotiate to facilitate expanded access to their markets, given the volumes of their trade in the international context.

Accordingly, it is Australia's view that, in order for a new round of trade negotiations to receive wide support :

- 1) Commitments involving trade liberalisation undertaken in the Tokyo round must move to finality within the agreed timeframe.
- 2) Any new round should not impede the rate of progress in fulfilling the objectives of the 1982 GATT Ministerial Meeting and the Work Programme which was agreed at that meeting.

- 3) The major industrialised countries should develop formal negotiating commitments endorsed by their governments, to reduce existing barriers to trade and to preclude the introduction of new impediments to trade.
- 4) The issues for negotiation in trade liberalisation in any new round must include
 - textiles
 - tropical products
 - agriculture
 - safeguards
 - subsidies
 - non-tariff barriers
 - structural adjustment
 - tariff escalation.
- 5) While discussions are proceeding on the possibility of a new round, countries should agree to halt the introduction of any new or additional protectionist measures.

Many of these views were strongly reaffirmed in the recent Trade Ministers Meeting convened by the US Special Trade Representative Brock in Washington between 10-12 May 1984. That meeting agreed that a new round of trade negotiations, provided it happened soon, would extend important opportunities for developing country markets while avoiding the need for defensive trade policies in their own markets.

There was a general sense at the Washington Meeting that the GATT Work Programme was not making satisfactory progress. The Meeting also agreed that completing the Work Programme was an important priority. It was recognised that if the Work Programme was to form a solid basis for a new round, stronger political impetus and commitment would be needed. In that regard it was suggested that another meeting be held in Geneva in the next few months to give direction to these pressing GATT issues. Australia, for its part, attaches considerable importance to the success of such a meeting and would look to all Summit participants to strongly endorse its purpose.

What is needed at this juncture is strong leadership by the industrial countries represented at the Summit.

More specifically, the GATT needs more political direction in the areas of safeguards/structural adjustment, non tariff measures and trade areas of particular importance to the developing countries. Australia, for its part, would also attach particular importance to issues involving trade in agriculture given its prime significance and implications for the orderly management of international trading arrangements.

Australia, as an industrialised country, is prepared to commit itself to the full implications of a genuine process of multilateral trade liberalisation, necessarily carrying with it the need for appropriate measures of domestic structural adjustment. We think it important that all countries, and particularly the major industrial countries, accept their responsibility in this regard and urge all Summit participants to be quite specific in their commitment to this process.

Yours sincerely,

(R.J.L. Hawke)

Text ends.

Yours sincerely

A.R. Parsons

A.R. Parsons

The Rt Hon. Margaret Thatcher, M.P.
Prime Minister
10 Downing Street
LONDON SW1

Ref. A084/1514

MR COLES

HM/EXCHEQUER	
REC.	21 MAY 1984
ACTION	MR LITTLE
COPIES TO	CST, EST
	SIR P. MIDDLETON
	SIR T. BURNS
	MR UNWIN

MR LAVELLE
MR MOUNTAIN
MR BOTTRILL
MR C. KELLY

London Economic Summit: Draft Economic Declaration

Sir Peter Middleton and I have now revised the draft economic declaration in the light of the discussion at the Prime Minister's meeting on 16 May. I have also reflected the suggestion for a specific reference to shipping made in the Secretary of State for Transport's minute of 17 May.

- 2. I attach a copy of the revised draft as it will now be given to Personal Representatives over the weekend.
- 3. I am sending copies of this minute and of the revised draft to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry and the Secretary of State for Transport.

ROBERT ARMSTRONG

18 May 1984

Draft of 18 May 1984

DRAFT ECONOMIC DECLARATION

We, the Heads of State or Government of seven major industrialised countries and the President of the Commission of the European Communities, have gathered in London from 7 to 9 June 1984 at the invitation of the Rt Hon Margaret Thatcher FRS MP, the Prime Minister of the United Kingdom, for the tenth Economic Summit.

2. The primary purpose of these meetings is to enable Heads of State or Government to come together to discuss the economic problems, prospects and opportunities for their countries and for the world. We have been able to achieve not only closer understanding of each other's positions and views but also a large measure of agreement on our objectives and on the policies to be followed in pursuing them.

3. At our last meeting, in Williamsburg in 1983, we were already able to detect clear signs of recovery from world recession. That recovery can now be seen to be established in many of the industrialised countries. It is the reward for the firm efforts made in the Summit countries and elsewhere over recent years to reduce levels of

inflation and of interest rates, to control and where possible bring down fiscal deficits, and to control monetary growth.

4. That does not mean that its continuation can be taken for granted. We have to make the most of the opportunities with which we are now presented to reinforce the basis for enduring growth. We need to spread its benefits widely, both within our own countries and also to other countries, including the poorer countries who stand to gain as much as any from a sustainable growth of the world economy. To achieve that, we must work to reduce inflation and interest rates still further. Prudent monetary and budgetary policies of the kind that have brought us so far will have to be sustained and where necessary strengthened. We reaffirm the commitment of our Governments to these objectives and policies. [We welcome the initial measures recently announced by the United States Administration to limit the fiscal deficit of the United States.]

5. Not the least of our concerns is the growing strain on public expenditure from social security provisions in many of the industrialised countries. Those provisions have to be kept within limits of what our national economies can afford. We welcome

the increasing attention being given to these problems by national governments and in international fora such as the Organisation for Economic Co-operation and Development (OECD).

6. To achieve sustained growth, we must make sure that the industrial economies adapt and develop in response to market needs and technological change. We must encourage flexible labour policies, and bring about the conditions in which more new jobs will be created on a lasting basis, especially for the young. We need to foster and expand the international trading system and liberalise capital markets.

7. At Williamsburg we defined a strategy for dealing with the debt burdens of many developing countries. In the pursuit of this strategy a key role has been played by the International Monetary Fund, whose resources have been strengthened for the purpose. Debtor countries have been increasingly ready to accept the need to adjust their economic policies. In a climate of world recovery and growing world trade, this strategy should continue to enable the international financial system to manage the problems that may still arise. But a significant rise in levels of international interest rates would both exacerbate the problems of the debtor countries and make it more difficult to

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sustain the strategy. This underlines the importance of following policies which will be conducive to lower interest rates, and which take account of the impact of our policies upon other countries.

8. We have therefore agreed -

(1) to continue with and where necessary strengthen policies to reduce inflation and interest rates, and to control budgetary deficits and monetary growth;

(2) to seek to reduce obstacles to the creation of new jobs:

- by encouraging the efficient working of markets;
- by encouraging industrial development in response to market needs and technological change, especially among innovative small businesses;
- by discouraging measures to prop up declining industries;
- and by promoting agreement to reduce or phase out export subsidies and other assistance which distorts trade;

(3) to study with the appropriate international organisations policies to improve economic efficiency and promote growth, in particular by harmonising standards encouraging innovation and working for a more widespread acceptance of technological change, and facilitating mobility of labour and capital;

(4) to invite Finance Ministers to carry forward their consideration of the operations of the international monetary system;

(5) to carry forward the procedures agreed at Versailles and Williamsburg for multilateral monitoring and surveillance;

(6) to seek to improve the operation and stability of the international financial system by means of prudent and convergent policies among the major countries, by providing an adequate flow of funding to the international financial institutions, and by improving international access to capital markets in industrialised countries;

(7) to continue to support a flexible strategy for dealing with international debt problems, and helping debtor countries make the necessary economic and financial policy changes, taking due account of political and social difficulties;

(8) to work for the maintenance of adequate flows of resources (including official development assistance) to the non-industrialised countries; seek ways of increasing the flow of private investment; and encourage practical measures in those countries to enhance indigenous food and energy production, and to create conditions where populations move towards stability;

(9) to urge all trading countries to resist continuing protectionist pressures and reduce barriers to trade and, to make renewed efforts to liberalise and expand international trade, in services (including shipping) and technology as well as in manufactures and commodities;

(10) to participate positively in the work programme laid down at the GATT Ministerial meeting in November 1982, with a view to promoting constructive decisions at the GATT Contracting Parties meeting in November 1984; and to explore with other parties to the GATT and with the Director General how best to make progress towards a new GATT negotiating round, with clearly defined objectives and guidelines, early in the second half of the decade.

9. We note with approval that work continues in the appropriate organisations on the economic and security implications of relations with Eastern countries.

10. We welcome the second report of the Working Group on Technology, Growth and Employment set up at the Versailles Economic Summit, and the progress made in the eighteen areas of co-operation, and invite the Group to pursue further work on adaptation to technological change, the relationship between technology and trade, and the sharing of scientific facilities, and to report to the next Economic Summit.

11. We are agreed upon the need to pursue research into the causes and effects of environmental pollution and the means of limiting it. We have therefore decided to invite the Working Group on Technology, Growth and Employment to identify specific areas for research into the causes and effects of pollution, of air, water and ground where existing knowledge is inadequate and to bring together the results of research already undertaken, and to identify possible projects for international industrial co-operation to develop cost-effective techniques for reducing environmental damage. The Group is invited to report to the next Economic Summit in 1985 on these matters.

12. We thank the Prime Minister of Japan for his report on the Conference of Life Sciences and Mankind, organised by the Japan Foundation in March 1984, and welcome the intention of the French Government to sponsor a second Conference in 1985.

13. We welcome the invitation from the President of the United States to other Summit countries to co-operate in the development of an international manned space station. Other Summit countries will actively examine the possibilities of taking part in the programme, directly or collectively. We look forward to a progress report from the United States Administration on space station matters at the next Summit.

[14. We have agreed to meet again next year and have accepted the Federal Chancellor's invitation to meet in the Federal Republic of Germany.]

London

9 June 1984



10 DOWNING STREET

From the Private Secretary

MR. HATFIELD
CABINET OFFICE

Economic Summit

I attach a copy of a message which the Prime Minister has received from the Prime Minister of Australia about the forthcoming Summit. I should be grateful if you could let me have a draft reply (I have acknowledged the letter of the Australian High Commissioner).

I am copying this minute and Mr. Hawke's letter to Mr. Ricketts (Foreign and Commonwealth Office) and Mr. Peretz (HM Treasury).

18 May 1984

A. J. COLE

CH/EXCHEQUER	
REG.	9 MAY 1984 ✓ 215
ACTION	MR LITTLE
COPIES TO	CST, EST
	SIR P. MIDDLETON
	SIR T. BURNS
	MR UNWIN, MR LAVELLE
	MR MOUNTFIELD
	MR BOTTRILL
	MR C. KELLY



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AUSTRALIAN HIGH COMMISSION

AUSTRALIA HOUSE
STRAND
LONDON WC2B 4LA
01-438 8000

THE HIGH COMMISSIONER

18 May 1984

My dear Prime Minister,

Mr Hawke has asked me to pass to you, in your capacity as host to the Western Economic Summit, the following advance text of a letter dated 18 May:

Text begins:

My dear Margaret,

Australia considers the forthcoming Western Economic Summit, to be held in London from 7-9 June 1984, to be of crucial significance for the international community. Most importantly it comes at a critical juncture in the efforts by all of us to secure a durable and more broadly based international economic recovery.

Australia, as my Foreign Minister Bill Hayden would have indicated to you earlier this week, would want to see the Summit promote policies to ensure that the present international recovery is sustained and be of benefit to both developed and developing countries. The problems of unemployment, inflation, debt and continued interest rate pressures require realistic policy responses. Australia would urge the Summit participants, in conformity with their global responsibilities, to adopt a responsible, longer term perspective which recognises global interdependence and the interests of developing countries, debtors and middle countries such as Australia.

Australia attaches particular importance to the future shape of the world trading regime. We think it particularly necessary that the Summit promote a more open trading system through the liberalisation of trade.

