

PO-CH/NL/0069



PART B

Part B

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ADMINISTRATION IN CONFIDENCE

Begins : 15/5/84
Ends : 17/5/84


PO -CH /NL/0069

PART B

Chancellor's (Lawson) Papers:

ORGANISATION FOR
ECONOMIC COOPERATION AND
DEVELOPMENT MINISTERIAL
COUNCIL. PARTS MAY 1984

PO -CH /NL/0069
PART B

Disposal directions 25 years

[Signature]
27/1/95

FROM : J G LITTLER

DATE : 15 May 1984

CHANCELLOR OF THE EXCHEQUER

cc Sir Peter Middleton
Sir Terence Burns
Mr Unwin)
Mr Lavelle) without
Mr Sedgwick) enclosure
Mr Mountfield)
Mr Bottrill)
Mr Graham)


OECD MINISTERIAL COUNCIL

I attach a draft by Mr Bottrill, to which I have made only a handful of small amendments, of a speaking note for you to use at the meeting in Paris on Friday.

2. I think this covers the ground well - it is a little long, but you may find that you want to compress or omit here and there, in the light of remarks by speakers preceding you.

3. I think you will want to include something fairly blunt on US interest rates, etc. Before you speak, I hope to have discovered how far the United States are prepared to help with a positive statement for the Summit, and this may influence your presentation.

4. We are still awaiting the passage on trade, under discussion with DTI. I would be inclined not to add anything on capital market liberalisation, beyond the references in paragraph 18 of the draft - better to save this for the Summit.


J G LITTLER

From A R H Bottrill
Date 14 May 1984

1. MR LITTLER
2. CHANCELLOR OF THE EXCHEQUER

cc Mr Unwin
Mr Lavelle
Mr Sedgwick
Mr Mountfield
Mr Graham

OECD MINISTERIAL COUNCIL, 17-18 MAY, PARIS

... I attach a draft speaking note for the Chancellor's use at the OECD Ministers' meeting later this week.

2. I have included a fairly blunt passage on US interest rates and budgetary problems on the grounds that it will be easier to say this at OECD than at the Summit. The Americans' room for manoeuvre is strictly limited at this stage on fiscal policy, but it is not clear that the markets will wait for the Presidential election.

3. A section on trade has still to be inserted in the light of the outcome of current discussions with DTI. It would also be possible to add a note on the need for further capital market liberalisation, eg Japan, France, etc., if thought useful.

4. A full set of inter-departmental briefs will be submitted separately.

A R H Bottrill

A R H BOTTRILL

OECD MINISTERIAL COUNCIL, 17-18 MAY, PARIS

Agenda item No. 5 - Achieving durable growth:
Flexible adjustment in a changing world

SPEAKING
NOTE

Speaking Note

Recovery in the world economy is proving more rapid than many expected at the time of last year's meeting. I believe that three main factors lie behind this better performance. First, inflation came down more rapidly than expected last year. Second, interest rates were generally lower as inflation slowed. Third, moderate wage increases and rising productivity have improved profits.

2. Of course, different countries' experiences have varied, depending partly on the timing of their progress in these areas. But I believe these factors help to explain the rise in consumer spending in many OECD countries, the turnaround in residential construction and in companies' stockbuilding. Now, they are helping to encourage rising business investment.

3. If the present recovery is to be sustained, I suggest that we need to continue to focus our attention in these areas. A first cause for concern, therefore, is that on the forecasts put before us by the Secretariat no further slowdown in inflation is envisaged. The present position where consumer prices are rising at an average rate of 5 per cent marks an improvement on the 1970s but is still well above previous experience - let alone stable prices.

4. This suggests that in those countries where growth is particularly strong and labour markets are tightening, special care should be taken to avoid rekindling inflation. In those where inflation is still rapid, efforts to reduce it need to continue. In the UK, where inflation is currently close to the OECD average, we are aiming for a slow but steady further reduction in inflation over a run of years.

5. Monetary policy, of course, has a major role to play in the control of inflation. I agree strongly with the Secretary-General that we should not repeat the mistakes of past cycles with an excessively rapid rise in monetary growth at this stage. I welcome instead the fact that target rates for monetary growth have been reduced this year in the US, Germany, France and the UK. This seems to me consistent with continued downward pressure on inflation and further real recovery. In the UK, we have revised down our target growth for the broad aggregates to 6-10 per cent and introduced a 4-8 per cent range for the new Mo aggregate. Our objective over the medium-term is to reduce these ranges further.

6. Turning to interest rates, the recent tendency for rates to rise sharply in the US is particularly worrying. The integrated nature of international capital markets transmits these tensions quickly to other countries even if at least part of the strain can be reflected in exchange rate changes. These, however, create their own problems if they contribute to an unsustainable pattern of current balances.

7. The key to lower real interest rates, of course, is fiscal policy. [Others have already referred to the potential problems for the US recovery and the implications for the rest of the world of the increasing American budget deficit, and I do not want to labour the point.] I am struck, however, by the contrast between the rising US structural deficit and the efforts that the vast majority of OECD countries are making to reduce their structural deficits. It would be tragic if the rising US demand for credit were to negate other countries' efforts. [It is particularly regrettable that owing to the nature of the US tax system borrowers in the US bear less than the full cost of these high interest rates.]

8. The American deficit already exceeds the total savings of US households, implicitly leaving nothing for them to invest on their own behalf or to lend to companies. The US economy's need for credit is of course being reflected in net capital inflows to offset the burgeoning \$100 billion external current deficit. This last is equivalent in turn to about a fifth of households' savings in all the other major OECD countries. It is also twice as large as the deficits of non-oil developing countries who might normally have looked to the US as a supplier of funds.

9. I welcome the US Administration's effort to secure agreement on a substantial "down payment" as a start to reducing the deficit. I hope that whatever further measures are needed - on either the spending or revenue sides - will be pursued vigorously as soon as possible after the election. In other countries, firm efforts to reduce both inflation and budget deficits offer the best

prospect for being able to decouple from US rates. In the UK, public sector borrowing has already been reduced from more than 5 per cent of GDP to 3 per cent in the past five years, and we intend to reduce it to 2 per cent or less in the years ahead.

10. A stable macro-economic framework is an essential precondition for recovery, but ^{better} improved supply performance is necessary if growth is to be sustained, ^{and job prospects improved.} We need ~~both~~ increased flexibility domestically as well as a more efficient working of the open trade and payments system.

11. I was unable to attend February's meeting of OECD Ministers, but I echo the concern that was expressed there about the rising share of public spending in industrial countries - up from 30 per cent in 1960 to around 50 per cent now. Social spending has risen particularly rapidly. I am encouraged that more than half of OECD countries are now reducing overall spending plans. In the UK, we have also begun to look at the long-term implications of present trends. We are determined that spending will be limited to what can be afforded while releasing resources for the private sector. We are also reviewing our social security system.

12. The firmer the control of public spending, of course, the greater the scope for lower taxes. Governments have a particular responsibility to eliminate measures which hinder incentives, distort factor prices and hamper efficient saving and investment decisions. In the UK we have been able in recent years to reduce marginal tax rates, abolish the employers' supplementary payroll tax and initiate a major

reform of company taxes.

13. Even if governments both control their own demands on the economy and collect the necessary revenues fairly and efficiently, a substantial burden still rests on the private sector - both employees and management - if our economies are to adapt flexibly. The US example of creating almost 25 million jobs in the past 15 years is a powerful lesson on the virtues of flexible labour markets. We in Europe would do well to copy.

14. I welcome the Secretary-General's stress on micro-economic issues and I support his suggestion that the Economic Development and Review Committee should cover these more fully in future in its annual examinations of Members' economies. Improved structural adjustment is essential not only for the working of our domestic economies but also because measures that seek either to delay adjustment or to favour particular activities are also likely to affect trading partners.

[15. Insert passage on trade issues.]

16. An open trading system is of particular importance to developing countries who need to earn export revenues to service their debts. The halving of developing countries' current deficits from \$80 billion in 1981 to \$40 billion last year is a measure of the strong adjustment that they have already undertaken. This was accomplished initially largely by a reduction in their imports. Rising export volumes and firmer commodity prices, however, are now permitting them once more to increase imports and begin to rebuild their reserves.

17. Sustained recovery in the OECD area would allow this process to continue. But the situation of many debtors could remain precarious for some years to come. We must therefore consider ways of ensuring a more stable flow of funds. Continued prudent policies by debtors will be essential to ensure credit-worthiness, but I would hope that we can also see increased private direct ^{investment.} ~~involvement~~. We might perhaps also look for greater reliance on structural lending by the World Bank. Certainly, sustained co-operation between the international financial institutions, creditor governments and commercial banks will be needed to cope with the debt "hump" over the next few years.

18. Lastly, I want to turn for a few moments to the working of capital markets. We are moving through a period of rapid change with interest rate deregulation in the US and the reduction of exchange controls in Japan, the UK and most recently Australia. In the UK we are also embarking upon significant liberalisation of our stock markets. I am sure that, although such changes may cause temporary adjustment problems - they can contribute significantly to the efficiency of investment decisions both domestically and internationally.

19. For the latter, of course, we need also agreement on tax systems. Geoffrey Howe referred yesterday to our concern about the effects of unitary taxation in the United States on international businesses. This concern is reflected in the communique. We are all glad that Secretary Regan's Working Group has agreed that unitary taxation should be confined to the water's edge. Now there has been this major step forward on the principle, our concern is that it should be speedily implemented, and be

consistently applied. We trust that discussions will take place very soon on the practical effects of this solution for the UK and other trading partners, and the timetable for its implementation. The UK will certainly respond as quickly and positively as possible, so as to enable the US Administration to maintain the momentum for a resolution of this issue.

20. We have seen in recent weeks how integrated capital markets respond quickly to changing monetary conditions, interest rates and expectations in major countries. The dollar fell by some 7-8 per cent against the DM between January and March, but virtually all this fall has now been reversed. Such movements clearly do not reflect changes in fundamentals. They reflect uncertainty about policy.