As you know I have been urging countries of the Asia Pacific region to consider carefully their interests in a possible new multilateral round of trade negotiations. Following agreement by their respective

.../2

countries, Senior Trade Officials from Australia, Brunei, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Republic of Korea, Singapore and Thailand met informally from 30 April - 1 May 1984 in Denpasar, Indonesia, to discuss how countries of the Western Pacific region might approach the suggestion that there should be a new round of multilateral trade negotiations. More specifically the meeting sought to identify what countries of the region might expect of any new round and to isolate the concerns and apprehensions they would want taken into account in any decision to proceed with a new round.

An open trading system was acknowledged to be essential both to the improvement of the international economy and to the continued economic dynamism of the region. Those participating in the meeting agreed that, with strengthening economic recovery, now would be a good time to implement trade liberalisation.

These and other specific points arising out of the Denpasar meeting have since been considered by the ASEAN Economic Ministers and have, I believe, been the subject of a separate communication to you by them.

Australia, for its part, shares the widely held view of participants at the Denpasar meeting that the issue of trade liberalisation was not satisfactorily addressed either in the GATT Ministerial Meeting of November 1982 or in the GATT Work Programme which emerged from it. Effective trade negotiations can only proceed on the basis of the principle of trade liberalisation which improves access particularly in developed country markets.

Meaningful benefits, especially for developing countries, depend primarily on an unequivocal commitment on the part of the three major trading blocs to negotiate to facilitate expanded access to their markets, given the volumes of their trade in the international context.

Accordingly, it is Australia's view that, in order for a new round of trade negotiations to receive wide support :

- 1) Commitments involving trade liberalisation undertaken in the Tokyo round must move to finality within the agreed timeframe.
- 2) Any new round should not impede the rate of progress in fulfilling the objectives of the 1982 GATT Ministerial Meeting and the Work Programme which was agreed at that meeting.

- 3) The major industrialised countries should develop formal negotiating commitments endorsed by their governments, to reduce existing barriers to trade and to preclude the introduction of new impediments to trade.
- 4) The issues for negotiation in trade liberalisation in any new round must include
 - textiles
 - tropical products
 - agriculture
 - safeguards
 - subsidies
 - non-tariff barriers
 - structural adjustment
 - tariff escalation.
- 5) While discussions are proceeding on the possibility of a new round, countries should agree to halt the introduction of any new or additional protectionist measures.

Many of these views were strongly reaffirmed in the recent Trade Ministers Meeting convened by the US Special Trade Representative Brock in Washington between 10-12 May 1984. That meeting agreed that a new round of trade negotiations, provided it happened soon, would extend important opportunities for developing country markets while avoiding the need for defensive trade policies in their own markets.

There was a general sense at the Washington Meeting that the GATT Work Programme was not making satisfactory progress. The Meeting also agreed that completing the Work Programme was an important priority. It was recognised that if the Work Programme was to form a solid basis for a new round, stronger political impetus and commitment would be needed. In that regard it was suggested that another meeting be held in Geneva in the next few months to give direction to these pressing GATT issues. Australia, for its part, attaches considerable importance to the success of such a meeting and would look to all Summit participants to strongly endorse its purpose.

What is needed at this juncture is strong leadership by the industrial countries represented at the Summit.

More specifically, the GATT needs more political direction in the areas of safeguards/structural adjustment, non tariff measures and trade areas of particular importance to the developing countries. Australia, for its part, would also attach particular importance to issues involving trade in agriculture given its prime significance and implications for the orderly management of international trading arrangements.

Australia, as an industrialised country, is prepared to commit itself to the full implications of a genuine process of multilateral trade liberalisation, necessarily carrying with it the need for appropriate measures of domestic structural adjustment. We think it important that all countries, and particularly the major industrial countries, accept their responsibility in this regard and urge all Summit participants to be quite specific in their commitment to this process.

Yours sincerely,

(R.J.L. Hawke)

Text ends.

Yours sincerely

Parsons

A.R. Parsons

The Rt Hon. Margaret Thatcher, M.P.
Prime Minister
10 Downing Street
LONDON SW1

for folder

Ref. A084/1515

MR COLES

18/5/84

CH/EXCHEQUER	
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	SIR P. MIDDLETON
	SIR T. BURNS
	MR UNWIN, MR

London Economic Summit: Prime Minister's Meeting on 23 May

The next of the Prime Minister's pre-Summit meetings is to be held at 5.00 pm on 23 May. This minute contains recommendations for the agenda and attendance of that meeting.

2. The agenda might consist of the following items:

a. Final meeting of Personal Representatives The meeting may wish Sir Robert Armstrong to report on the discussions that will have taken place at Chevening on 20 and 21 May and, in particular, the first reactions to the various proposed Summit initiatives.

b. Draft Statements The meeting may wish to consider the drafts of the various proposed Summit statements in the light of the reactions of the other Personal Representatives at Chevening and developments at the OECD Ministerial meeting.

- (i) Economic Declaration
- (ii) Draft Statement on International Terrorism
- (iii) Draft statement on Democratic Values

c. Keynote Speech A revised draft of the keynote speech, which takes into account comments received from Departments, will be circulated in advance of the meeting.

3. The Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry will need to be invited. The Home Secretary will also need to be invited if there is to be a substantive discussion on the draft statement on International Terrorism.

4. As usual, it will be helpful if Sir Robert Armstrong, Sir Julian Bullard, Sir Crispin Tickell and Mr Littler could be invited.

5. I am sending copies of this minute to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry and the Home Secretary.

R. HATFIELD

R P HATFIELD

18 May 1984

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10 DOWNING STREET

CH/EXCHEQUER	
REC.	21 MAY 1984
	MR LITTLER
	CST EST
	SIR P. MIDDLETON
	SIR T. BURNS
	MR UNWIN, MCLAVELLE

From the Private Secretary

18 May 1984
 MR MOUNTFIELD
 MR BOTTRILL
 MR C. KELLY

See public comment on
 Argentina at p. 3
 B.

The message seems to have
 got through! PMP

Dear Peter,

LONDON ECONOMIC SUMMIT: MRS GANDHI'S SPECIAL EMISSARY

Mr. Jha called on the Prime Minister at 1445 hours today) your letter of 17 May refers. He was accompanied by Mr. Arjun Sengupta, Mr. I.F. Chaddha and Mr. Pushkar Johari, the Deputy High Commissioner. Sir Crispin Tickell was also present.

In response to a question from the Prime Minister, Mr. Jha said that Mrs Gandhi faced a difficult problem in the Punjab. This was not a clash between communities of the kind that could be treated as a law and order problem. Individuals were being singled out for attack. No form of security could cope with this approach. The Prime Minister said that she understood the difficulty.

Mr. Jha then handed over a letter from Mrs Gandhi, the text of which is enclosed with this letter. Explaining the purpose of the message, he said that Mrs Gandhi hoped that the Economic Summit would be an occasion for restoring momentum to the North/South dialogue. Taking up remarks which she had made at CHOGM, Mrs Gandhi looked for a new initiative on money and finance. He had not come with a precise formula but rather to explore acceptable means of progress. The Williamsburg Summit had declared itself open to dialogue. But subsequent events had shown no real progress. Now the situation was deteriorating.

The London Summit could take a positive initiative to break the deadlock. One possibility was a conference on the relationship between money and trade, on the one hand, and development on the other. If this was not possible, at least a forum could be created to discuss what kind of conference would be useful, its venue and its agenda. The danger was that if discussions proceeded in the existing separate groups thinking would crystallise in each group and the others would be asked to take it or leave it. So could there not be a process of joint thinking? India was speculating about two possible solutions, a formal

/ conference

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conference of the kind which had initiated the North/South dialogue or a non-structured meeting on the Cancun model. The weakness of Cancun had been that countries who had not participated had been somewhat hostile to its results. But the Prime Minister would chair the London Summit and Mrs Gandhi had chaired the non-aligned summit. If the London Summit agreed, Mrs Thatcher could invite Mrs Gandhi to select a number of developing countries to join the industrialised countries in a discussion of the way forward. Mrs Gandhi would of course have to consult the Non-Aligned Movement and then find perhaps 20 countries to represent the developing countries. They should meet informally and not at summit level. This would create a forum for joint thinking. India did not envisage new institutions.

The Prime Minister's leadership was most important. Hence he had come to London first. He would later proceed to Washington, Ottawa, Paris, Rome and Bonn and put the same ideas to those capitals.

The Prime Minister said that some countries spanned a number of groups and were therefore not working in isolation. India was a member of the Commonwealth, the Non-Aligned Movement and the UN - and India tended to be represented in every major grouping. What worried her was not the lack of opportunities for meetings but the shortage of practicable solutions. Before we set up another forum, we needed to work on the solutions. But the London Summit would certainly discuss the propositions advanced in Mrs Gandhi's letter.

She (the Prime Minister) sometimes worried whether we were searching for solutions which were not there. There was a quest for new formulae when it might be that the old ones were best. We were now pulling out of world recession. The need was to ensure that countries formulated their own recovery programmes in a way that would not worsen the problems of others. This meant the avoidance of protectionism. There might also be scope for an international investment code to give investors more confidence. We and other countries were asked to give aid to multilateral institutions. Some such aid was of course necessary. We were not altogether enamoured of it because it diluted our direct contacts with the recipient countries.

She did not believe that a magic formula was waiting to be discovered. But she was glad that India was exploring the problem.

Mr. Jha said that he could agree with everything the Prime Minister had said. In particular, it was right that countries which pursued economic recovery should not hurt

/ others

others. That applied not only to protectionism but also to interest rate policies. These and other points which the Prime Minister had mentioned could usefully be discussed in a forum of the kind he had mentioned. The present atmosphere was vitiated by a feeling that the West was indifferent to these problems. He felt that people in the next century, looking back at this one, would ask whether it was better to have borrowed and defaulted - or not borrowed at all.

The Prime Minister agreed. It was wrong that countries which had been conscientious in their financial policy should suffer. She much hoped that Argentina would not default. If it did, it would have to be ostracised and products already on the high seas would have to be turned round.

Mr. Jha said that a meeting between industrialised countries and the non-aligned could easily be limited to say 22 countries as at Cancun. The Prime Minister said that she felt that there was not much point in meeting just to ask questions. It was better for the existing groups to try to arrive at practical, limited solutions. But as she had said, she would certainly put Mrs Gandhi's concerns to the Summit participants.

Mr. Sengupta said that the main concern expressed in Mrs Gandhi's letter was directed at the absence of dialogue between North and South. The Prime Minister suggested that there was little point in establishing a dialogue until each group had worked out a practical agenda consisting of more than mere headings. If there was to be a new initiative, she would wish it to consist of more than a call for another conference. Mr. Jha asked that we should think in terms of a preparatory meeting to explore possible solutions with the expert help of the IMF, the IBRD, etc. The Prime Minister said that she believed that this process of exploration had been conducted for some time. The problem now was to formulate solutions. But after the Economic Summit we would send an emissary to India to explain the conclusions reached and discuss how we could best proceed.

The discussion ended at 1520.

I am copying this letter and enclosure to David Peretz (HM Treasury) and Richard Hatfield (Cabinet Office).

John ever

Joh Cole.

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

ANNEX A

MR JHA'S PARTY

Mr L K Jha : Mrs Gandhi's Special Emissary

Mr Arjun Sengupta : Special Secretary for Economic Affairs,
Prime Minister's Secretariat

Mr I F Chaddha : DUS (Economic) Ministry of External
Affairs

Mr Pushkar Johari : Deputy High Commissioner

Ref. A084/1514

MR COLES

CH/EXCHEQUER	
REC.	21 MAY 1984
ACTION	MR LITTLE
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	SIR P. MIDDLETON
	SIR T. BURNS
	MR UNWIN

215
 MR LAVELLE
 MR MOUNTFIELD
 MR BOTTRILL
 MR C. KELLY

London Economic Summit: Draft Economic Declaration

Sir Peter Middleton and I have now revised the draft economic declaration in the light of the discussion at the Prime Minister's meeting on 16 May. I have also reflected the suggestion for a specific reference to shipping made in the Secretary of State for Transport's minute of 17 May.

- 2. I attach a copy of the revised draft as it will now be given to Personal Representatives over the weekend.
3. I am sending copies of this minute and of the revised draft to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry and the Secretary of State for Transport.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

18 May 1984

Draft of 18 May 1984

DRAFT ECONOMIC DECLARATION

We, the Heads of State or Government of seven major industrialised countries and the President of the Commission of the European Communities, have gathered in London from 7 to 9 June 1984 at the invitation of the Rt Hon Margaret Thatcher FRS MP, the Prime Minister of the United Kingdom, for the tenth Economic Summit.

2. The primary purpose of these meetings is to enable Heads of State or Government to come together to discuss the economic problems, prospects and opportunities for their countries and for the world. We have been able to achieve not only closer understanding of each other's positions and views but also a large measure of agreement on our objectives and on the policies to be followed in pursuing them.

3. At our last meeting, in Williamsburg in 1983, we were already able to detect clear signs of recovery from world recession. That recovery can now be seen to be established in many of the industrialised countries. It is the reward for the firm efforts made in the Summit countries and elsewhere over recent years to reduce levels of

inflation and of interest rates, to control and where possible bring down fiscal deficits, and to control monetary growth.

4. That does not mean that its continuation can be taken for granted. We have to make the most of the opportunities with which we are now presented to reinforce the basis for enduring growth. We need to spread its benefits widely, both within our own countries and also to other countries, including the poorer countries who stand to gain as much as any from a sustainable growth of the world economy. To achieve that, we must work to reduce inflation and interest rates still further. Prudent monetary and budgetary policies of the kind that have brought us so far will have to be sustained and where necessary strengthened. We reaffirm the commitment of our Governments to these objectives and policies. [We welcome the initial measures recently announced by the United States Administration to limit the fiscal deficit of the United States.]

5. Not the least of our concerns is the growing strain on public expenditure from social security provisions in many of the industrialised countries. Those provisions have to be kept within limits of what our national economies can afford. We welcome

the increasing attention being given to these problems by national governments and in international fora such as the Organisation for Economic Co-operation and Development (OECD).

6. To achieve sustained growth, we must make sure that the industrial economies adapt and develop in response to market needs and technological change. We must encourage flexible labour policies, and bring about the conditions in which more new jobs will be created on a lasting basis, especially for the young. We need to foster and expand the international trading system and liberalise capital markets.

7. At Williamsburg we defined a strategy for dealing with the debt burdens of many developing countries. In the pursuit of this strategy a key role has been played by the International Monetary Fund, whose resources have been strengthened for the purpose. Debtor countries have been increasingly ready to accept the need to adjust their economic policies. In a climate of world recovery and growing world trade, this strategy should continue to enable the international financial system to manage the problems that may still arise. But a significant rise in levels of international interest rates would both exacerbate the problems of the debtor countries and make it more difficult to

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sustain the strategy. This underlines the importance of following policies which will be conducive to lower interest rates, and which take account of the impact of our policies upon other countries.

8. We have therefore agreed -

(1) to continue with and where necessary strengthen policies to reduce inflation and interest rates, and to control budgetary deficits and monetary growth;

(2) to seek to reduce obstacles to the creation of new jobs:

- by encouraging the efficient working of markets;
- by encouraging industrial development in response to market needs and technological change, especially among innovative small businesses;
- by discouraging measures to prop up declining industries;
- and by promoting agreement to reduce or phase out export subsidies and other assistance which distorts trade;

(3) to study with the appropriate international organisations policies to improve economic efficiency and promote growth, in particular by harmonising standards encouraging innovation and working for a more widespread acceptance of technological change, and facilitating mobility of labour and capital;

- (4) to invite Finance Ministers to carry forward their consideration of the operations of the international monetary system;
- (5) to carry forward the procedures agreed at Versailles and Williamsburg for multilateral monitoring and surveillance;
- (6) to seek to improve the operation and stability of the international financial system by means of prudent and convergent policies among the major countries, by providing an adequate flow of funding to the international financial institutions, and by improving international access to capital markets in industrialised countries;
- (7) to continue to support a flexible strategy for dealing with international debt problems, and helping debtor countries make the necessary economic and financial policy changes, taking due account of political and social difficulties;
- (8) to work for the maintenance of adequate flows of resources (including official development assistance) to the non-industrialised countries; seek ways of increasing the flow of private investment; and encourage practical measures in those countries to enhance indigenous food and energy production, and to create conditions where populations move towards stability;

(9) to urge all trading countries to resist continuing protectionist pressures and reduce barriers to trade and, to make renewed efforts to liberalise and expand international trade, in services (including shipping) and technology as well as in manufactures and commodities;

(10) to participate positively in the work programme laid down at the GATT Ministerial meeting in November 1982, with a view to promoting constructive decisions at the GATT Contracting Parties meeting in November 1984; and to explore with other parties to the GATT and with the Director General how best to make progress towards a new GATT negotiating round, with clearly defined objectives and guidelines, early in the second half of the decade.

9. We note with approval that work continues in the appropriate organisations on the economic and security implications of relations with Eastern countries.

10. We welcome the second report of the Working Group on Technology, Growth and Employment set up at the Versailles Economic Summit, and the progress made in the eighteen areas of co-operation, and invite the Group to pursue further work on adaptation to technological change, the relationship between technology and trade, and the sharing of scientific facilities, and to report to the next Economic Summit.

11. We are agreed upon the need to pursue research into the causes and effects of environmental pollution and the means of limiting it. We have therefore decided to invite the Working Group on Technology, Growth and Employment to identify specific areas for research into the causes and effects of pollution, of air, water and ground where existing knowledge is inadequate and to bring together the results of research already undertaken, and to identify possible projects for international industrial co-operation to develop cost-effective techniques for reducing environmental damage. The Group is invited to report to the next Economic Summit in 1985 on these matters.

12. We thank the Prime Minister of Japan for his report on the Conference of Life Sciences and Mankind, organised by the Japan Foundation in March 1984, and welcome the intention of the French Government to sponsor a second Conference in 1985.

13. We welcome the invitation from the President of the United States to other Summit countries to co-operate in the development of an international manned space station. Other Summit countries will actively examine the possibilities of taking part in the programme, directly or collectively. We look forward to a progress report from the United States Administration on space station matters at the next Summit.

[14. We have agreed to meet again next year and have accepted the Federal Chancellor's invitation to meet in the Federal Republic of Germany.]

London

9 June 1984



From: Brig Alan Cowan, GHF

Date: 18 May 1984

Letter 1/20/84
Mr Barrington
Economic Summit Administration Unit

LONDON ECONOMIC SUMMIT: MINISTERIAL MEALS

1. You will wish to consult the Chancellor of the Exchequer about menus for the meals which he is giving for Finance Ministers during the Economic Summit. I would ask for the following general comments to be taken into account:-

- a. Bearing in mind the number of meals involved during the Summit, the seasonal availability of different foods, the menu chosen by The Queen for Her dinner on 9 June, and known dietary or other restrictions amongst the guests, scope for variety in Ministerial meals is somewhat limited.
- b. The Prime Minister has selected the menus shown at Annex A for the dinners which she is giving for Heads of State/Government at 10 Downing Street and the National Portrait Gallery on 7 and 8 June respectively, for her lunch at Lancaster House on 8 June and for the Plenary lunch at Lancaster House on 9 June. These menus have been carefully coordinated and, to avoid duplication, it is desirable for other Ministerial meals to follow broadly the same pattern.
- c. As all three Ministerial lunches at Lancaster House on 8 June - for Heads of State/Government, for Foreign Ministers and for Finance Ministers - are being prepared in and served from the same kitchen, it will be essential for the three menus to be identical.
- d. In view of other commitments on 7 June it would be very helpful if Mr Lawson's menu for dinner at 11 Downing Street could be identical to that selected for the Prime Minister's menu at 10 Downing Street.

2. Against this background, and assuming an affirmative response to point d. above, there remains the Chancellor's dinner for Finance Ministers at the Bank of England on 8 June. I understand that the Bank has been advised to avoid dishes which have already been selected by The Queen and by the Prime Minister, and that they will submit a draft menu direct to Mr Lawson. Naturally GHF stands ready to help with advice on selections should that be thought appropriate or necessary.

J A C Cowan
18 May 1984

LONDON ECONOMIC SUMMIT, JUNE 1984
MENUS SELECTED BY THE PRIME MINISTER

1. 7 June: Working Dinner at 10 Downing Street for Heads of State/
Government

Chilled Consommé Royale
Poached Salmon Trout [Hol]
Suprême of Chicken Kiev [garnished with
Broccoli courgette and carrot⁷]
Button Mushrooms
New Potatoes
Grand Marnier Soufflé
with Strawberries and Oranges
Coffee

Wines

Meursault Charmes 1978
Château Gruaud Larose 1961
Mumm 1964
Fonseca 1948
Hine 1922

2. 8 June: Working Lunch at Lancaster House for Heads of State/
Government

Fish and Vegetable Terrine with Herb Sauce
Roast Fillet of Veal with Madeira Sauce [Garnished]
Braised Fennel
Mange-lout
Carrots
Amandine Potato
Raspberry Fool with Palmiers
Coffee

Wines

Puligny Montrachet Les Fucelles 1979
Château Lynch-Bages 1961
Port, Brandy, Liqueurs

3. 8 June: Working Dinner at National Portrait Gallery for
Heads of State/Government

Chilled Cucumber and Mint Soup
Fillet of Sole with Béchamel Sauce
Tournedos Rossini
Points of Asparagus
Salad
Jersey Royals
Cheese
Fruit Cardinal with
Devon Clotted Cream

Wines

Corton Charlemagne 1979
Château Latour 1955
Krug 1964
Warre 1945
Martell 1913

4. 9 June: Plenary Lunch at Lancaster House (Main elements
supplied by "Food from Britain")

Scotch Smoked Salmon
Roast Norfolk Turkey with Chestnut Stuffing
Spinach and Cranberry Sauce
Julienne of Carrots
Minted Peas
Roast Potatoes
Apple Mousse
Cream
English Cheeses

Wines

Spots Farm 1981
Adgestone 1982
Port, Brandy, Liqueurs



10 DOWNING STREET

From the Press Secretary

MR HATFIELD

LONDON ECONOMIC SUMMIT - TRADE UNION DELEGATION

I am setting in hand arrangements for briefing the press after the meeting on May 31, noting that the TUC's objective is to strike a positive note. We shall back this up.

I aim to lay on a press conference for the TUC after which I shall brief on behalf of HMG. This event does of course come the day before the Prime Minister gives her open press conference on the Summit.

I will go into the possibility of some on the record remarks by the Prime Minister which I could relay in my briefing.

A handwritten signature in black ink, appearing to be 'Bernard Ingham'.

BERNARD INGHAM
18 May 1984

cc Sir Crispin Tickell (FCO)
Mr Littler (Treasury)
Mr Holloway (FCO)
Mr Colvin (Cabinet Office)
Mr Barclay

18/5/84.

BBC RADIO "TODAY" PROGRAMME - INTERVIEW WITH DAVID BASNETT

DB: ... one of the misfortunes of our society ^{it's} being divided in half at the moment - clearly if you are a moderate then there is no advantage in seeing Mrs. Thatcher - she's going to knock you - but this is in a different context. The context is simply that of the Economic Summit. They have been occurring for ten years and more and more nations are responding to what happens at those summits. We have at the moment an opportunity which arises out of the growth which is occurring - endangered perhaps by recent events - but that growth to be sustained needs the OECD nations to coordinate reflation to give us more industrial growth. And that's the context ⁱⁿ which we will be speaking. We won't be asking the Prime Minister to do anything other than to convey those views to her colleagues at the Heads of State meeting.

Interviewer: But is there not always the danger that if you take an international delegation to somebody it's all divide and rule - you're not all going to agree precisely on what is to be done - so you're just going to have pious expectation of what you would like.