21. Only when markets are convinced that credible, consistent and sustainable medium-term policies are being pursued in the major countries will both exchange rates and interest rates be less volatile. Prudent monetary policies, supported by firm fiscal policies, are essential.

22. Finally, Mr Chairman, my country has the privilege to be host to the Economic Summit in a few weeks' time, and I shall listen with particular care to the views of Members here with that in mind.

SPEAKING NOTE: CONTRIBUTION ON TRADE ISSUES

15. As the Secretary General points out, trade policies are a conspicuous test of a Government's willingness to pursue positive adjustment policies. I endorse the analysis of trade issues in the Secretary General's paper, and his general approach to phase 2 of rollback. It is important that we do not allow the prospect of a new GATT round to inhibit progress on rollback. If progress on rollback is to be made, further carefully targeted work is required. Non-tariff barriers must be a major, though not exclusive, focus for phase 2.

[Sectoral reviews will contribute to this. But they will only cover the obvious sectors. There are many other undesirable practices outside these sectors which need to be tackled. Any worthwhile package for phase 2 will involve concessions by OECD members which cut across sectoral boundaries. Scope for action needs to be identified country by country.

Either We should adopt the Secretary General's proposal and invite the Secretariat to undertake trade reviews concentrating on policies and measures to include in potential rollback actions.

Or This could conveniently be done in the next round of EDRC reviews, as part of the sharper focus on positive adjustment policies, and the Secretariat could be asked to concentrate on this area in next years round.]

Export subsidies, and mixed credits in particular, should not be used as a means of delaying adjustment - they have the same trade distorting impact as conventional import barriers. Welcome proposal for Ministerial commitment to action in this field; must make every effort to control these self-defeating subsidies. Increased discipline and transparency will be beneficial, and must be extended to transactions similar to associated financing in their trade distorting effect, but the UK would go further. We want international agreement to limit and phase out over a specified time period the use of associated financing and similar transactions. We should ask the competent bodies of the organisation to report back with firm proposals to the DAC High Level Meeting.

UNITARY TAX - DRAFT PASSAGE FOR CHANCELLOR'S
STATEMENT ON DAY 2 AT OECD

Geoffrey Howe referred yesterday to our concern about the effects of unitary taxation in the United States on international businesses. This concern is reflected in the communique. We are all glad that Secretary Regan's Working Group has agreed that unitary taxation should be confined to the water's edge. Now there has been this major step forward on the principle, our concern is that it should be speedily implemented, and be consistently applied. We trust that discussions will take place very soon on the practical effects of this solution for the UK and other trading partners, and the timetable for its implementation. The UK will certainly respond as quickly and positively as possible, so as to enable the US Administration to maintain the momentum for a resolution of this issue.

FROM : J G LITTLER

DATE : 15 May 1984

CHANCELLOR OF THE EXCHEQUER

cc Sir Peter Middleton
Sir Terence Burns
Mr Unwin)
Mr Lavelle) without
Mr Sedgwick) enclosure
Mr Mountfield)
Mr Bottrill)
Mr Graham)

*C/ You may like to glance
at this now to see if you'd
like it radically altered.*

B.

OECD MINISTERIAL COUNCIL

I attach a draft by Mr Bottrill, to which I have made only a handful of small amendments, of a speaking note for you to use at the meeting in Paris on Friday.

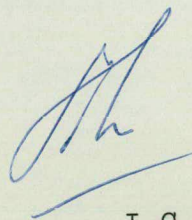
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4. We are still awaiting the passage on trade, under discussion with DTI. I would be inclined not to add anything on capital market liberalisation, beyond the references in paragraph 18 of the draft - better to save this for the Summit.

*Now
attached
Mfo passage
re monetary
hx*

*C
Para 6 struck me as not
quite right, I've marked
some points.
BGP*



J G LITTLER



FROM: I R SPENCE
INLAND REVENUE
POLICY DIVISION
SOMERSET HOUSE

DATE: 15 MAY 1984

- 157v
1. MR TAYLOR THOMPSON
 2. PS/CHANCELLOR

UNITARY TAX - OECD MINISTERIAL COUNCIL MEETING (17/18 MAY)

As agreed, I have provided Mr Lavelle with a passage on unitary for inclusion in the Chancellor's statement on Day 2 ... (copy attached).

2. The attached briefing note covers three angles:
 - a. background for the formal sessions;
 - b. points for discussion with the Americans (both Secretary Regan and State Department) behind the scenes;
 - c. points for discussion with other countries, particularly those who will be at the Economic Summit.

3. The latest reports from Washington are not at all encouraging. The Embassy told me yesterday that the US business interests on the Working Group are so dissatisfied with the treatment of dividends that they may refuse to sign the Working Group Report at all in its final version. Even if they do sign, on present form they are likely to attach a number of dissenting comments and qualifications. (It was agreed at the final meeting of the Working Group that individual participants could attach their own comments and reservations on particular points. But there was no indication at the time that these reservations would be on such a scale that they

Copy list attached

would seriously devalue the product. The CBI gave a similar report at a meeting we had with them yesterday (Monday). Their information was that the general feeling among US business interests on the Working Group was that they would rather do without water's edge, and stick with unitary if the price to be paid was the full taxation of dividends remitted from overseas. There are also signs that the States representatives on the Working Group may attach their own reservations and qualifications to the Report.

4. The signs are, therefore, that unless the Administration do some determined and effective operating in the next two or three weeks, the compromise solution reached at the 1 May meeting of the Working Group (itself an unsatisfactory one from our point of view) may come apart at the seams. The Report put to the President at the end of the month may lack the signature of the business interests. If all the parties do sign up on it, the document is likely to have so many qualifications and reservations that it will not provide any basis for implementation.

5. We cannot, of course, exclude the possibility that the President will endorse the Report - and do so before the Summit - even if the Report is a blatant fudge-up which stands no chance of being implemented.

6. All of this seems to reinforce the arguments for the strategy/tactics already agreed (and set out in my 11 May brief for the informal ECOFIN), viz:-

a. Make it clear that unitary will be on the agenda for the Summit, and that we expect substantive discussion with trading partners (before and at the Summit) before the President endorses the Report and declares the Administration's position.

b. We will want a strong Presidential endorsement for implementation of water's edge, and a strong Administration push for implementation.

c. An essential precondition is that the President should be endorsing something which stands a chance of being implemented - which will call for Administration pressure in the next two weeks to narrow the gap between the States and US business on the dividends component of the water's edge solution.

7. OECD should be a useful occasion for getting this message over to Secretary Regan and the State Department, and for getting other countries to line up on it. But it now seems pretty clear that if we are to get any progress at all it will have to come from the White House, and that Secretary Regan's own ability to influence events is pretty limited. In discussion with other countries, it may well be worth focusing on how combined pressure could be brought on the White House - a topic the Chancellor may already have discussed at ECOFIN. As a first step, it may well be worth getting off straight away the marker about the Summit, in the form of the letter from Sir Robert Armstrong to Under Secretary Wallace suggested in the Washington telegrams of 8 May.

8. Two final thoughts:

a. At the risk of stating the obvious, it seems best to reserve the pressure for private meetings, and to take a fairly relaxed line in public statements. If there is a real risk of the water's edge solution coming apart at the seams, we want to avoid giving the Administration an excuse to say that a major factor was a sour and ungracious response from trading partners.

b. Retaliation. The latest developments reinforce the case for keeping this alive, on the lines of the final sentence of the Chancellor's 8 May letter to Secretary Regan ("I am afraid that Parliamentary pressures here for retaliatory action are bound to persist while the prospects of implementation remain in doubt"). It is a matter for the Chancellor's judgment whether a sentence on these

lines should be added to the unitary passage in his speech for Day 2 of OECD. - it is not included in the present draft.

I R SPENCE

Copy List:

PS/Financial Secretary	Mr Evans (IDT)	Sir L Airey
PS/Chief Secretary	Ms Copnel (FCO) (10)	Mr Green
PS/Minister of State	Mr Snoxell (FCO)	Mr Taylor Thompson
PS/Economic Secretary	Mr Healey (DTI)	Mr Crawley
	Mr Stow (DTI)	Mr Spence
Mr Littler	Mr Walsh (Washington)	
Mr Monger	Mr Dutt (Brussels)	Mr Lintord
Mr Lavelle	Mr Davis (OECD)	Mr Cleave
Mr R I G Allen		Mr J Hall
Mr Lord		PS/IR
Mr Bottrill		
Mr Ingham		
Mr Graham		

UNITARY TAX - DRAFT PASSAGE FOR CHANCELLOR'S
STATEMENT ON DAY 2 AT OECD

Geoffrey Howe referred yesterday to our concern about the effects of unitary taxation in the United States on international businesses. This concern is reflected in the communique. We are all glad that Secretary Regan's Working Group has agreed that unitary taxation should be confined to the water's edge. Now there has been this major step forward on the principle, our concern is that it should be speedily implemented, and be consistently applied. We trust that discussions will take place very soon on the practical effects of this solution for the UK and other trading partners, and the timetable for its implementation. The UK will certainly respond as quickly and positively as possible, so as to enable the US Administration to maintain the momentum for a resolution of this issue.

BRIEF: UNITARY TAXATION - OECD COUNCIL 17/18 MAY

I. FORMAL SESSION

1. The communique contains the following reference to unitary taxation:

"Ministers also noted the concern over the impact of unitary taxation on international investment and the importance of achieving an early resolution to the problem." (para 33)

2. Proposed referencces by UK Ministers. In his speech on item 2 (Finance, Trade and Development) the Foreign Secretary intends to say:

"We also remain concerned at the impact of unitary taxation on international investment and have been following with great interest the progress being made by the US authorities towards the resolution of the problem."

The Chancellor will refer to unitary taxation in his speech on 18 May.

3. Other countries may also raise the issue. We understand the Dutch are likely to do so. It may be raised under item 4 of the Agenda (International Investment and Multinational Enterprises). This may provide an opportunity for an intervention, emphasising the importance UK attaches to implementation of a water's edge solution.