DB: Yes. That's always the danger, but we had a meeting yesterday evening of the trade unions from the nations concerned but the only thing that we had a difference of opinion about was who was going to win the Cup Final last night. The interesting thing is that all the unions ^{have} agreed a basic document for submission to the Prime Minister and to their own PMs/Heads of State for this meeting. There is not a whit of difference between us on any of these issues.

Interviewer: Now is the purpose to do something about unemployment? Are you going to say that we are tolerating something which is actually intolerable?

DB: Well that is very clear if trade unions are going to discuss the economy they're going to say first of all there is no upturn until you start creating more jobs. We would like at the top of the agenda the creation of jobs and that's the first point we make -

/but

but not the only point. The other point is that the world has got to adjust to the structural changes which are beginning to come from new technology. These things have got to be negotiated with Governments - you just can't let them occur and let part of the population bear the burden of change. We need to talk about them. But if I may return to the first point it's obvious that if nations coordinate their activities to do things together that ^{you're} going to get a better effect. The first thing they should be doing is to concentrate on infrastructural investment; to produce industrial growth. For instance, if you invest in roads, in railways, you help the industrial infrastructure, you help the efficiency, you help the environment, and it's the least costly, and if nations do that together; you're beginning to invest, to get your way out of the current recession - that's the first point we will make. There will be other discussions, particularly on the point of view of some of the OECD nations of what they laughingly call labour flexibility which of course is a code word for wage flexibility which is the code word for wage reduction. Now that is no way to get out of a recession - that's the way into a recession and we will be making that point very strongly to her. But there are a number of points about five in all but the two most important are, yes, let's get industrial growth - if we don't get it in this country before our North Sea Oil runs out then we really are in a mess and the nations have got to start doing it together.

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OECD COUNCIL MEETING AT MINISTERIAL LEVEL, 17-18 MAY

FOLLOWING IS THE TEXT OF THE OPERATIVE PARAGRAPHS OF THE
COMMUNIQUE AGREED TODAY:

4. MINISTERS AGREED THAT A REDUCED LEVEL OF INFLATION AND THE
ECONOMIC RECOVERY PROVIDE CONDITIONS FAVOURABLE TO ACHIEVING
THE FOLLOWING OBJECTIVES FOR OECD ECONOMIC PERFORMANCE OVER THE
NEXT SEVERAL YEARS:

- SUSTAINED ECONOMIC GROWTH, WITH MORE CONVERGENCE AMONG OECD
COUNTRIES, MAKING INROADS INTO UNEMPLOYMENT WHICH REMAINS HIGH,
ESPECIALLY IN EUROPE:
- LOWER INFLATION AND REDUCED INTEREST RATES:
- STRONG GROWTH IN INVESTMENT TAKING ADVANTAGE OF NEW TECHNOLOGIES
AND CHANGING MARKETS:
- GENERALISED EXPANSION OF WORLD TRADE:
- CONTINUED AND WHERE APPROPRIATE INCREASED FLOWS OF RESOURCES
TO DEVELOPING COUNTRIES, STRENGTHENING THEIR DEVELOPMENT POTENTIAL
THROUGH PRODUCTIVE INVESTMENT.

5. ACCORDINGLY, THEIR GOVERNMENTS INTEND TO:

- PURSUE ECONOMIC POLICIES DESIGNED TO PROMOTE SUSTAINED NON-
INFLATIONARY GROWTH AND INCREASED EMPLOYMENT:
- PROVIDE A STABLE ECONOMIC AND FINANCIAL ENVIRONMENT WHICH PERMITS
MARKETS TO FUNCTION EFFICIENTLY:
- PROMOTE FLEXIBILITY AND INNOVATION: IN PRIVATE SECTORS, IN PUBLIC
SECTORS AND INTERNATIONALLY, THEREBY FOSTERING MORE RESILIENT
ECONOMIC AND SOCIAL STRUCTURES:
- TAKE DUE ACCOUNT IN THEIR POLICIES OF INTERNATIONAL ECONOMIC
INTERDEPENDENCE:
- TAKE STEPS TO RELAX AND DISMANTLE TRADE RESTRICTIONS AND TRADE-
DISTORTING DOMESTIC MEASURES, AS WELL AS FURTHER TO STRENGTHEN
THE MULTILATERAL TRADING SYSTEM:
- STRENGTHEN AND IMPROVE TRADE, FINANCIAL AND INVESTMENT RELATIONS
WITH DEVELOPING COUNTRIES AS A MATTER OF MUTUAL INTEREST: AND
PROVIDE INCREASED AND MORE EFFECTIVE HELP TO THE POORER
DEVELOPING COUNTRIES IN THEIR DIFFICULT ADJUSTMENT AND DEVELOPMENT
EFFORTS.

6. MINISTERS AGREED TO WORK TOWARDS AN ECONOMIC AND SOCIAL ENVIRONMENT IN WHICH CHANGE, INHERENT IN THE PROCESS OF GROWTH, IS EMBRACED FOR THE NEW OPPORTUNITIES IT BRINGS AND IS NOT RESISTED AS A THREAT. THEY RECOGNISED THAT THE MAINTENANCE OF POLICIES WHICH INCREASE THE THE RESILIENCE OF ECONOMIC STRUCTURES REQUIRES THAT THE BENEFITS AND THE COSTS OF CHANGE BE SHARED FAIRLY. IN MEETING THE CHALLENGES EACH COUNTRY WILL NEED TO ADAPT ITS INSTITUTIONAL ARRANGEMENTS TAKING ACCOUNT OF ITS HISTORY AND CURRENT REALITIES.

ACHIEVING DURABLE GROWTH

MACROECONOMIC BALANCE

7. MINISTERS REAFFIRMED THAT LOW INFLATION IS AN ESSENTIAL COMPONENT OF A STABLE ECONOMIC ENVIRONMENT LEADING TO HIGHER GROWTH AND EMPLOYMENT.

8. MINISTERS AGREED THAT MONETARY POLICY IS CRITICAL. THEY ACKNOWLEDGED THE FACT THAT IN THE EARLY STAGES OF PAST RECOVERIES MONETARY GROWTH HAD OFTEN BEEN UNWISELY STIMULATIVE AND RESOLVED TO AVOID THIS. WHILE EACH COUNTRY WILL FOLLOW METHODS OF MONETARY CONTROL APPROPRIATE TO ITS CIRCUMSTANCES, POLICIES SHOULD BE CONSISTENT WITH THE MEDIUM TERM OBJECTIVES OF GREATER PRICE STABILITY AND SUSTAINABLE REAL GROWTH. PARTICULAR FOCUS ON STABLE AND MODERATE GROWTH IN MONETARY AGGREGATES IS APPROPRIATE, AND SOME MEMBER COUNTRIES FIND A NOMINAL INCOME FRAMEWORK HELPFUL IN THIS RESPECT. SOME MEMBER COUNTRIES WILL PROPERLY PLACE GREATER WEIGHT ON OTHER INDICATORS, SUCH AS THE EXCHANGE RATE.

9. MINISTERS RECOGNISED THAT LARGE BUDGET DEFICITS CAN LEAVE A LEGACY OF HIGH PUBLIC DEBT, HIGH INTEREST RATES AND REDUCED CAPITAL FORMATION IN THE PRIVATE SECTOR. A RISING BURDEN OF DEBT INTEREST ADDS TO THE PROBLEM. IN THE FEW COUNTRIES IN WHICH GOVERNMENT BORROWING HAS BEEN BROUGHT SUFFICIENTLY UNDER CONTROL, AND FISCAL POSITIONS ARE SOUND, SCOPE MAY BE FOUND TO LOWER THE GENERAL LEVEL OF TAXATION. IN MANY COUNTRIES, INCLUDING MAJOR ECONOMIES, DEFICITS ARE PROJECTED TO REMAIN HIGH DESPITE RECOVERY: GOVERNMENTS INTEND TO REDUCE THESE BY LOWERING THE SHARE OF SPENDING IN THE NATIONAL INCOME AND ENHANCING REVENUES TO THE EXTENT THAT SPENDING CANNOT BE LOWERED. ADJUSTMENT OF FISCAL POLICIES IN THIS WAY WOULD CONTRIBUTE TO A MORE BALANCED AND THEREFORE ENDURING RECOVERY. IN GENERAL, GOVERNMENT'S CLAIMS ON NATIONAL SAVINGS SHOULD LEAVE SUFFICIENT ROOM FOR PRIVATE INVESTMENT AND FOR THE FLOW OF SAVINGS FROM THE DEVELOPED TO THE DEVELOPING WORLD.

10. GOVERNMENT SPENDING SHOULD BE CONTROLLED WITHIN NATIONALLY CHOSEN MEDIUM-TERM LIMITS ON THE SHARE OF TOTAL RESOURCES IT TAKES UP. WITHIN THOSE LIMITS SPENDING SHOULD EMPHASIZE PROGRAMMES AND INVESTMENTS WHICH PROMOTE FLEXIBILITY. IN MANY MEMBER COUNTRIES REFORM NEED TO BRING SLOWER GROWTH OF SPENDING ON SOCIAL EXPENDITURE PROGRAMMES WITHOUT DEPRIVING THOSE IN GREATEST NEED. SIMPLICITY, STABILITY AND THE RIGHT INCENTIVES IN TAX STRUCTURES ARE IMPORTANT FOR PRIVATE DECISION MAKING.

X | 11. MINISTERS AGREED THAT THE WIDE SWINGS IN EXCHANGE RATES IN RECENT YEARS POINT TO THE DESIRABILITY OF TRYING TO MAKE THE PRESENT EXCHANGE-RATE REGIME WORK BETTER. THE MAIN CONTRIBUTION GOVERNMENTS CAN MAKE IS TO PURSUE MONETARY AND FISCAL POLICIES THAT ARE SOUND AND SUSTAINABLE IN THEMSELVES AND WHICH PROMOTE CONVERGENCE IN ECONOMIC POLICIES. AUTHORITIES SHOULD STAND READY TO INTERVENE IN DISORDERLY EXCHANGE MARKETS.

12. MINISTERS CONSIDERED THAT ENERGY POLICY REMAINS AN IMPORTANT ELEMENT IN ECONOMIC PERFORMANCE. THE PRINCIPAL NEED IS TO MAINTAIN THE MOMENTUM ALREADY ACHIEVED IN MORE RATIONAL USE OF ENERGY AND DIVERSIFICATION OF SUPPLY, AS WELL AS CONTINUED READINESS TO HANDLE POTENTIAL INTERRUPTIONS IN OIL SUPPLIES.

ADAPTIVE ECONOMIC STRUCTURES

13. MINISTERS AGREED ON THE NEED TO IMPLEMENT POSITIVE ADJUSTMENT POLICIES ACROSS THE WHOLE RANGE OF ECONOMIC ACTIVITIES, AND ENDORSED A STATEMENT BY THE ECONOMIC POLICY COMMITTEE, THE POLICY RECOMMENDATIONS OF WHICH ARE ANNEXED TO THIS COMMUNIQUE. (NOT TELEGRAPHED). SUCH POLICIES WOULD FACILITATE RATHER THAN IMPEDE THE ADJUSTMENT OF PRODUCTION STRUCTURES TO NEW TECHNOLOGIES, CHANGING MARKET CONDITIONS AND SHIFTS IN INTERNATIONAL COMPETITIVENESS. THE TASK FACING GOVERNMENTS IS TO PHASE OUT THOSE MEASURES WHICH IMPEDE ECONOMIC PERFORMANCE OR, WHERE THIS IS NOT POSSIBLE, TO REPLACE THEM WITH BETTER, MARKET-CONFORMING ALTERNATIVES. STRENGTHENING COMPETITION, IMPROVING REGULATION AND PROMOTING MORE OPEN TRADE POLICIES ARE OF KEY IMPORTANCE. THE PROGRESS THAT HAS BEEN MADE IN FREEING CAPITAL MARKETS FROM CONSTRAINTS NEEDS TO BE CONSOLIDATED AND GENERALISED. MINISTERS CALLED UPON THE ORGANISATION TO STRENGTHEN ITS PROCESS OF REVIEW AND APPRAISAL OF ADJUSTMENT POLICIES IN AN OVERALL ECONOMIC PERSPECTIVE.

14. MINISTERS AGREED THAT A LASTING REDUCTION IN UNEMPLOYMENT COULD BE ACHIEVED BY SUSTAINED NON-INFLATIONARY GROWTH IF ACCOMPANIED BY IMPROVED LABOUR MARKET PERFORMANCE. LABOUR MARKET AND RELATED POLICIES SHOULD ENCOURAGE STRUCTURAL CHANGE IN WAYS WHICH CREATE JOB OPPORTUNITIES AND HELP WORKERS AND AFFECTED COMMUNITIES TO ADJUST. IMPROVED LABOUR MARKET PERFORMANCE REQUIRES THE MODIFICATION OF POLICIES THAT IMPEDE STRUCTURAL CHANGE AND JOB CREATION, AS WELL AS THE STRENGTHENING OF POLICIES WHICH PROMOTE LABOUR MOBILITY AND THE ACQUISITION OF NEW SKILLS. IT ALSO REQUIRES MORE RESPONSIVENESS IN THE LEVEL OF REAL WAGES AND NON-WAGE LABOUR COSTS, AS WELL AS MORE APPROPRIATE WAGE DIFFERENTIALS, CONSISTENT WITH THE MAINTENANCE OF SOCIAL STANDARDS. WHERE APPROPRIATE SPECIFIC ACTION TO INFLUENCE THE DEVELOPMENT OF INCOMES MAY ALSO PLAY A POSITIVE ROLE IN MASTERING INFLATION AND FOSTERING EMPLOYMENT. MINISTERS RECOGNISED THAT THERE WAS A CONTINUING ROLE FOR CAREFULLY TARGETED MEASURES TO SECURE WORK EXPERIENCE AND TRAINING FOR YOUTH AND LONG TERM UNEMPLOYED. BEARING IN MIND THE CONTRIBUTION THAT COLLECTIVE BARGAINING AND CONSENSUS BUILDING CAN MAKE, MINISTERS REQUESTED THE ORGANISATION, IN CONSULTATION WITH BIAC AND TUAC, TO PURSUE THE ABOVE ORIENTATIONS.

15. BEARING IN MIND THE IMPORTANCE OF THE SOCIAL, ECONOMIC AND TECHNOLOGICAL CHANGES UNDERWAY, MINISTERS UNDERLINED THE IMPORTANCE FOR THE ORGANISATION TO DEAL WITH ALL THESE ISSUES IN A MEDIUM AND LONG TERM PERSPECTIVE.

THE GLOBAL CONTEXT: CO-OPERATION WITH DEVELOPING COUNTRIES

16. MINISTERS AGREED THAT OECD COUNTRIES SHOULD FURTHER STRENGTHEN CO-OPERATION WITH DEVELOPING COUNTRIES, CONTRIBUTING TO THEIR ECONOMIC RECOVERY AND RENEWED DEVELOPMENT PROGRESS.

THE DEBT PROBLEM

17. MINISTERS NOTED THAT PROGRESS WAS BEING MADE IN MANAGING AND CONTAINING THE PROBLEMS ON INTERNATIONAL INDEBTEDNESS. NEVERTHELESS, THE DEBT PROBLEMS OF SOME DEVELOPING COUNTRIES REMAIN SERIOUS AND HIGH INTEREST RATES ADD TO THE DEBT-SERVICING BURDEN. MINISTERS SAW COMMITMENT TO CONTINUED CO-OPERATION BY GOVERNMENTS INTERNATIONAL FINANCIAL INSTITUTIONS, AND THE BANKING COMMUNITY AS ESSENTIAL TO ACHIEVE EFFECTIVE ADJUSTMENT EFFORTS BY DEBTOR COUNTRIES AND TO THE CONTINUED EFFECTIVE FUNCTIONING OF THE INTERNATIONAL FINANCIAL SYSTEM.

POLICIES FOR IMPROVED RESOURCE FLOWS

18. MINISTERS AGREED THAT IT WAS IMPORTANT TO FOCUS ON THE FUNDAMENTAL TASK OF ENSURING THAT FINANCIAL FLOWS TO DEVELOPING COUNTRIES RESPOND TO DEVELOPMENT NEEDS AND INVESTMENT OPPORTUNITIES, CONTRIBUTING TO EFFICIENT RESOURCE USE AND AVOIDING UNSUSTAINABLE PATTERNS OF DEBT ACCUMULATION.

19. MINISTERS STRESSED THAT ACHIEVING SATISFACTORY RESOURCE FLOWS TO DEVELOPING COUNTRIES REQUIRES EFFECTIVE POLICIES AND INTERNATIONAL CO-OPERATION IN THREE CENTRAL AREAS:

- I) ADEQUATE SAVINGS BY THE INDUSTRIALISED COUNTRIES
- II) EFFICIENT USE OF CAPITAL BY DEVELOPING COUNTRIES
- III) EFFECTIVE CHANNELS OF INTERMEDIATION-- THE PRIVATE CAPITAL MARKETS, THE INTERNATIONAL FINANCIAL INSTITUTIONS AND AID.

MINISTERS AGREED ON THE NEED FOR IMPROVED POLICIES AS WELL AS ACTION IN THESE AREAS AS OUTLINED BELOW

NON-CONCESSIONAL RESOURCE FLOWS

20. RECENT EXPERIENCE HAS SHOWN THAT MORE EFFECTIVE, MARKET-ORIENTED POLICIES ARE IMPORTANT FOR MOBILISING SUSTAINABLE PRIVATE CAPITAL FLOWS TO DEVELOPING COUNTRIES. MINISTERS WERE OF THE VIEW THAT THE INTERNATIONAL FINANCIAL INSTITUTIONS COULD FURTHER DEVELOP THEIR ROLES IN THIS RESPECT. THE ROLE OF THE IMF IN SUPPORT OF EFFECTIVE ADJUSTMENT WAS CONSIDERED CRITICAL, AS WELL THE WORLD BANK'S EMPHASIS ON MEDIUM AND LONG TERM DEVELOPMENT. AGAINST THIS BACKGROUND, MINISTERS URGED STRENGTHENED CO-OPERATION BETWEEN THE IMF AND THE WORLD BANK IN FULFILLING THEIR COMPLEMENTARY RESPONSIBILITIES.

1 OFFICIAL

OFFICIAL DEVELOPMENT ASSISTANCE

21. MINISTERS RENEWED THEIR PLEDGE TO MAINTAIN AND, AS FAR AS POSSIBLE, TO INCREASE THEIR COUNTRY'S AID WITH A VIEW TO REALISING THEIR COMMITMENTS TO THE INTERNATIONAL AID OBJECTIVES, ESPECIALLY FOR THE POORER DEVELOPING COUNTRIES. THEY EXPRESSED SPECIAL CONCERN OVER TRENDS AND PROSPECTS IN THE LOW INCOME COUNTRIES, PARTICULARLY OF SUB-SAHARAN AFRICA, AND URGED A CONCERTED EFFORT BY DAC DONORS TO ADAPT THEIR AID EFFORTS AND POLICIES TO THE PARTICULARLY DIFFICULT CONDITIONS AND REQUIREMENTS OF THESE COUNTRIES. MINISTERS WELCOMED THE CONCLUSIONS REACHED BY THE LAST DAC HIGH-LEVEL MEETING ON INCREASING AID EFFECTIVENESS THROUGH STRENGTHENED AID CO-ORDINATION. THEY AGREED THAT THE MULTILATERAL INSTITUTIONS HAVE AN IMPORTANT ROLE IN PROVIDING FINANCIAL AND TECHNICAL ASSISTANCE AND IN HELPING DEVELOPING COUNTRIES TO PURSUE MORE EFFECTIVE POLICIES. THESE INSTITUTIONS MUST HAVE ADEQUATE SUPPORT. THE ROLE OF THE IDA IS CRUCIAL AND ADEQUATE REPLENISHMENT OF ITS RESOURCES IS A HIGH PRIORITY.

AID AND TRADE RELATED CONCESSIONAL FINANCE

22. MINISTERS AFFIRMED THEIR COMMITMENT TO AVOID ANY DE JURE AND DE FACTO FINANCING PRACTICES WHICH GIVE RISE TO TRADE DISTORTIONS AND TO DIVERSION OF AID FLOWS FROM DEVELOPMENT OBJECTIVES AND TO APPLY FULLY THE GUIDING PRINCIPLES AGREED UPON. THEY ENJOINED THE COMPETENT BODIES OF THE ORGANISATION TO TAKE PROMPT ACTION TO IMPROVE EXISTING ARRANGEMENTS SO AS TO STRENGTHEN TRANSPARENCY AND DISCIPLINE IN THIS AREA BY ALL APPROPRIATE MEANS. DIFFERING VIEWS WERE EXPRESSED WITH RESPECT TO THE DESIRABILITY OF INCLUDING INCREASES IN THE ESTABLISHED MINIMUM GRANT ELEMENTS IN SUCH ACTION. THEY REQUESTED THESE BODIES TO REPORT ON PROGRESS MADE TOWARD THESE ENDS BY THE NEXT MINISTERIAL COUNCIL.

DIRECT INVESTMENT

23. MINISTERS NOTED THE IMPORTANT CONTRIBUTION FOREIGN DIRECT INVESTMENT CAN MAKE TO EFFICIENT PRODUCTION, TRADE, INCLUDING EXPORT POTENTIAL, AND TECHNOLOGY TRANSFERS, AND TO ACHIEVING A BETTER BALANCE BETWEEN DEBT AND EQUITY FINANCING FOR CAPITAL IMPORTING COUNTRIES. THEY ASKED THE ORGANISATION TO IMPROVE THE MONITORING OF DIRECT INVESTMENT FLOWS AND THE IDENTIFICATION OF THE MAIN POLICIES AND CONDITIONS IN HOST AND INVESTOR COUNTRIES MOST CONDUCTIVE TO PROMOTING DIRECT INVESTMENT, INCLUDING STRENGTHENED INVESTOR/HOST COUNTRY CONFIDENCE AND SECURITY, AND TO HELP MEMBER GOVERNMENTS PREPARE FOR CONSTRUCTIVE DISCUSSIONS WITH DEVELOPING COUNTRIES.

TRADE POLICY IN AN ECONOMIC AND DEVELOPMENT CONTEXT

24. MINISTERS RECOGNISED THE COMMON INTEREST OF ALL TRADING PARTNERS IN THE EFFECTIVE FUNCTIONING OF THE OPEN INTERNATIONAL TRADING SYSTEM. THEY UNDERLINED THE SPECIAL RESPONSIBILITY OF DEVELOPED COUNTRIES IN THIS REGARD, BUT ALSO THE IMPORTANCE OF A GRADUAL INTEGRATION OF THE DEVELOPING COUNTRIES INTO THE SYSTEM. MINISTERS STRESSED THAT TRADE LIBERALISATION SHOULD ALSO BE PURSUED MORE SYSTEMATICALLY AS AN ASPECT OF EACH COUNTRIES ECONOMIC AND DEVELOPMENT POLICIES. THE INTERNATIONAL FINANCIAL INSTITUTIONS SHOULD BE ENCOURAGED TO INTENSIFY THEIR ANALYSIS, ADVICE AND TECHNICAL ASSISTANCE ON TRADE POLICY ASPECTS OF NATIONAL ECONOMIC DEVELOPMENT.