II. Points for informal discussion with US representatives.

4. General line - as Chancellor said in his 8 May letter to Secretary Regan (copy attached) we welcome the agreement on water's edge as a first step. But the problem will not be solved until the solution is implemented. We are strongly concerned about the prospects for implementation. Retaliatory pressures in the UK will persist while implementation remains in doubt.

5. Importance of consultation/the Summit. It is essential that trading partners are consulted on the final report, before the President endorses it and declares the Administration's position. The working group was set up to deal with an international issue. Trading partners have a direct interest in the terms of the water's edge solution, and in the prospects for implementation - which hinge on the dividends issue and the action the Administration will take to secure voluntary implementation. Unitary will be on the agenda for the Summit. Things will be difficult

if the Administration try to produce a fait accompli.

6. Failure to resolve the dividends issue. It is important that the Administration should take action in the next few weeks to narrow the gap between the States and US business. If there are still serious differences between the two sides when the President endorses the Report, the prospects for implementation in the States seem gloomy. We have disturbing reports that business interests may refuse to sign up on the Report at all, or at best that they (and the State) will attach such strong qualifications to the Report that it will not provide a realistic basis for implementation by any of the States. Strong Administration pressure seems necessary.

7. How will the water's edge solution operate in practice? We are broadly content on the principle. But there are loose edges on the dividing line between water's edge and worldwide combined reporting. And the present wording of the Report is so wide that there could be major compliance costs for companies in establishing that they were the right side of the water's edge, and the reserve powers for applying unitary for cases of apparent abuse are also very wide. A large number of important points, beyond this, on how it will be operated in practice, and whether it will be operated consistently by the States. We are not suggesting that these points can, or need, to be cleared up in the next few weeks. But it is urgent that the loose ends should be cleared up as soon as possible, so that the States have a common base to work on.

8. Action by US Administration to secure implementation. Important that there should be a strong public endorsement by the President of the need for early implementation. Equally important that there should be pressure from the White House and the Treasury thereafter on both States representative and business interests to secure implementation by States' legislatures.

9. Help from UK in securing implementation.

(a) Exchange of information. We are quite prepared to pass legislation to allow information from UK to be passed on to the States. But no chance of getting this through Parliament until it is clear that water's edge is being implemented by the States.

(b) Pressure from UK businesses. We will encourage UK business to press US businesses to be reasonable on the dividends issue. But this will not get anywhere if US business feels that the States are demanding an unreasonable price for a water's edge.

10. [Federal action. If Administration fail to secure implementation on a voluntary basis we will be looking for Federal action to impose ~~as~~ a water's edge - at least for foreign parents through DTAs. Recognise difficulties in this for Administration. Emphasises the need to get a realistic package at this stage, and strong Administration pressure to secure implementation of it.]

III. Discussions with other countries. The objective here must be to secure agreement to our general line, and particularly to agree on how pressure should be brought to bear on US Treasury, State Department and the White House. From participants in the Summit, the likely targets for support are Japan, Canada and France. From other OECD countries, the strongest support is likely to come from the Netherlands, Switzerland and Belgium.

FROM: M J NEILSON
DATE: 15 May 1984

1. MR BEASLY ^{15/5}
2. MR LITTLER ^{17/5}
3. CHANCELLOR OF THE EXCHEQUER

cc Sir P Middleton
Mr Monck
Mr Unwin
Mr Battishill
Mr Lovell
Mr Mountfield
Mr Sedgwick
Mr Bottrill
Mr Aaronson
Mr Legg

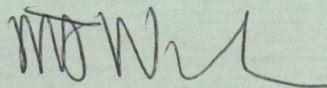
Copy attached for: Chief Secretary

OECD MINISTERIAL: SUPPLEMENTARY BRIEFING ON TRADE ISSUES

You will have the opportunity to cover trade issues in your contribution to the discussion of the Secretary General's paper on "Achieving Durable Growth", and in drafting the communique. DTI have produced a brief on trade issues, reflecting consultations with us. The tone of this briefing reflects continuing differences of emphasis between departments, and the purpose of this brief is to cover the issues where interdepartmental agreement has not been reached. The Minister for Trade has written to the Chief Secretary, covering these issues, and this brief follows the same line as the advice submitted to you on that letter (my minute of 14 May).

2. The brief also covers the mixed credit initiative, upon which all departments are agreed, and where you may be able to influence the drafting of the communique.

3. Also attached is a contribution to the speaking note for the Ministerial, (submitted yesterday by Mr Bottrill) covering the same ground as the supplementary briefing.



M NEILSON

SPEAKING NOTE: CONTRIBUTION ON TRADE ISSUES

15. As the Secretary General points out, trade policies are a conspicuous test of a Government's willingness to pursue positive adjustment policies. I endorse the analysis of trade issues in the Secretary General's paper, and his general approach to phase 2 of rollback. It is important that we do not allow the prospect of a new GATT round to inhibit progress on rollback. If progress on rollback is to be made, further carefully targeted work is required. Non-tariff barriers must be a major, though not exclusive, focus for phase 2.

[Sectoral reviews will contribute to this. But they will only cover the obvious sectors. There are many other undesirable practices outside these sectors which need to be tackled. Any worthwhile package for phase 2 will involve concessions by OECD members which cut across sectoral boundaries. ~~Scope for action~~ needs to be identified country by country.

Either We should adopt the Secretary General's proposal and invite the Secretariat to undertake trade reviews concentrating on policies and measures to include in potential rollback actions.

Or This could conveniently be done in the next round of EDRC reviews, as part of the sharper focus on positive adjustment policies, and the Secretariat could be asked to concentrate on this area in next years round.]

Export subsidies, and mixed credits in particular, should not be used as a means of delaying adjustment - they have the same trade distorting impact as conventional import barriers. Welcome proposal for Ministerial commitment to action in this field; must make every effort to control these self-defeating subsidies. Increased discipline and transparency will be beneficial, and must be extended to transactions similar to associated financing in their trade distorting effect, but the UK would go further. We want international agreement to limit and phase out over a specified time period the use of associated financing and similar transactions. We should ask the competent bodies of the organisation to report back with firm proposals to the DAC High Level Meeting.

OECD MINISTERIAL ADDITIONAL BRIEFING FOR CHANCELLOR ON TRADE ISSUES

Line to takeRollback

Endorse analysis of trade issues in the Secretary General's paper, and his general approach to phase 2 of rollback.

2. If progress on rollback is to be made, further carefully targeted work is required. Non-tariff barriers must be a major, though not exclusive, focus for phase 2.

3. [Sectoral reviews will contribute to this. But they will only cover the obvious sectors. There are many other undesirable practices outside these sectors which need to be tackled. Any worthwhile package for phase 2 will involve concessions by OECD members which cut across sectoral boundaries. Scope for action needs to be identified country by country.

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Mixed Credits

4. Welcome proposal for Ministerial commitment to action in this field; must make every effort to control these self-defeating subsidies. Increased discipline and transparency must be beneficial, and must be extended to transactions similar to associated financing in their trade distorting effect, but the UK would go further. We want international agreement to limit and phase out over a specified time period the use of associated financing and similar transactions. We should ask the competent bodies of the organisation to report back with firm proposals to the DAC High Level Meeting.

Background

There will have been a substantial discussion of trade issues on day 1 of the Ministerial, which the Minister for Trade will attend. You will have the opportunity to cover trade issues on day 2, possibly in the context of positive adjustment policies, but certainly in discussion of the communique.

2. The main trade issues will be how to take forward the Secretary General's rollback initiative, and proposals for a new GATT round. No major problems on phase 1 of rollback should arise, and the UK line on a new GATT round is agreed.

3. The major problem is how best to take forward phase 2 of rollback, where our objective is to make substantial progress before any new GATT round gets under way. ES agreed we should take a generally positive line on rollback but should not abandon our measures without extracting equivalent concessions from our trading partners.

4. The Secretary General has put forward a number of proposals to take forward phase 2. These concentrate on non tariff barriers and bilateralism. A relatively large number of the UK's measures come into this category, and DTI interpret the ES decision as allowing them to take a negative line on these proposals. While we would agree that phase 2 should not concentrate on NTBs to the exclusion of other equally damaging tariff barriers, and that the UK should not make disproportionate concessions, phase 2 would have little impact if the main focus were not on NTBs. It is exactly the sort of NTBs (eg VRAs and inter-industry agreements) which DTI are looking to defend that we would wish to see abandoned as part of a multilateral package.

5. Mr Littler has been in correspondence with DTI about a possible limited UK initiative on NTBs at the Ministerial mandating the OECD to produce a "catalogue raisonnee" of NTBs, suggesting which measures should be dealt with and a time scale for their phasing out. DTI's response has been predictably negative. The interdepartmentally agreed briefing reflects this stand off, and a specific UK initiative is effectively precluded. However one of the Secretary General's own

/proposals

Proposals for country reviews of trade policy, to concentrate on measures to include in potential rollback actions, could cover similar ground. DTI oppose this, advocating more limited sectoral reviews, and the Minister for Trade has written on this issue. He considers that the reviews could be embarrassing for the UK in highlighting certain of our restrictions, which, because of Community competence, would need to be defended by the Commission. He proposes remitting this to the Trade Committee for further study, which would delay progress for at least a year and probably permanently. He also rejects a compromise proposal that, rather than set up separate trade reviews, the existing EDRC review system should be augmented to cover trade policy.

6. You have been advised to respond in a manner which maximises your room for manoeuvre at the Ministerial. This would involve Mr Channon holding back from opposing country reviews (or Trade policy as part of the EDRC system) on day 1, until others reactions are more clear, leaving it open for you to support either proposal on day 2, should there be any possibility of either being adopted. (It is possible that, with our prompting, the Secretariat may themselves float the augmented EDRC proposal). The line to take therefore includes a passage on country reviews in square brackets.