THE DIALOGUE WITH DEVELOPING COUNTRIES

25. MINISTERS GAVE THEIR FULL SUPPORT TO CURRENT EFFORTS TO IMPROVE THE DIALOGUE WITH DEVELOPING COUNTRIES, IN ORDER TO ALLOW FOR SUBSTANTIVE DISCUSSIONS AIMED AT PRAGMATIC SOLUTIONS. MOREOVER, THEY WERE COMMITTED TO MAKING A POSITIVE CONTRIBUTION TO THE REVIEW AND APPRAISAL OF THE INTERNATIONAL DEVELOPMENT STRATEGY FOR THE THIRD UNITED NATIONS DEVELOPMENT DECADE AND TO THE MAJOR FORTHCOMING UNITED NATIONS CONFERENCES, I.E. UNIDO IV AND THE INTERNATIONAL CONFERENCE ON POPULATION.

EAST - WEST ECONOMIC RELATIONS

26. MINISTERS EXPRESSED SATISFACTION WITH THE WORK PROGRAMME ON EAST-WEST TRADE AND FINANCIAL RELATIONS CARRIED OUT BY THE ORGANISATION. THEY NOTED THAT THERE HAD BEEN AN IMPROVEMENT IN THE SHORT TERM FINANCIAL SITUATION OF MOST EAST EUROPEAN COUNTRIES, BUT THAT THE STRUCTURAL CHARACTERISTICS OF THE ECONOMIES OF THESE COUNTRIES AND THE PRACTICES OF THEIR STATE TRADING SYSTEMS REMAIN IMPORTANT FACTORS AFFECTING THE LONGER TERM DEVELOPMENT OF EAST-WEST ECONOMIC RELATIONS.

27. MINISTERS REITERATED THAT EAST-WEST TRADE AND CREDIT FLOWS SHOULD BE GUIDED BY THE INDICATIONS OF THE MARKET. IN THE LIGHT OF THESE INDICATIONS, GOVERNMENTS SHOULD CONTINUE TO EXERCISE FINANCIAL PRUDENCE WITHOUT GRANTING PREFERENTIAL TREATMENT. MINISTERS AGREED THAT THE ORGANISATION SHOULD PURSUE ITS EXAMINATION OF PROBLEMS AND DEVELOPMENTS IN EAST-WEST ECONOMIC RELATIONS ON THE BASIS OF LAST YEAR'S GUIDANCE.

INTERNATIONAL TRADE

REDUCING TRADE BARRIERS AND DISTORTIONS

28. MINISTERS RECALLED THEIR AGREEMENT OF LAST YEAR TO MAKE USE OF THE FAVOURABLE CONDITIONS PROVIDED BY ECONOMIC RECOVERY TO REVERSE PROTECTIONIST TRENDS AND TO RELAX AND DISMANTLE PROGRESSIVELY TRADE RESTRICTIONS AND TRADE-DISTORTING DOMESTIC MEASURES. AS A FIRST STEP GOVERNMENTS HAVE AGREED, SUBJECT TO COMPLETION OF REQUISITE DOMESTIC PROCEDURES, TO ADVANCE

BY ONE YEAR, TO EARLY 1985, ALL TARIFF CUTS SCHEDULED FOR 1986 PURSUANT TO THE MULTILATERAL TRADE NEGOTIATIONS. MINISTERS EXPRESSED THE HOPE THAT THROUGH SUCH A PROCESS OF ACCELERATION ALL THE REMAINING SCHEDULED MTN TARIFF REDUCTIONS WOULD BE ACHIEVED NOT LATER THAN EARLY 1986, ONE YEAR AHEAD OF TIME. MEMBER COUNTRIES WHICH DO NOT ALREADY PROVIDE DUTY AND QUOTA FREE ACCESS FOR ALL IMPORTS FROM THE LEAST DEVELOPED COUNTRIES WILL SEEK TO MOVE FURTHER IN THAT DIRECTION, IN PARTICULAR THROUGH THEIR SCHEMES FOR GENERALISED PREFERENCES.

29. MINISTERS ALSO AGREED ON THE FOLLOWING PROGRAMME OF WORK TO DEVELOP SPECIFIC PROPOSALS FOR INDIVIDUAL AND COLLECTIVE ACTION:

- I) IDENTIFICATION BY SECTOR OF THE SCOPE FOR ACTION ON TRADE-RESTRICTING AND TRADE-DISTORTING MEASURES, TAKING ACCOUNT OF THE GENERAL ECONOMIC CONTEXT OF EACH SECTOR AND OF THE ADJUSTMENT THAT HAS OCCURRED: A REPORT ON THE POSSIBILITIES FOR CONCERTED ACTION, INCLUDING SPECIFIC ACTIONS TO EXPAND IMPORTS FROM DEVELOPING COUNTRIES, SHOULD BE PREPARED BY THE NEXT MEETING OF THE COUNCIL AT MINISTERIAL LEVEL:
- II) STRENGTHENING TRANSPARENCY AND DISCIPLINE IN THE FIELD OF TRADE AND AID FINANCING PRACTICES AS SET OUT IN PARAGRAPH 22:
- III) ENCOURAGING EACH MEMBER COUNTRY TO ASSESS THE FULL ECONOMIC CONSEQUENCES OF ANY NEW RESTRICTIVE MEASURES IT ENVISAGES AND TO IDENTIFY ANY OFFSETTING LIBERALISATION MEASURES:
- IV) RENEWED EFFORTS TO ACHIEVE AN INTERNATIONAL AGREEMENT ON SAFEGUARDS.

IN ADDITION, MINISTERS REQUESTED THE RELEVANT COMMITTEES OF THE ORGANISATION:

- I) TO CONSIDER WAYS AND MEANS AND, AS APPROPRIATE, TO TAKE ACTION TO IMPROVE THE OECD ARRANGEMENTS FOR DEALING WITH DOMESTIC MEASURES WHICH HAVE TRADE-DISTORTING EFFECTS, INCLUDING AN IMPROVED INFORMATION SYSTEM ON INDUSTRY-RELATED POLICIES AND AN EVALUATION OF COUNTRIES' ADJUSTMENT POLICIES IN AN OVERALL ECONOMIC PERSPECTIVE:
- II) TO EXAMINE THE POSSIBILITIES OF COUNTRY REVIEWS OF TRADE POLICIES IN A PRAGMATIC AND FLEXIBLE MANNER.

STRENGTHENING THE MULTILATERAL TRADING SYSTEM.

30. ON THE SUGGESTIONS PUT FORWARD FOR A NEW ROUND OF MULTILATERAL TRADE NEGOTIATIONS, MINISTERS RECOGNISED THAT SUCH AN INITIATIVE WOULD BE OF THE UTMOST IMPORTANCE TO A STRENGTHENING OF THE LIBERAL TRADE SYSTEM AND THE GROWTH OF TRADE OPPORTUNITIES. TO OPEN THE WAY FOR A FIRM COMMITMENT TO NEW NEGOTIATIONS, EXTENSIVE CONSULTATIONS SHOULD TAKE PLACE WITH ALL GATT PARTNERS SO AS TO ENSURE A BROAD CONSENSUS ON OBJECTIVES, PARTICIPATION AND TIMING. MINISTERS STRESSED THAT EARLY AND THOROUGH PREPARATIONS WOULD BE ESSENTIAL FOR THE SUCCESS OF SUCH AN INITIATIVE, AND THAT THE

GATT WORK PROGRAMME CONSTITUTES AN IMPORTANT STEP IN THAT PREPARATION. THEY UNDERLINED THEIR DETERMINATION TO CARRY OUT, AS A HIGH PRIORITY, THE WORK PROGRAMME SET UP AT THE 1982 GATT MINISTERIAL MEETING. THE WORK OF THE ORGANISATION CAN MAKE A USEFUL CONTRIBUTION TO THIS PREPARATORY PROCESS. MINISTERS AGREED, HOWEVER, THAT PREPARATION OF SUCH A ROUND SHOULD NOT DELAY EFFORTS TO ROLL BACK RESTRICTIVE ACTIONS AS AGREED ABOVE, AND THAT PRIORITY SHOULD BE GIVEN TO RESISTANCE AGAINST PROTECTIONIST PRESSURES.

31. RECOGNISING THE IMPORTANCE OF THE ISSUES RAISED BY INTERNATIONAL TRADE IN SERVICES, MINISTERS NOTED THAT AS FURTHER ANALYSIS PROCEEDS, THE ORGANISATION WOULD INCREASINGLY FOCUS ITS EFFORTS ON WAYS TO REMOVE UNJUSTIFIED IMPEDIMENTS AND IMPROVE INTERNATIONAL COOPERATION. THEY EXPRESSED SUPPORT FOR THE EFFORTS, UNDER THE AEGIS OF THE TRADE COMMITTEE, TO RELATE BROAD CONCEPTS RELEVANT TO TRADE IN SERVICES TO THE PROBLEMS IDENTIFIED IN SPECIFIC SECTORS. THEY ALSO ENCOURAGED CONTINUED WORK TO STRENGTHEN EXISTING OECD AGREEMENTS APPLICABLE TO SERVICES. MINISTERS REQUESTED THE SECRETARY-GENERAL TO SUBMIT A REPORT INCLUDING ACTION PROPOSALS TO COUNCIL WITHIN TWO YEARS.

32. HAVING REVIEWED PROGRESS TO DATE, MINISTERS ASKED THE ORGANISATION TO CONTINUE ITS ANALYSIS OF TRADE IN HIGH TECHNOLOGY PRODUCTS, TO EXAMINE SPECIFIC PROBLEMS WHICH MAY ARISE IN TRADE IN THESE PRODUCTS AND, WHERE SUCH PROBLEMS ARE IDENTIFIED, TO EXAMINE POSSIBLE SOLUTIONS. MEANS TO STRENGTHEN THE CONTRIBUTION OF TECHNOLOGICAL DEVELOPMENTS TO ECONOMIC GROWTH, AND TO FACILITATE INTERNATIONAL FLOWS OF TECHNOLOGY SHOULD ALSO BE EXAMINED. A REPORT WILL BE CONSIDERED AT THE NEXT MEETING OF THE COUNCIL AT MINISTERIAL LEVEL.

33. MINISTERS EXPRESSED CONCERN ABOUT THE EXISTENCE OF SERIOUS INTERNATIONAL MARKET DISEQUILIBRIA IN A NUMBER OF AGRICULTURAL PRODUCTS DUE, TO A LARGE EXTENT, TO DOMESTIC SUPPORT POLICIES. THEY RECOGNISED THE NEED TO EASE MEASURES WHICH HINDER THE REQUISITE LONG-TERM ADJUSTMENTS, AND TO PERSEVERE WITH CURRENT EFFORTS AIMED AT REDUCING PROTECTIONISM AND TRADE DISTORTIONS, AND AT IMPROVING THE FUNCTIONING OF INTERNATIONAL MARKETS. THEY CONFIRMED THEIR SUPPORT FOR THE ORGANISATION'S WORK PROGRAMME ON THESE ISSUES. MINISTERS, NOTING THAT WORK IS UNDERWAY IN THE FISHERIES AREA IN ACCORDANCE WITH THE MANDATE GIVEN IN 1982, REQUESTED THAT THIS WORK SHOULD BE PURSUED ACTIVELY.

34. MINISTERS ACKNOWLEDGED THE IMPORTANCE OF ISSUES ARISING IN RELATION TO BOTH COMPETITION AND TRADE POLICIES, SUCH AS CARTELS AND VOLUNTARY EXPORT RESTRAINTS, WHICH HAVE THE EFFECT OF INHIBITING COMPETITION AND THE PROPER FUNCTIONING OF MARKETS. THEY CALLED FOR CONTINUED WORK AND IMPROVED INTERNATIONAL CO-OPERATION IN THIS AREA. MINISTERS ALSO UNDERLINED THE NEED TO GIVE GREATER WEIGHT TO THE CONSUMER INTEREST IN TRADE POLICY FORMATION.