7. The advantage of the EDRC course is that it would allow us to use EPC, perhaps early in the new year, to mandate the Secretariat further, to produce a "synthetic" paper, analysing the results of the country studies, categorising them into identifiable groups, and suggesting ways (and timetables) for phasing them out. It is not necessary to refer to this next step at the Ministerial, or inter-departmentally; securing an augmented EDRC system will be difficult enough at this stage.

Mixed Credits

8. Trade related concessional finance is on the OECD Ministerial agenda largely as a result of comments made by Count Lambsdorff and the Chief Secretary at the OECD Ministerial conference in February. Since then the UK has been pressing with US support, for a radical

/commitment

commitment to freezing and phasing out mixed credits and similar transactions to an agreed timetable over 2-3 years. There has been opposition to this proposal, mainly from the French and Italians, who would prefer a more modest commitment to increased transparency and discipline in the use of associated financing. At present the draft communique reflects their position. This subject will have been discussed on day 1, and it is possible that a more radical commitment will have been vetoed. If there is an opening however, you should press for a reference in the communique along the following lines (this wording has been agreed interdepartmentally);-

"Ministers reaffirmed their commitment to avoiding financing practices which are trade or aid distorting and enjoined the competent bodies of the Organisation, including the DAC and the Export Credit Group, together with the Secretariat, to continue their efforts to improve transparency and discipline in this area, and in particular to identify means of limiting and phasing out over a specified time period the use of associated finance practices and similar transactions. They requested the High Level meeting of the DAC to consider the matter and that if necessary a report on possible action be submitted to next year's meeting of the Council at Ministerial level".

FROM: A R H BOTTRILL

DATE: 16 MAY 1984

MR PERETZ

cc Mr Littler

OECD MINISTERIAL COUNCIL, 17-18 MAY, PARIS

... I attach some additional tables showing the OECD Secretariat's forecasts, together with some of the latest figures for monetary growth, interest rates and exchange rates. The tables are self-explanatory but the Chancellor might like to note the following points:

i. GDP - the Secretariat expects OECD growth to slow from 4 per cent this year to less than 3 per cent in 1985, reflecting mainly slower growth in North America.

ii. Prices - little overall change in the present 5 per cent OECD inflation rate is expected but prices could rise faster in the US offsetting a slowdown in some of the high-inflation European countries (France, Italy).

iii. Unemployment - the OECD unemployment rate is unlikely to fall below $8\frac{1}{2}$ per cent with any further fall in the US being offset by rises in Europe. The low Japanese figure almost certainly understates the true rate.

iv. Current balances - the US deficit in the first quarter is already running at an annual rate of close to \$100 billion lending weight to the Secretariat's forecast deficits for this year and next. The Secretariat, however, has perhaps not allowed enough corresponding improvement in others' surpluses.

v. Money supply - few figures are available so far this year but the US, Germany and the UK are all within or below their target ranges for narrow aggregates. In the US, however, the Fed has been paying greater attention to the wider aggregates which have risen more rapidly.

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vi. Budget deficits - the Secretariat expects deficits to fall this year on average relative to GDP but within the total the US deficit is rising and its structural component is increasing both this year and next. Others are typically reducing structural deficits even where actual deficits are rising.

vii. Interest rates - the latest rises in US rates put them 2 per cent higher than the fourth quarter of last year and 3 per cent above the trough a year ago. Canada has followed the US rates closely but others have not raised rates in parallel. The UK has perhaps moved further than others.

viii. Exchange rates - the recent rise in the dollar has reversed February's fall. European currencies have tended to weaken but the yen has strengthened. The Secretariat's forecasts are based on 9 March exchange rates and so will not yet take account of the latest moves.

2. Mr Littler and I will be in Paris tomorrow (Thursday) and can be reached at the UK delegation if the Chancellor has any further requests.

A Bottrill

A BOTTRILL

OECD Secretariat Preliminary Forecasts

<u>GDP</u>	<u>(per cent changes)</u>		
	<u>1983</u>	<u>1984</u>	<u>1985</u>
US	3½	5¾	3
Japan	3	4¾	4
Germany	1¼	2½	2¾
France	½	¾	1½
Italy	-1½	2	2½
Canada	3	4½	3
UK	3	2¾	2¼
Major 7	2½	4¼	3
OECD	2½	4	2¾

Prices (consumers' expenditure deflator) (per cent charges)

	<u>1983</u>	<u>1984</u>	<u>1985</u>
US	4	4½	5¼
Japan	1½	2¼	3
Germany	3	3	3¼
France	9¼	7¼	5¼
Italy	14¾	10½	8
Canada	6	5	5¼
UK	5½	5	5¼
Major 7	4¾	4½	4¾
OECD	5½	5½	5¼

Unemployment

(per cent rate)

	<u>1983</u>	<u>1984</u>	<u>1985</u>
US	9½	7½	7¼
Japan	2½	2½	2½
Germany	8¼	8¼	8
France	8½	9½	10½
Italy	10	10½	11
Canada	12	11¼	11
UK	11½	11½	11
Major 7	8¼	7½	7½
OECD	9	8½	8½

Current balances

(\$ bn)

	<u>1983</u>	<u>1984</u>	<u>1985</u>
US	-40¾	-86¼	-110½
Japan	21	28¼	34½
Germany	4	5¼	10
France	3¾	1	4¼
Italy	0	-1	0
Canada	1¼	3½	4½
UK	3	2	3
Major 7	-15	-47	-54¾
OECD	-24	-50¾	-51½
Non-oil LDCs	-44	-42	-48
OPEC	-19	-9	-14

Money supply

(per cent change on a year before)

	<u>1983</u>				<u>1984</u>	Latest over target period	<u>Target ranges</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>		
US (M1)	10 $\frac{3}{4}$	12 $\frac{3}{4}$	12	9 $\frac{3}{4}$	7 $\frac{3}{4}$	4 $\frac{3}{4}$	4-8
Japan (M2)	7 $\frac{1}{2}$	7 $\frac{3}{4}$	7	7 $\frac{1}{2}$	-	-	-
Germany (CBM)	7	7 $\frac{1}{2}$	7	6 $\frac{3}{4}$	5 $\frac{1}{2}$	4 $\frac{1}{2}$	4-6
France (M2)	10 $\frac{1}{4}$	9	7 $\frac{3}{4}$	11 $\frac{1}{2}$	-	-	5 $\frac{1}{2}$ -6 $\frac{1}{2}$
Italy (M1)	15 $\frac{3}{4}$	15 $\frac{1}{2}$	15 $\frac{1}{4}$	13	-	-	-
Canada (M1)	8 $\frac{1}{2}$	10 $\frac{1}{4}$	14 $\frac{1}{4}$	8 $\frac{1}{2}$	-	-	-
UK (M0)	5 $\frac{1}{4}$	7 $\frac{1}{4}$	6 $\frac{3}{4}$	7 $\frac{1}{2}$	6	3	4-8

General Government financial deficit (per cent of GDP)

	1983	1984	1985
US	4	3 $\frac{1}{2}$	4
Japan	3	2 $\frac{1}{2}$	1 $\frac{3}{4}$
Germany	2 $\frac{3}{4}$	1 $\frac{1}{2}$	$\frac{1}{2}$
France	3 $\frac{1}{2}$	3 $\frac{1}{2}$	3 $\frac{1}{2}$
Italy	11 $\frac{3}{4}$	12 $\frac{1}{2}$	13
Canada	6	5 $\frac{1}{4}$	4 $\frac{1}{2}$
UK	3 $\frac{1}{2}$	2 $\frac{3}{4}$	2 $\frac{1}{4}$
Major 7	4	3 $\frac{1}{2}$	3 $\frac{1}{2}$
OECD	4 $\frac{1}{4}$	3 $\frac{3}{4}$	3 $\frac{3}{4}$

3-month interest rates

	<u>1983</u>				<u>1984</u>	<u>11 May</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	
US	8½	8¾	9½	9½	9¾	11½
Japan	6¾	6½	6½	6½	6½	6½
Germany	5¾	5¼	5¾	6¼	6	6
France	12¾	12½	12½	12½	12½	12½
Italy	19¼	18¼	17¾	18	17¾	16½
Canada	9½	9¼	9¼	9½	10	11¾
UK	11¼	10¼	9¾	9½	9¼	9½

Effective exchange rates

1975 = 100

	<u>1983</u>				<u>1984</u>	<u>Latest</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>10 May</u>
US	120	123.4	127.8	128.0	129.0	131.7
Japan	145.3	146.9	147.5	154.0	157.2	159.7
Germany	129.0	129.0	126.1	125.7	125.6	124,4
France	73.8	69.8	68.0	66.9	66.3	65.7
Italy	53.0	51.8	50.6	49.4	48.6	48.1
Canada	90.2	91.1	92.4	92.0	91.0	88.9
UK	80.5	84.3	84.9	83.2	81.7	80.0

16/5/84.

OECD MINISTERIAL COUNCIL MEETING, 17-18 MAY 1984

AGENDA ITEM NO 5
ACHIEVING DURABLE ECONOMIC GROWTH
DISCUSSION DOCUMENT: C/MIN(84)7

Objective

To ensure a commitment to maintain prudent counter-inflationary macro-policies; promote structural adjustment; encourage further trade liberalisation; and thereby foster sustained recovery.

Points to make

- (i) Recovery has been stronger and inflation lower than expected a year ago. Growth in the US now likely to slow but expect output in Europe to recover. UK growth to continue.
- (ii) Despite improved outlook, wrong to be complacent. Recent upward trend in US interest rates a major concern. Renewed protectionist pressures could endanger world trade recovery. Debt difficulties are not yet over. Unemployment and structural problems remain.
- (iii) OECD rightly identifies challenges facing industrial countries as correcting monetary and fiscal imbalances, eliminating structural rigidities and promoting further trade liberalisation.
- (iv) Monetary policy should remain directed towards curbing inflationary pressures as recovery proceeds. Excessive monetary expansion would risk repeating earlier mistakes. UK, in common with other major countries, aiming at lower monetary growth this year.
- (v) Fiscal policy should seek to reduce structural budget deficits to a sustainable level. US has particular responsibility. UK public sector borrowing to be reduced to $2\frac{1}{4}$ per cent of GDP this year.
- (vi) Support Secretary-General's suggestion for sharper focus on structural policies in annual reviews of members' economies. Important for all to improve supply side performance especially in Europe.

Background

OECD forecasts for growth in industrial countries this year have been revised up to $4\frac{1}{2}$ per cent followed by 3 per cent in 1985. Higher investment together with continued increases in consumption and stockbuilding are expected to sustain recovery. But overall growth is expected to slow later this year as US recovery slows. European output is forecast to rise 2 per cent this year and slightly faster next. The Secretariat's estimate of $2\frac{1}{2}$ per cent growth in Germany, however, may be too pessimistic. The Germans are suggesting 3 per cent. We also expect rather faster UK growth than the Secretariat. World trade is forecast to recover by around 6 per cent this year and next, compared to only 2 per cent last year.

2. The OECD unemployment rate is expected to level off at $8\frac{1}{2}$ per cent. A further fall in the US is expected but the number of jobless could continue to rise in Europe, although the Secretariat does expect a small fall in the UK. Higher US inflation is forecast to lead to a slight rise in OECD inflation to $5\frac{1}{2}$ per cent by the end-1985, despite some further modest deceleration in Europe. The Secretariat expects UK inflation to remain around 5 per cent.

3. The strong US recovery, coupled with past competitiveness losses, is already leading to sharply widening current imbalances. The US deficit is expected to rise to \$80-90 billion this year followed by \$110 billion next. Japan and Germany are expected to move into increasing surplus. The Secretariat expects the UK to show a modest surplus both this year and next.

4. Prospects for sustaining the recovery depend particularly on the future course of interest rates and whether inflationary pressures can be successfully contained. As the Secretariat points out, real interest rates remain relatively high especially in the US where progress against inflation has not been fully matched by reduction in nominal interest rates. The recent increases in US short-term interest rates which at 11 per cent are now $1\frac{1}{2}$ per cent higher than at the end of last year, are a major concern.

5. This latest rise in US interest rates has not so far for the most part been accompanied by corresponding rises in other countries' rates so that interest differentials in favour of the dollar have widened. The dollar's effective exchange rate has risen $4\frac{1}{2}$ per cent since March reversing its earlier fall. The Secretariat has questioned the sustainability of the pattern of exchange rates but so long as rising US interest rates offset the downward pressure on the dollar from the widening current deficit, then other countries will face pressures on both their currencies and interest rates.

6. The Secretariat points out the main threats to sustained recovery as high real interest rates, the unsustainable US budget position, structural rigidities, financial instabilities of debtor countries and impediments to free trade. (The last two are dealt with in briefs 2 and 3). Uncertain prospects reinforce the need to continue with prudent counter-inflationary macro-economic policies. Now economic recovery is underway the Secretariat stress the need to address longer-term structural issues. This emphasis is right but more prominence could have been given to achieving further progress against inflation.

Macro-economic policies

7. The Secretary-General's policy recommendations accord closely for the most part with our views although there are likely to be calls from a number of countries - particularly the Scandinavians and some other smaller Europeans - for more reflationary macro-economic policies.

8. On monetary policy, the paper warns against repeating the mistakes of earlier cycles by following too accommodating a policy. The authorities in major countries, however, are alert to these risks. Monetary targets have been reduced this year in the US, Germany, France and the UK.

9. On fiscal policy, the Secretariat urges most countries to control the growth of public debt and reduce structural budget deficits. Debt is rising relative to GDP in the US, Japan,

France and Italy. Budget deficits on average in major countries are expected to fall from 4 per cent of GDP last year to 3½ per cent this year and next. Within this total, however, the US structural deficit is rising particularly strongly. The Secretary-General identifies Germany and the UK as two countries with their budget deficits under control and suggests they may have scope to lower taxes. Some countries - particularly the Scandinavians - are likely to press this point. The Germans are expected to reduce income taxes in 1986. The UK's room for manoeuvre, however, is limited by the medium-term objectives of keeping down overall public borrowing.

10. On government spending and taxation, the Secretary-General's paper picks up the themes endorsed at the February Ministers' meeting. These included concern over the growth of public spending in OECD countries from 30 per cent of GDP to almost 50 per cent over the past 20 years, and in particular the rapid rise in social spending to about 60 per cent of total public spending. The Secretary-General leaves countries to choose their own spending limits but calls for close scrutiny of priorities within these limits. He also advocates efficiency and concern for incentives in tax systems and proper attention to off-budget items. We would have stressed the link between lower public spending and increased resources for the private sector but otherwise this is helpful.

Structural adjustment

11. The Secretary-General gives a strong emphasis to structural adjustment and will be seeking Ministers' endorsement for greater work by the Secretariat in this area. In particular, he is asking Ministers' to agree that the annual surveys of countries' economies should cover structural adjustment policies, including government industrial aid, more fully than at present. This should help understanding of both domestic and international distortions. The Secretary-General expects to be able to do this within existing resources.

12. This approach was developed at an OECD meeting chaired by Sir Peter Middleton in March. The UK's own record on industrial assistance is relatively transparent and we should benefit from others' policies being subjected to closer scrutiny. Greater stress on structural policies generally fits well with the UK government's approach. Our record is a good one with the removal of exchange controls, reduction of marginal tax rates and the latest reform of company taxation.

13. The Secretary-General lays particular stress on the need for greater labour market flexibility - contrasting the rise in US employment in the past decade with relatively stagnant employment levels in Europe. We accept his arguments for greater real and relative wage flexibility. Others, however, may well argue that this will not be sufficient and a demand stimulus will be needed to tackle European unemployment. The rising trend of unemployment over successive cycles, however, reinforces the importance of structural factors.

14. The Secretary-General's final remarks on the need for capital market liberalisation are a welcome addition to the list of structural measures. He singles out Japan, France and Italy among the major countries where further progress is needed. We have of course taken a particular interest in Japan and the case for greater internationalisation of the yen.

Tactics

15. The meeting should be relatively straightforward from the UK view. We can endorse the broad approach of prudent macro-economic policies and emphasis on structural adjustment. We shall want to resist calls for more stimulatory macro-economic policies or for more interventionist micro-economic measures. The recent rise in US interest rates is likely to sharpen the debate over the budget deficit, the US external deficit and the future of the dollar. There may well be criticism by smaller countries of the major countries' policies generally. As Summit host, the UK may be expected to pay particular attention.

17/5/84

Chancellor

TALK WITH BERYL SPRINKEL

I had a long talk this morning.

United States/Japan Negotiations

2. These made a huge leap forward last week. It took special pressure from the American Vice-President, who happened to be in Tokyo, but the result is a substantial measure of agreement on all demands the United States were making:

- Interest deregulation (on a step-by-step approach over 2/3 years).
- Right of establishment and operation of foreign banks etc.
- Freeing Euro-Yen markets by stages in as little as nine months.
- Greater facilities for direct inward investment.

3. The aim is to settle detailed drafts at a further bilateral meeting in Rome early next week, in time for joint announcements on about 30 May.

4. Meanwhile the United States are sufficiently pleased and confident to have already told Clausen that they will now waive their objection to the IBRD special capital increase. A meeting of the Board is planned for next Thursday. The way is therefore clear for Japan to fulfill its subscription to the \$9 bn IDA replacement.

5. I mentioned to Sprinkel that you would want in the light of this to put further pressure on Stoltenberg for the proposed supplementary IDA. He was most anxious that we should make no mention of the developments reported above to other countries for the time being (although I guess there may be some leakage). On reflection, I said that I would suggest that you might try to tackle Stoltenberg, not at Rome on Saturday, but at ECOFIN on 4 June.

US Policy

6. I raised the question of a form of words for the Summit. I also reported to Sprinkel a conversation yesterday with

/Tietmeyer



Tietmeyer, who said that, if pressure from New York resulted - as at one stage recently threatened - in a rise in German interest rates before the Summit, the German Chancellor would certainly come to the Summit in an anti-American mood and want to make a major issue of US policies.

7. Sprinkel was in a very sober mood - no expostulation about the Fed, or other defences. He said that the down-payment continued to make progress, but there was still an awkward problem to reconcile between Senate and Representatives over the composition of spending cuts, which might delay settlement until after the Summit. But he would try to let me have in Rome a few sentences on that and on post-election intentions, which we might be able to use.

Mixed Credits

8. We are in agreement. Details have been reported to you separately.

J G Littler

17 May 1984

Paris, 17th May 1984

MEETING OF COUNCIL AT MINISTERIAL LEVEL

17th-18th MAY 1984

AGENDA ITEM 2

UNITED KINGDOM

Statement by

Sir Geoffrey HOWE, QC MP
Secretary of State for
Foreign and Commonwealth Affairs

BRITISH DELEGATION

PARIS

May 17th, 1984

Extract from statement by Sir Geoffrey Howe, British Foreign
& Commonwealth Secretary, at the OECD Ministerial Council :
17 May 1984

One of the reflections which springs to my mind from reading the papers for this OECD Council, is the change in the core of economic analysis in them since 1979, when I first came here as Chancellor of the Exchequer. During that time, there has been a keen intellectual debate in the international community. We have now reached broad agreement on the crucial role of the market economy and the vital importance of financial and monetary discipline. I would like to think that the United Kingdom has played a part in developing this debate. The central theme of this morning's discussion is that it is essential for us to persevere with that basic strategy.

As host to the Economic Summit, we are paying close attention to the papers and discussion at this Council. The ten years of Economic Summits have shown the value of their informality and topicality. They are the one place where Heads of Government can let their hair down and ^{- to mix metaphors -} tie each other to the mast of economic virtue. We will therefore want to keep the discussion flexible and responsive. But already one can see that these are real topics for discussion at the London Summit : in particular sustaining the present still insecurely established economic recovery, while controlling inflation, and finding ways of passing the benefits of that recovery more widely round the world.