INTERNATIONAL INVESTMENT

35. MINISTERS UNDERTOOK A REVIEW OF THE 1976 DECLARATION ON INTERNATIONAL INVESTMENT AND MULTINATIONAL ENTERPRISES AND THE RELATED DECISIONS. THEY EXPRESSED SATISFACTION THAT THE THREE RELATED INSTRUMENTS APPROVED IN 1976 AND REVISED IN 1979, DEALING RESPECTIVELY WITH GUIDELINES FOR MULTINATIONAL ENTERPRISES, NATIONAL TREATMENT FOR ENTREPRISES UNDER FOREIGN CONTROL AND INCENTIVES AND DISINCENTIVES FOR INTERNATIONAL INVESTMENT, ARE MAKING AN IMPORTANT CONTRIBUTION TO THE INTERNATIONAL INVESTMENT CLIMATE, AND TO STRENGTHENING MUTUAL CONFIDENCE BETWEEN MULTINATIONAL ENTERPRISES AND GOVERNMENTS.

36. NOTING THE GROWING IMPORTANCE AND SCOPE OF PROBLEMS ARISING FROM THE IMPOSITION BY MEMBER COUNTRIES OF CONFLICTING REQUIREMENTS ON MULTINATIONAL ENTERPRISES, MINISTERS AGREED TO STRENGTHEN BILATERAL AND MULTINATIONAL CO-OPERATION IN THIS AREA IN ORDER TO AVOID OR LIMIT THE SCOPE OF SUCH CONFLICTS. ACCORDINGLY THEY ENDORSED A SET OF GENERAL CONSIDERATIONS AND PRACTICAL APPROACHES TO THESE PROBLEMS AS SET OUT IN PARAGRAPHS 23-33 OF THE REVIEW REPORT. MINISTERS ALSO NOTED THE CONCERN OVER THE IMPACT OF UNITARY TAXATION ON INTERNATIONAL INVESTMENT AND THE IMPORTANCE OF ACHIEVING AN EARLY RESOLUTION OF THE PROBLEM.

37. UNDERLINING THE IMPORTANT ROLE OF FOREIGN DIRECT INVESTMENT BETWEEN MEMBER COUNTRIES, MINISTERS AGREED TO REINFORCE THE APPLICATION OF THE DECLARATION ON INTERNATIONAL INVESTMENT AND MULTINATIONAL ENTERPRISES, INCLUDING NOTABLY THE NATIONAL TREATMENT INSTRUMENT. THEY ENDORSED THE RECENT DECISION TO AMEND THE CODE FOR LIBERALISATION OF CAPITAL MOVEMENTS IN ORDER TO COVER CERTAIN RIGHT OF ESTABLISHMENT MEASURES RELATED TO DIRECT INVESTMENT. THEY CALLED UPON THE ORGANISATION TO CONTINUE TO WORK TOWARDS FURTHER LIBERALISATION OF RESTRICTIONS ON DIRECT INVESTMENT.

FCO PLEASE PASS SAVING TO ATHENS, BELGRADE, BERNE, BRUSSELS
CANBERRA, COPENHAGEN, DUBLIN, THE HAGUE, HELSINKI, LISBON,
LUXEMBOURG, MADRID, OSLO, OREYKJAVIK,
STOCKHOLM, VIENNA, WELLINGTON, UKMIS GENEVA, UKMIS NEW YORK.

UFFEN

FINANCIAL
ERD

(REPEATED AS REQUESTED)



10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

*q
a this did not
reach us until
today B.*

CH/EXCHEQUER	
REC.	21 MAY 1984 ✓ 21
ACTION	MR LITTLE
COPIES TO	CST, EST
	SIR P. MIDDLETON
	SIR T. BURNS
	MR BOTTRILL

MR UNWIN
MR LAVELLE
MR MOUNTFIELD
MR C. KELLY

LONDON ECONOMIC SUMMIT: DRAFT ECONOMIC DECLARATION

The Prime Minister saw over the weekend your minute of 18 May and the attached draft Economic Declaration*. Mrs. Thatcher found the new draft very satisfactory.

I am sending copies of this minute to Mr. Ricketts (Foreign and Commonwealth Office), Mr. Peretz (HM Treasury), Mr. McCarthy (Department of Trade and Industry) and Miss Nichols (Department of Transport).

*Personal Mr. Little
to take to
Mr. X. H. Spoken
of Morgan, I think we
will be able to get
Mr. Ambrose to come up
with Smith to help
John. Alan M.*

21 May 1984



Copy

10 DOWNING STREET

CH/EXCHEQUER	
REC.	21 MAY 1984 <i>21</i>
ACTION	MR LITTLE
COPIES TO	CST, EST
	SIR P. MIDDLETON
	SIR T. BURNS
	MR BOTTRILL
	MR UNWIN
	MR LAVELLE
	MR MOUNTFIELD
	MR C. KELLY

From the Private Secretary

SIR ROBERT ARMSTRONG

*4
This did not
reach us until
today B.*

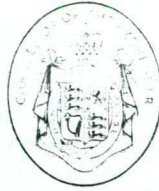
LONDON ECONOMIC SUMMIT: DRAFT ECONOMIC DECLARATION

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*Personal Mr Little
N. Latham
H. L. Spinks
of Regan, I think we
will be able to get
Mr Ambrose to come up
with Smith's type
letter plan this.*

21 May 1984



FROM: DAVID PERETZ

DATE: 21 May 1984

MR TOWERS

cc Mr Littler
Mr Bottrill
Mr Monaghan
Mr Page

LONDON ECONOMIC SUMMIT: MEDIA

The Chancellor has noted the various points in your minute of 15 May. In particular:-


(i) he is content with the proposed arrangements for the Financial Times interview.

(ii) he agrees there is no need to brief UK correspondents between the OECD meetings and the Summit.

(iii) he is prepared to brief the press at the end of each of the two full working days of the Summit.

2. As you know, he was interviewed for BBC Radio (and IRN Radio as well) in the course of the OECD Ministerial meetings in Paris last Friday.

D L C PERETZ

It will be for better. It
written to discuss economic
issues, New L. Don so
with Schultz, who is prof
through  an fair. But
if the Head of Chancery thinks it
is a good idea, I will write
it. M.

The Foreign Secretary is making
a trip to Washington as NATO
business in the near future. The
Embassy are thinking about the
programme and have suggested that,
particularly in the run-up to the
summit, a few calls on economic
personages might be helpful.
They are thinking of Regan,
Volcker and how here, I want to
know if you would have any
objection.

The FCO & Gt don't know anything
about this as yet.

Would you be content? The
Head of Chancery thinks it would
be a good idea.

JS

Spence H. Wicks.
JS. 21/5.



Foreign and Commonwealth Office

London SW1A 2AH

21 May 1984

J Peretz Esq
Private Secretary/
Chancellor of Exchequer
H M Treasury

CH/EXCHEQUER	
REC.	23 MAY 1984
ACTION	
COPIES TO	

Dear Peretz,

LONDON ECONOMIC SUMMIT MENUS

I attach a note by the Secretary of the Government Hospitality Fund about menus during the Summit.

Brigadier Cowan is obviously right in thinking that the menus must be looked at as a whole on this occasion. I hope that the Chancellor will agree to have the same menu for his dinner at 11 Downing Street on 7 June as is being served to the Prime Minister next door.

We are awaiting sample menus from the Bank of England for the dinner on 8 June. I have already indicated informally to the Bank that to fit in with the general pattern it would be appropriate if they would serve beef. You may wish to give them an idea of the sort of menus that are being served for the other meals so that they can propose other courses of the necessary variety. Please let me know what is decided.

Yours sincerely,

N J Barrington

N J Barrington

21/5/84

Ref. A084/1523

MR COLES

*C/no change in our
arrangements required.
B.*

CH/EXCHEQUER	
REC.	22 MAY 1984
ACTION	MR LITTLER
COPIES TO	CST, EST
	SIR P. MIDDLETON
	SIR T. BUENS
	MR UNWIN

22/5

*MR BATTISHILL
MR LAUREL
MR MOUNTFORD
MR BOTTE
MR C. ICE*

London Economic Summit: Lunch Arrangements

I shall report to the Prime Minister on the weekend's discussions at Chevening when I return to the office tomorrow. There is, however, one point which I should be grateful if you could put to the Prime Minister tonight. This is a possible change to the programme, and since the printers are starting to run off some of the documentation, time is of the essence.

2. The plenary session in the afternoon of Friday 8 June will be devoted to economic matters. We have been envisaging that Heads of State or Government might have some discussion of economic issues at their restricted meeting that morning, but if they need to deal with political issues at that meeting in the morning, the plenary session in the afternoon could be the only chance which they will have to discuss economic issues before Personal Representatives start to draft the Economic Declaration. At the plenary session, after the Prime Minister's Opening Statement, it would be logical for the Chancellor of the Exchequer to report on the discussions among Finance Ministers that morning and the previous evening. If the plenary session were to start at 2.30 pm and continue until 5.30 pm or 6.00 pm, there could be a relatively small amount of time available for discussion of a wide range of issues.

3. This raises the question how to deal with political issues, and in particular how to arrange for Foreign Ministers to report to Heads of State or Government on their discussion. Heads of State or Government are likely to discuss political issues at their dinner on Thursday 7 June and for at least part of their restricted session on the morning of 8 June. Foreign Ministers will also have been holding their separate discussions at the same time. There was a general feeling among Personal Representatives at Chevening that the best way of linking the two sets of discussions of political issues, without taking time out

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from the plenary session, would be for the Foreign Ministers to join the Heads of State or Government at lunch on Friday 8 June in Lancaster House. The Foreign and Commonwealth Secretary could then report at that lunch in the presence of his colleagues on the discussions which they had held, and would not need to report to the plenary session. This change would be particularly welcomed, for their own domestic political reasons, by the Germans and the Italians, since it would mean that at the lunch Kohl would be accompanied by Genscher and Craxi would be accompanied by Andreotti. This change would be administratively feasible, provided that we notified the Summit Unit at once.

4. I recommend the Prime Minister to agree that we should now plan on this basis, ie:

- Heads of State or Government and Foreign Ministers to lunch together on 8 June, probably in the Gold Room at Lancaster House;
- Finance Ministers to eat on their own, in the Eagle Room;
- drinks before lunch on the Terrace or, if wet, in the State Dining Room.

5. I am sending copies of this minute to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

21 May 1984

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ANNEX C

LONDON ECONOMIC SUMMIT

7-9 JUNE 1984

THEMATIC PAPER

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<u>Medium Term Objectives and Policies</u>	13
<u>Immediate Measures</u>	14
<u>North/South Relations</u>	15
<u>East/West Economic Relations</u>	16
<u>Science, Technology and the Environment</u>	17-20

Chevening, Kent

21 May 1984

Introduction and Background

1. Through successive recent Summits, governments have worked to bring down levels of inflation, nationally and internationally, to promote soundly-based growth in their own countries and to spread the benefits more widely, and to promote greater stability in international monetary and exchange conditions. Over the past two years, inflation has fallen and output has begun to recover, particularly strongly in the United States but also in other industrialised countries.

2. The main concerns are now: to reinforce the basis for enduring growth, without provoking a resurgence of inflation, and to continue to spread its benefits; to make sure that the industrial economies develop flexibly and in response to market needs and technological change; to create conditions conducive to lower interest rates; to encourage flexible labour policies; by these and other means to create conditions for a sustained improvement in employment, especially for the young; to promote improvement of the functioning of the international monetary system; to strengthen and liberalise the international trading system and capital markets; to continue to manage international debt problems in ways which both meet the needs of the debtor countries and protect the viability of the international financial system; to promote and encourage conditions for adequate financial flows to non-industrialised countries; and to co-operate with those countries in their efforts to place their economies on a more secure and self-reliant basis.