One particular example of the worthwhile achievement of the Summits was the establishment at Versailles and the fortification

of Williamsburg of the system of surveillance, in consultation with the Managing Director of the IMF, of the ^{macro-}economic policies of the main industrialised countries. There is still an important role for this system, especially in dealing with the problems that result from the lack of convergence in macro-economic policy. These still cause great concern. For example, the problems caused by exchange rates which are unduly volatile or out of line; the problems of high interest rates; and therefore the excessive budget deficits which cause them.

Another topic at this Summit may well be the liberalisation of financial markets. I was interested, while in Japan last month, to discuss Japanese measures of trade liberalisation, and to note the prospect of liberalisation of the Tokyo money market. There is no doubt about the important role which the Yen should be playing as it joins the Pound Sterling, the Dollar and the Deutsch-Mark among the currencies which help to fertilize international trade.

I am struck at this Council by two dogs which have not barked, but which used in the past to bark quite loudly. The first was the Transatlantic argument about East/West trade. OECD has made great success in managing these intractable problems without allowing them to spill over (as they did in 1982 with the Pipeline dispute). It is good that these are no longer issues on which we are barking at each other.

The other non-barking dog (God knows what the interpreters are making of this), is the argument about the export credit consensus. Here too, OECD has played an important part in promoting practical agreement.

Now we have another problem associated with that : that of mixed credits. The OECD must continue its work to limit and reduce the volume of mixed credits, which distort trade and aid flows, and to promote greater transparency.

[Debt. Need for early completion of negotiations on IDA? and the IBRD selective capital increase. Greater liberalisation of exchange rate control also helpful to LDC's through stronger flows of private investment].

'Deputy

On unitary taxation, I am worried by the extent to which LDC's may be all too inclined to follow our example. / Secretary Dem stressed the need for developing countries to establish a welcoming climate for inward investment. I totally agree. One sees an interesting example of this in the free market competition in tax policies in the United States. It is some eight years since I first made representations to Governor Brown in California about the shortcomings of unitary taxation. But I am encouraged by the fact that at the Oregon State border, there is a large notice which says : You are welcome here : No unitary taxes here". Of course, I understand how the problem has emerged. And I appreciate the progress that is being made in the US towards a solution. But undoubtedly, around the world, we need tax policies - as well as other policies - which are hospitable to economic vitality and inward investment.

There is a similar problem over extra-territoriality. We are seeing, to an increasing extent, conflicting requirements being placed on enterprises across the world. We are all guilty because every time we pass a Consumer Protection law, we are in effect imposing a degree of extra-territoriality which inhibits international trade. So it is important for OECD to strengthen consultation on this topic.

It is clear from this catalogue that there will be plenty of important subjects to occupy the time of Mr van Lennep's successor. I am sorry that I have not touched on the most exciting topic of the Meeting : Who on earth is he going to be!

Paris, 17th May 1984

MEETING OF THE COUNCIL AT MINISTERIAL LEVEL

17th-18th MAY 1984

ITEMS 3 and 4 OF THE AGENDA

UNITED KINGDOM

Statement by

Mr. Paul CHANNON, MP

Minister for Trade

MR CHANNON'S SPEECH AT OECD MINISTERIAL MEETING

1. I should like, Mr Chairman, to concentrate today on the challenges in international trade. The challenge is to maintain and develop the open trading system in a period when the structure of our domestic economies is evolving rapidly and when the world has been passing through a deep economic recession. It is rightly a major theme of this meeting, as it will be also at the forthcoming Economic Summit in London.

ROLLBACK

2. One of the most important challenges we face is that of rollback of protectionism. Here, I must pay tribute to the unflagging energy with which the Secretary-General has pursued the implementation of Phase 1. The United Kingdom very much hopes that all OECD countries can agree to accelerate implementation of Tokyo Round tariff cuts. This will be a useful step in itself, but perhaps even more importantly, it will be a tangible sign of our collective commitment to the difficult process of dismantling barriers to trade.

3. It has taken time to achieve this. But it surely shows that a painstaking approach works. I hope we have learned that the sweeping phrase and the large gesture do not always produce concrete results in terms of policy changes. As we turn our minds to Phase 2, I welcome the contribution made by both the Trade Committee and the Secretary-General. We must consider which of the many good ideas they offer us are most likely to bring about a successful Phase 2. In this I hope we can keep well in mind the need to set ourselves realistic objectives achievable in the period immediately ahead.

4. We can also start to look ahead to the possibility of further trade liberalisation through a new GATT round. It will

/require

require careful preparation, and it is not for the OECD to decide that it is to take place. We cannot and should not dictate to the Contracting Parties of the GATT. But we can consult, we can cooperate fully in the GATT to complete the existing work programme and we can begin the preparatory process. I hope we can agree that this is the right way to proceed.

EXPORT SUBSIDIES/NTBs

5. Another important issue before us is that of export subsidies. Useful progress has already been made in the OECD to agree greater international discipline and improved notification procedures for offers of aid-subsidised export finance. But much more needs to be done. For example, we need to bring the whole range of credit mixte and similar schemes within the scope of the ground rules. For our part, the United Kingdom remains willing to support any agreement to increase the transparency and discipline with which concessional finance is offered. The UK would go further with a multilateral undertaking to limit and progressively to reduce the volume of associated financing and similar transactions. Meanwhile we support efforts to extend existing disciplines to transactions similar to associated financing. But progress will only be possible if action is agreed collectively.

6. Subsidies themselves are of course only one small part of the general problem of non-tariff barriers to trade. Despite the various Codes on subsidies and other practices that were negotiated in the course of the GATT Tokyo Round, much remains to be done if we are to achieve a genuinely integrated international trading system. I hope that we can encourage GATT efforts to remove these non-tariff barriers to trade.

SERVICES

7. Now I would like to say something about the increasing role played in all our economies by the growth of the service industries. In most OECD countries, and in many developing

ones, these industries now account for a large proportion of output and of employment. If the structure of our industry is to continue to evolve it is essential that newer industries - including those in the services sector - are free to grow. Yet there is no effective multilateral agreement covering international trade in services. The OECD has given us a lead by analysing the broad issues involved, and the problems faced by individual sectors. The next stage is to work towards agreement on how those problems can be resolved so that trade in services can grow to the benefit of all. This is an important test for all those who believe in the benefits of the multilateral trading system. I hope this meeting will agree that priority should be given to OECD work in this area.

CONFLICTING REQUIREMENTS

8. I would now like to say a word about the OECD's work on multinational enterprises. I particularly welcome the successful conclusion of agreements on the problem of 'conflicting requirements' imposed on multinational companies. The UK has been very concerned about the effects on international economic relations of exercises of extraterritorial jurisdiction. I believe that concern is shared by all of us. Solutions to these problems - at the bilateral and multilateral level - have become increasingly urgent. The procedures set out in the paper for Item 4 are a first step towards improved multilateral cooperation on this issue. We look forward to their effective operation and to continuing work in OECD on this very serious problem.

CONCLUSION

9. I hope I have conveyed the importance that the United Kingdom attaches to the trade issues on our agenda and its wish to press ahead with OECD work particularly in the areas I have mentioned. There are many other countries of course not represented here. Trade is a two-way process and I am sure we agree that they too have an important contribution to make if we are to make real progress.

Private Office
H.M. Treasury

ADMINISTRATION IN CONFIDENCE

ADMINISTRATION ARRANGEMENTS FOR THE UNITED KINGDOM DELEGATION
TO THE OECD MINISTERIAL MEETING : 1984
PARIS

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17/5/84

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Distribution:

- Members of the party
- British Embassy (10 copies)
- UK Del. OECD (12 copies)
- Economic Relations Department, FCO
- H M Treasury
- Dept. of Trade

COMPOSITION OF THE DELEGATION

(not in protocol order)

<u>Name</u>	<u>Designation</u>
<u>FROM LONDON</u>	
<u>Foreign and Commonwealth Office</u>	
The Rt Hon Sir Geoffrey Howe QC MP	Secretary of State for Foreign and Commonwealth Affairs
Mr L V Appleyard	Principal Private Secretary
Miss A J Lewzey	Personal Assistant to Private Secretary
Det Insp Bard	Detective
Det Sgt Sutherland	Detective
Sir Crispin Tickell KCVO	Deputy Under-Secretary
Mr M Tait	Head of Economic Relations Department
Mr P J Goulden	Head of News Department
Miss E Gallagher	Personal Assistant to Head of News Department
Miss P A Noble MBE	Conference Officer
Miss E Merriman	Personal Assistant
Miss R Hazell	Communications Officer
<u>H M Treasury</u>	
The Rt Hon Nigel Lawson MP	Chancellor of the Exchequer
Mr D L C Peretz	Principal Private Secretary
Mr J G Littler CB	Second Permanent Secretary
Mr A R H Bottrill	Assistant Secretary

/Department

Department of Trade and Industry

The Rt Hon
Paul Channon MP

Minister for Trade

Mrs Channon

Mr M Bond

Private Secretary

Mr R Williams

Under-Secretary

Mr G Nissen

Information Officer

Central Office of Information

Mr John Barrows

Economic Correspondent

FROM PARIS

UK Permanent Delegation to the OECD

Mr K J Uffen CMG

Ambassador and Permanent
Representative

Mr E T Davies

Counsellor (Economic and
Financial Affairs)

Mr T J B George

Counsellor and Head of Chancery
(Development assistance and
north-south work)

Mr K J Passmore

First Secretary (Economic and
Financial Affairs)

Mr J C R Gray

First Secretary (Energy and
Environment)

Mr J A Dew

First Secretary (Trade and
Industry)

/ (NB : The UK official delegation list is given in the OECD
handbook also enclosed).

2. PROGRAMME

1. Programme

The meeting will take place in Room 1, OECD Building, 19 rue de Franqueville. A general programme of official and informal events is attached at Appendix I. Enclosed in their respective folders are separate papers detailing the programmes of the Secretary of State, the Chancellor of the Exchequer, the Minister for Trade and Mr Littler. Mrs Channon also has details of the ladies programme.

2. Timetable

The meetings will start at 9.30 am on 17 and 18 May. Photographers and cameramen will be allowed into Room 1 from 9.30 am to 9.40 am on both days.

3. Access

Although all Ministers and senior officials have "Salle 1" passes giving access to the Meeting, the UK has been allocated only 12 seats in all (of which 3 are at the table); not everybody will be able to attend at the same time. But listening facilities will be available in Room 2 (half-way up the stairs between Room 1 and the front door). Please will those not actively involved in the meeting use them.

4. Documents

Additional copies of the agenda and documents for the meeting, together with a file containing background material, will be placed in front of each seat at the Conference Table.

5. Interpretation

Simultaneous interpretation will be provided. An explanatory note on how to use the microphones and headphones will be at each place at the Conference Table. Delegations are reminded that headphones placed close to live microphones produce a high-pitched sound audible throughout the Conference Room. When taking the floor, Delegates should therefore turn down the sound volume control of their headphones to the minimum.

PARIS ACCOMMODATION ARRANGEMENTS

	<u>Accommodation</u>	<u>Nights (May)</u>
<u>Foreign and Commonwealth Office</u>		
Secretary of State		
Mr Appleyard		
Miss Lewzey		
Det Insp D Bard	Hotel Bristol	15 & 16
Det Sgt S Sutherland		
Sir C Tickell		
Mr Tait	Hotel Keppler	16 & 17
Mr Goulden		
Miss Gallagher		
Miss Noble	Hotel Bristol	11 - 18 inc
Miss Merriman	Hotel Bristol	14 - 18 inc
Miss Hazell	Hotel Bristol	16 - 18 inc
<u>H M Treasury</u>		
Chancellor of the Exchequer	Villa Said (Mr Uffen's Residence)	17
Mr Peretz	Villa Said	17
Mr Littler	Villa Said	15 - 17 inc
Mr Bottrill	Hotel Nicolo	16 - 17 inc
<u>Department of Trade</u>		
The Rt Hon Paul Channon	Sir John Fretwell's Residence	16-18 inc
Mrs Channon	Sir John Fretwell's Residence	16-18 inc
Mr M Bond	Sir John Fretwell's Residence	16 & 17
Mr R Williams	Sir John Fretwell's Residence	16 & 17
Mr G Nissen	Hotel Bristol	16 & 17
<u>Central Office of Information</u>		
Mr Barrows	Hotel Bristol	16 & 17 (+ 18?)

4. WORKING ACCOMMODATION

DELEGATION

The following offices have been reserved for the visiting delegation :

UK DELEGATION TO OECD
Fourth Floor
OECD Building
rue de Franqueville

<u>Room</u>	<u>Allocated to :</u>	<u>Telephone Extensions</u>
HMA's Office	Ministers	9820
Library	FCC Private Office on 17 May (generally available and equipped on other days)	9831
5	Conference Officer/ Delegation Personal Assistant	9837
13 (Mr Gray's Office)	available for Mr Goulden	9836

PRESS

If Ministers wished to meet the press, this could be arranged in UK Del. But rooms may be available in the OECD Secretariat : telephone contact - Mr Cohen ext 7579. The radio and television studios will also be available for broadcast interviews (Miss Townson ext 8097).

/5. TELEPHONES

5. TELEPHONES

(a) To obtain an extension within the OECD Building, lift receiver and dial number required.

(b) To dial an outside number in Paris, dial 0, wait for the change of tone, and dial the number required.

(c) To book an overseas call or a call outside the Paris area, dial 2 and place your call when the OECD switchboard answers. Please log your call on the sheet provided.

(d) To obtain the Embassy from the UK Delegation to OECD, dial extension 7650. (Latter cannot be connected onward to UK via FCO tie line).

(e) USEFUL TELEPHONE NUMBERS

OECD, 19 rue de Franqueville, 16ème	524 8200
UK DELEGATION " , (4th Floor)	524 9828*
MR UFFEN	524 9820*
MR DAVIES	524 9830*
MR GEORGE	524 9832*
MR PASSMORE	524 9838*
MR GRAY	524 9836*
MR DEW	524 9834*
REGISTRY/COMMUNICATIONS	524 9822*
LIBRARY (Private Office)	524 9831*
MISS NOBLE (Conference Officer)	524 9837*
BRITISH EMBASSY	524 7650*
OECD SWITCHBOARD (for calls outside Paris)	2
FOR AN OUTSIDE LINE (for calls in Paris)	0

* To call these numbers from within the OECD, dial the last four digits only.

/UK Del. OECD

UK Del. OECD

MR UFFEN'S RESIDENCE, 6 Villa Said, 16ème	500 5517
MR DAVIES (Home)	551 5991
MR GEORGE (Home)	288 2702
MR PASSMORE (Home)	705 8691
MR GRAY (Home)	288 7339
MR DEW (Home)	227 8688

British Embassy

H M Ambassador's Residence	266 9142
HOTEL BRISTOL	266 9145
HOTEL MEURICE	260 3860
HOTEL KEPLER	720 6505
HOTEL NICOLO	288 8340
VILLACOUBLAY AIRPORT	630 2388
CHARLES DE GAULLE AIRPORT (Central Switchboard)	862 1212
(VIP Room, Salon 350, Terminal 1)	862 1790
(VIP Room, Salon 200, Terminal 3)	862 4098
BRITISH AIRWAYS	778 1414
AIR FRANCE	535 6161
BRITISH CALEDONIAN	262 5021
QUAI D'ORSAY	555 9540

/6. TRANSPORT

6. TRANSPORT

Allocation

Please see programme at Appendix I for specific car allocations. A general allocation is at Appendix II.

Parking

There are special parking arrangements as follows :-

- (a) Chauffeur-driven cars will have access to the main door at the New Building, 19 rue de Franqueville.
- (b) Cars will be parked at :-
 - (i) The usual two places in the Château courtyard and in front of the Annex.
 - (ii) In the rue de Franqueville, between place de Colombie and rue André-Pascal.
 - (iii) In the basement of the New Building. But there are difficulties of entry and exit, and this is not generally advised unless all else fails.

/7. FINANCE

7. FINANCE

(a) Subsistence allowance as set out in the London Administrative Arrangements, is enclosed. Please sign and return the receipt to the Conference Officer.

(b) Those staying at the Hotel Bristol will have suite/room, service, tax and standard breakfast paid by the Embassy, direct to the hotel. Members are requested to ensure that personal bills for other meals and any extras are settled with the hotel before departure. Mr Bottrill and Mr Tait will pay their hotel bills for room and all meals.

8. CATERING ARRANGEMENTS

UK Del OECD will arrange for a cold buffet lunch to be made available on 17 and 18 May in the Common Room of the UK Del for members of the party not otherwise provided for.

/9. SECURITY

9. SECURITY

Secret material should only be dictated to UK based secretarial staff.

Passes are enclosed. The yellow ones give admission to the Security Area around the Conference Room, but not to the Conference itself - for which the "Salle 1" pass is required.

Papers up to Secret may be stored in the UKDel OECD Registry over-night.

Top Secret papers must be returned to the Embassy.

There is a safe in Mr Uffen's Residence, offering limited facilities.

10. DEPARTURE ARRANGEMENTS

RAF 125

All passengers travelling in the RAF 125 are asked to leave all their personal hand luggage unlocked for RAF inspection.

Commercial flights

Those travelling by commercial flights should take their luggage with them to the airport, other than Ministers. See programme for arrangements for Ministerial baggage.

● = Sec. of State, FCO
C = Chancellor
T = Minister for Trade
L = Ladies

APPENDIX I

PROGRAMME AND TRANSPORT DETAILS

Tuesday 15 May

0815	Miss Noble) Miss Merriman)	From Hotel Bristol to UKDEL	Car 8
1030	Miss Noble from UKDEL to Embassy and return		
2045	Mr Littler arrives at C d G, Terminal 1, by Flight BA 316 Met by Embassy car		Car 5
	Drive to Villa Said. hotel.		
Later	Miss Noble and Miss Merriman return to hotel from UKDEL.		Car 8

* * *

Wednesday 16 May

0815	Miss Noble and Miss Merriman from Hotel Bristol to UKDEL	Car 8
0900	Mr Littler leaves Villa Said for G10 Deputies Meeting at 66 Avenue d'Iéna at 0930	Car 5
1130	Det Insp Bard arrives on Flight BR 884 at C de G Ter 1	Car 8
1730	Mr Tait arrives C de G Ter 2 on Flight AF 815 and then to Hotel Keppler	own arrangements
1815	Mr George from UKDEL to C de G Ter 2 <u>VIP Suite</u>	Car 3
1815	Mr Stewart from Embassy to C de G Ter 2 <u>VIP Suite</u>	Car 10 (station wagon) and Car 4

/1930

Wednesday 16 May (cont'd)

T 1930 Minister for Trade
Mrs Channon
Mr Bond
Mr Williams
Mr Nissen
arrive at C de G Ter 2 VIP Suite by
Flight AF 817
Met by Mr George and drive to
Sir John Fretwell's Residence (Mr Nissen
to Hotel Bristol) as follows :

Car 3

□ Mr Channon
Mrs Channon
Mr George

Car 4

Mr Bond
Mr Williams
Mr Nissen

Car 10

Mr Stewart with luggage to Residence and
Hotel Bristol

T Later Private supper for Mr and Mrs Channon (no transport
required)

Wednesday 16 May 'cont'd)

Later	Mr Bond, Mr Williams and Mr Nissen to dine independently	
1940	Miss Hazell arrives C de G Ter 1 on Flight SR 728 and then to Hotel Bristol	Car 8
2015 at 2030	Mr Littler leaves Villa Said for private dinner with M. Camdessus at the Ministry of Finance, Rue de Rivoli.	Car 5
2045	Mr Bottrill arrives at D d G, Terminal 1, by Flight BA 316, and goes to hotel.	own arrangements
Later	Miss Noble and Miss Merriman leave UKDEL for Hotel Bristol	Car 8/or own arrangements
Later	Mr Littler returns to Villa Said	Car 5