3. In many respects, the recovery in the industrialised nations is more soundly-based than in some previous cycles, founded as it is upon real and often painful structural changes against a background of firm efforts in most countries to reduce underlying fiscal deficits and control monetary growth. But its continuation cannot be taken for granted; it requires unremitting efforts. In the industrialised countries, failure to sustain policies to reduce inflation and damp down inflationary expectations could put recovery at risk. Many other countries, including relatively advanced economies with substantial debt burdens as well as persistently low income countries, are still encountering severe difficulties.

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4. The main developments over the past year have been -
 - 4.1 - economic growth - strong in North America, fairly strong in Japan, somewhat less in certain European countries. This variation has helped to avoid some of the pressures seen in earlier, more rapid, recoveries;
 - 4.2 - improvements in productivity, meaning that recovery has so far had only a limited impact on employment. Experience on job creation has varied widely in the Summit countries, with a particularly strong rise in employment in the United States (only partly the result of the strong recovery there);
 - 4.3 - significant reductions in inflation, although it remains high in some countries;
 - 4.4 - a tendency to increasing budget deficits in certain Summit countries but reductions in others;
 - 4.5 - a revival in world trade, with a marked rise in the imports of some Summit countries, especially the United States, helping to spread the benefits of the recovery;
 - 4.6 - high interest rates, currently rising particularly in the United States;
 - 4.7 - continuing strength of the dollar and continuing volatility of certain exchange rates;
 - 4.8 - a reduced rate of growth of monetary aggregates;
 - 4.9 - substantial imbalances in current account between Summit countries: the United States deficit has increased considerably, the Japanese surplus has been rising, and the Summit countries as a whole have moved in to deficit with the rest of the world. Reductions in current account deficits elsewhere;
 - 4.10 - many debtor countries still face substantial debt servicing costs.

5. The situation of the poorest countries, especially in sub-Saharan Africa, remains daunting. Official aid from most of the Summit countries has increased, but its rise is constrained by budgetary pressures. The outcome of negotiations to replenish the International Development Association (IDA) has so far disappointed

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any governments.

6. The flexible strategy on debt evolved during the last few years has worked well so far. World economic recovery has been helping the debtor countries but its benefits will be impaired if interest rates continue to rise. An increasing number of debtor countries have accepted the need to adjust their economic policies, and are seeing the benefits. A key role has been played by the IMF, whose resources have been strengthened. But there is still a long way to go.

7. Some progress has been made in implementing the commitments to resist and reverse protectionism made last year at the OECD Ministerial meeting and at Williamsburg. All Summit governments have agreed to accelerate implementation of the Tokyo Round and to ease restrictions on imports from the poorest countries. Nevertheless, there has been no general easing of protectionist pressures and demands for new protectionist measures persist. Little has been done either in the industrialised countries or in the newly industrialised countries to dismantle trade barriers or to reduce internal constraints on competition.

8. Oil prices have remained relatively stable during the year but the market balance is fragile because of current political factors. Other commodity prices have risen modestly.

Prospects

9. Most forecasters expect that on present policies the recovery in the Summit countries should continue, at least for the foreseeable future. Output in North America may rise more slowly after the rapid recent increases, reflecting a return to more sustainable growth; activity in Japan and the European economies should strengthen. Unemployment seems likely to fall further in the United States, but elsewhere the recovery may in the short term bring little or no reduction, particularly where market rigidities persist or where there is short run unemployment caused by structural adjustments. In this situation, and given prudent monetary policies, it should be possible to avoid an early resurgence of

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inflation. Recovery combined with present fiscal policies should help to limit budget deficits in most countries; in the United States the Administration, with its "down payment" measures, has taken an important step in the process of reducing the budget deficit.

10. Prospects for interest rates are uncertain but disquieting. Interest rates have recently been rising, particularly strongly in the United States. Among the factors to which this is attributed are : inflationary expectations, inappropriate monetary policies, rapidly expanding growth, availability of higher rates of return than those on fixed interest assets, and the budgetary deficit. Elsewhere, further progress in curbing inflation and budget deficits may ease interest rate pressures.

11. Exchange rate prospects are also uncertain. The influence on the United States dollar of the level of the current United States balance of payments deficit could be offset by the high rate of return on assets in the United States. Japan's growing surplus and strong macroeconomic performance could lead to upward pressure on the yen, especially in view of recent and pending liberalisation of its capital markets. The maintenance of a high degree of stability of exchange rates in the EMS, brought about by a greater degree of convergence in policies, will depend on the continuing success of the countries concerned in bringing their inflation rates together at a low level.

12. Current account imbalances among Summit countries could increase. Rising exports and higher commodity prices will go some way to help many of the non-oil developing countries to service their debts and reduce their current account deficits. The prospect that the increase in energy demand will be only modest should help towards achieving stable oil prices, leaving aside political factors.

Medium Term Objectives and Policies

13. We have the opportunity to move to a period of sustained growth. If this is to be achieved, Summit countries need to set themselves a common range of medium-term objectives, and to take account of the impact of their policies on each other and on the rest of the world. Other countries and groups of countries have already expressed their concern in this respect. The objectives are

- 13.1 - to continue to pursue, and where necessary to strengthen, appropriate monetary policies, supported by strict control of public expenditure and fiscal deficits, aiming at still lower rates of inflation. Especially firm action will be needed in countries where inflation remains relatively high;
- 13.2 - to create the conditions for lower nominal and real interest rates. It will be important to reduce inflationary expectations. Structural budget deficits need to be reduced;
- 13.3 - to ensure that, as demand expands, the unemployed are drawn into productive employment; this will also reduce the strains on public expenditure from social insurance provisions, which seem likely otherwise to rise to insupportable levels in many industrialised countries. A major objective will be to reduce obstacles to higher employment by encouraging industrial adaptation, job training and flexibility in the use of labour and in wage structures, discouraging measures to prop up declining industries, and reducing or phasing out subsidies and other assistance which distorts markets;
- 13.4 - to promote conditions for the development of new technologies, in traditional as well as in new industries, and to encourage international technical co-operation and trade in the products of high technology and a more rapid and widespread acceptance of technological change;
- 13.5 - to promote conditions which favour productive investment and private enterprise, including in innovative small businesses;

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- 13.6 - to make renewed efforts to liberalise and expand trade, in services as well as in manufactures and commodities;
- 13.7 - to maintain and wherever possible increase flows of resources, including official development assistance, to the developing countries, especially to the poorest countries; and to encourage practical measures to conserve resources and enhance indigenous food and energy production;
- 13.8 - to find ways of increasing the flow of private investment, through the progressive removal of impediments to capital flows and by encouraging a climate of confidence for investment;
- 13.9 - to adapt and improve the operation of the international financial system. This entails creating a more stable medium term financial environment by prudent and convergent policies and performance among the major countries, providing an adequate flow of funding to the international financial institutions and removing restrictions on and improving international access to capital markets in industrialised countries;
- 13.10 - to assist debtor countries in making the necessary economic and financial adjustments, taking due account of political and social difficulties; for them as for the industrialised countries, success will depend on sustained world recovery and adequate but not excessive world liquidity;
- 13.11 - to pursue policies which will avoid, wherever possible, sudden and de-stabilising movements in either direction in international oil markets;
- 13.12 - to recognise the international dimension of environmental problems and the role of environmental factors in economic development; to promote research into the causes, effects and means of limiting pollution; and, particularly in the light of such research, to make greater national and international efforts to reduce, as far as practicable, the pollution of air, water and ground.

Immediate Measures

14. In order to attain these objectives within a framework of sustained growth and promotion of employment, Summit countries can agree on the following measures -

- 14.1 - to make further progress on prudent fiscal and monetary policies, so as to achieve lower inflation and interest rates and greater exchange rate stability; and in particular to carry forward and develop as appropriate the agreed procedures for multilateral monitoring and surveillance of national economic and financial policies;
- 14.2 - to support and strengthen work in the appropriate international organisations, notably the OECD, on policies to improve economic efficiency, incentives and flexibility and to consider how understanding of the sources and patterns of economic change can be improved;
- 14.3 - to reduce obstacles to growth, in particular by encouraging productive investment, harmonising international standards, creating a climate for and stimulating innovation and adaptation, encouraging job training, facilitating the mobility of labour and capital and flexibility in wage structures, and increasing public understanding and acceptance of the need for technological development;
- 14.4 - to invite Finance Ministers to carry forward, as a matter of urgency, their current work on ways to improve the operation of the international monetary system, including exchange rates, surveillance, the creation, control and distribution of international liquidity and the role of the IMF; and by early 1985 to complete the present phase of their work and to make recommendations for next steps, including further international discussion;

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- 14.5 - to confirm the strategy on debt and to continue to implement it flexibly, welcoming the progress made by many debtor countries and the extensive international co-operation which has supported them, and recognising that continued recovery, lower interest rates and trade liberalisation will be important for further progress;
- 14.6 - to develop arrangements which could foster renewed economic progress by debtor countries and strengthen their credit standing. These include the encouragement of private direct investment and continuing flexibility in commercial bank lending; closer co-operation between the IMF and the IBRD; IBRD operations which can help to attract long-term capital investment; and improvements where necessary in the official supervision of lending by commercial banks;
- 14.7 - to provide adequate flows of official development assistance, including that channelled through the IDA, with special attention to the needs of the poorest countries, particularly those in Sub-Saharan Africa;
- 14.8 - to urge all trading countries to resist continuing protectionist pressures and to reduce barriers to trade;
- 14.9 - to accelerate the completion of current trade liberalisation programmes, in cooperation with other trading partners; to press forward with the work on trade in services in the international fora; and to explore with other GATT partners as quickly as possible the objectives for, the participation in and the timing of a new negotiating round;
- 14.10 - to invite the Working Group in Technology, Growth and Employment, to :
- consider what has been done so far and identify special areas for research on the causes, effects and means of limiting environmental pollution where existing knowledge is inadequate;
 - identify possible projects for industrial cooperation to develop cost-effective techniques to reduce environmental damage;
- and to report by 31 December 1984.

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North/South Relations

15. In the light of the foregoing, Heads of State or Government may wish to consider what position the London Summit should take in relation to proposals for pursuing the so-called North-South dialogue.

East/West Economic Relations

16. The Summit countries note, with approval, the continuing consensus on the security and other implications of economic relations with Eastern countries, and on the need to pursue the continuing work on this subject in the appropriate organisations.

Science, Technology and the Environment

17. The Summit countries welcome the report of the Working Group on Technology, Growth and Employment created by the Versailles Summit, and the progress made in the 18 areas of co-operation launched following that Summit. They invite the Group to pursue further work on technology and the environment, education and employment, adaptation to technological change, trade in technology and the products of technology, and the sharing of major scientific facilities, and to report to Personal Representatives in time for the next Economic Summit.

18. The Summit countries thank Prime Minister Nakasone for his report on the Hakone Conference on Life Sciences and Mankind, organised by the Japan Foundation in March 1984, and welcome the intention of the French Government to host a follow-up Conference in 1985.

19. They welcome the invitation from the United States Administration to other Summit countries to participate in the development of an international manned space station. They note that a space station would be an example of the kind of programme that provides a stimulus for technological development leading to

strengthened economies and improved quality of life. They agree that other Summit countries will actively examine the possibility of accepting the invitation, having regard to their own space programmes. They welcome the intention of the United States Administration to report at the next Summit on international participation in the programme.

20. The Summit countries also welcome the invitation from the Government of the Federal Republic of Germany to other Summit countries to a multilateral conference on the environment in Munich on 24-27 June 1984.

RESTRICTED

FROM: J.G.LITTLER

DATE: 21 MAY, 1984

CHANCELLOR

TUC AND SUMMIT

cc Sir Peter Middleton

Handwritten initials in red ink.

.... I thought you might like to skim through the attached note of a meeting between Sir Robert Armstrong and David Lea, and the follow-up note by Mr.Ingham, No.10 Press Office, which shows that an effort is being made to give a friendly response, which may then help the future of the NEDC.



(J. G. LITTLER)

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LITTLER
21/5