Thursday 17 May

(NB : In addition to the movements listed below, Car 7 should also be available for Mr Bottrill and Mr Tait if required)

0745	Mr Uffen leaves Villa Said for Villacoublay	Jaguar
"	Mr Stewart leaves Embassy	Car 10 (station wagon)
"	Det Insp Bard and Miss Noble leave Bristol Hotel for Villacoublay	Car 8 (and also Cars 1 & 6 to follow)
0815	Miss Merriman/Miss Hazell from Hotel Bristol to UKDEL	own arrangements
?	Mr Littler departs Villa Said for OECD.	
0900/ 0930	? Mr Williams to attend Community Coordination Meeting	
T	0900 Mr Channon, Mr Bond, Mr Williams (joined by Mr Nissen from Bristol) leave Sir J Fretwell's Residence.	Car 3 and Car 7
F	0900 Secretary of State Mr Appleyard Miss Lewzey Sgt Sutherland Sir Crispin Tickell Mr Goulden Miss Gallagher arrive on RAF HS 125 at Villacoublay. Met by Mr Uffen. Drive to UKDEL (rue Pascal entrance) as follows :	

Jaguar

Secretary of State

Mr Uffen

Det Insp Bard

(Sgt Sutherland in accompanying Police car)

Car 1

Mr Appleyard

Sir Crispin Tickell

Car 6

Mr Goulden

Miss Gallagher

Car 8

Miss Noble

Miss Lewzey

Car 10

Mr Stewart with boxes.

F T 0930 Meeting begins (photocall until 0940)

L 0930 Mrs Uffen from Villa Said to Sir J Fretwell's Car 4
Residence to collect Mrs Channon at
0945 then to Pompidou Centre for
1015 for ladies' programme.

/1200

L	1200	Mrs Channon and Mrs Uffen leave Pompidou Centre for	Coach
L	1230	Cruise on Seine followed by lunch	
F T	1315	Secretary of State Mr Channon attend working lunch in Chateau. Mr Littler to lunch with Mr Davies Mr Bottrill and Mr Williams to lunch at Salle d'Ecoute Sir C Tickell to lunch with Mr Posthumus Meyjes at Restaurant Epsom, rue de la Tour. Lunch in UKDEL for anyone not otherwise occupied.	Car provided by Dutch Delegation
L	1400	Mrs Channon Mrs Uffen return from Seine Cruise to Sir J Fretwell's Residence and Villa Said.	Car 4
F T	PM	Meeting resumes.	
L	1630 (at latest)	Mrs Uffen from Villa Said to Sir J Fretwell's Residence to collect Mrs Channon then to corner of Place de Colombie and Avenue Raphael for coach for Versailles leaving at	Car 4 (Car 4 then to remain available at UKDEL for departure of Miss Gallagher)
	1700		

/1730/1800?

F 1730/1800? Secretary of State and party leave

UKDEL for Villacoublay.

Cars as follows :

Car 1

Secretary of State

Mr Appleyard

Det Insp Bard

(Sutherland in accompanying Police car)

Car 6

Sir Crispin Tickell

Mr Goulden

Car 8

Miss Noble

Miss Lewzey

plus boxes.

(1800 RAF HS 125 on standby.

1830/1900 Expected ETD of Secretary of State's aircraft.)

Sir John Fretwell to bid farewell.

/Miss Gallagher

? Miss Gallagher to C d G for Flight? Car 4

1745 Mr Uffen leaves UKDEL for C d G, Jaguar
Terminal 1, VIP Suite.

1745 Mr Stewart leaves Embassy for C d G, Car 10
Terminal 1, VIP Suite. (and Car 2
as backup)

1800 - 1850 Mrs Channon and Mrs Uffen visit
Theatre de la Reine for concert.

1800 Mr Channon Car 3
Mr Bond and
Mr Williams Car 7

return from UKDEL to

Sir J Fretwell's Residence and Mr Nissen
to Hotel Bristol

1845 Chancellor and Mr Peretz arrive
C d G (Terminal 1), VIP Suite.
Met by Mr Uffen.
Drive to Villa Said as follows :

Jaguar

Chancellor

Mr Uffen

Mr Peretz

(Car 2 as backup)

Car 10

Mr Stewart with luggage.

L	1930	Mrs Channon	
		Mrs Uffen attend dinner given by the Finnish Government in the Chateau de Versailles (Salle des Croisades) followed by promenade in Chateau. (Cocktail dress or long skirt).	
C	2015	Chancellor, Mr Uffen, Mr Littler leave Villa Said for Hotel Meurice.	Jaguar and Car 5
T	"	Mr Channon leaves Sir J Fretwell's Residence for Hotel Meurice.	Car 3
	"	Mr Bond and Mr Williams	own arrangements
C T	2030	Chancellor, Mr Channon, Mr Littler and Mr Uffen attend dinner given by Finnish Foreign Minister and Foreign Trade Minister at Hotel Meurice, 228 rue de Rivoli (dark suit)	
	Later	Messrs Peretz and Bottrill to dinner with Mr Garside at 1 bis rue de Martignac, Paris 7.	
	Later	Miss Noble, Miss Merriman, Miss Hazell return to Hotel	Car 8
	2230	Mrs Harper from 91 Bd Murat to Villa Said.	Car 4

	Later	Mrs Harper from Villa Said to home.	Car 5
L	2150	Mrs Channon Mrs Uffen return from Versailles at 2230 to Hotel Meurice arriving	(Coach)
C	Later	Mrs Harper leaves 91 Boulevard Murat for Villa Said	
C	Later	Chancellor, Mr Uffen, Mrs Uffen, Mr Littler return to Villa Said from Hotel Meurice	Jaguar and Car 5
	Later	Mrs Harper returns to 91 Boulevard Murat	
T L	Later	Mr Channon Mrs Channon return to Sir J Fretwell's Residence from Hotel Meurice	Car 3
	Later	Messrs Peretz and Bottrill from Mr Garside's house to Villa Said and hotel respectively.	

Friday 18 May

	0700	Mrs Harper 91 Bd. Murat to Villa Said	Car 4
	0745	Miss Noble Miss Merriman Miss Hazell leave Hotel Bristol for UKDEL.	Car 8
T	0905	Mr Channon Mr Bond Mr Williams (joined by Mr Nissen from Hotel Bristol) leave Sir J Fretwell's Residence for UKDEL.	Car 3 and Car 7
C	0905	Chancellor Mr Uffen Mr Peretz Mr Littler leave Villa Said for UKDEL.	(Jaguar) Car 2 Car 5
L	0915	Mrs Uffen leaves Villa Said for Sir J Fretwell's Residence to collect	Car 4
	0930	Mrs Channon at then to courtyard of Ministry of External	
	0945	Relations, Quai d'Orsay by	

C T	0930	Meeting begins (photocall until 0940)	
L	1000	Mrs Channon	Coach
	1030	Mrs Uffen leave Ministry of External Relations, 37 Quai d'Orsay by coach, for visit to Chateau d'Ecouen at	
C T	1145	Chancellor Mr Channon Mr Uffen Mr Littler Mr Williams Mr Tait Mr Bottrill	Car 2 Car 3 and Jaguar
		leave UKDEL for Quai d'Orsay to attend M. Cheysson's Reception (Convoys of 4 - 6 cars under police escort. Convoys will form in Chateau courtyard or, if raining, at main entrance, New Building.)	
C T	Later	Party returns to UKDEL. (Ministers' cars only escorted).	
L	1230	Mrs Channon Mrs Uffen attend lunch given by Madame Cheysson at Chateau d'Ecouen.	

C T	1315	Chancellor and Mr Channon attend working lunch in Chateau. Mr Tait and Mr Williams to lunch in Salle d'Ecoute. Lunch in UKDEL for other officials.	
L	1600	Mrs Channon and Mrs Uffen return to Quai d'Orsay	Coach
L	1600	Mrs Channon and Mrs Uffen to be collected from courtyard of Ministry of External Relations, 37 Quai d'Orsay, to Sir J Fretwell's Residence and Villa Said.	Car 4
	1730	Mr Stewart to take luggage from Villa Said.	Car 10
C	1800	Chancellor Mr Uffen Mr Peretz Mr Littler leave from JKDEL for C d G, Terminal 1, VIP Suite. Mr Bottrill also leaves for C d G Terminal 1	Jaguar and Car 2 Car 5 ?

/1600

1600 Mr Tait to C d G Airport for Flight own
AF 818 at 1800 hours. arrangements

1945 Mr Bottrill departs on Flight BA 315.

C 2000 Chancellor, Mr Peretz, Mr Littler
leave for Rome. Flight AZ 321.
Mr Uffen to bid farewell.

T 2030 Mr and Mrs Channon to dine privately at
Residence.

NB: Messrs Bond, Williams and Nissen have
open return tickets and may return to UK
on either Thursday or Friday - depending
on meeting requirements.

Saturday 19 May

0730 Mr Stewart leaves Sir J Fretwell's Car 10
Residence with luggage of Mr and Mrs Channon
for C d G, Terminal 2.

0715 Mr George leaves Car 3
19 Avenue Leopold II for
Sir J Fretwell's Residence

T 0745 Mr and Mrs Channon and Mr George leave Car 3
Sir J Fretwell's Residence for
C d G, Terminal 2, VIP Suite.

□ 0900 Mr and Mrs Channon leave on
Flight AF 720 for Moscow.

Mr George to bid farewell.

Later Miss Noble own
Miss Merriman arrangements
leave for UK.

(NB. Miss Hazell to check out of Hotel Bristol).

APPENDIX II

General Car Allocation (based on maximum requirements on 17 May)
Please see programme for particular schedules).

Car 1 Secretary of State
 Mr Appleyard
 Detective

Car 2 Chancellor
 Mr Peretz

Car 3 Mr Channon
 Mr Bond
 Mr Williams

Car 4 Mrs Channon

Car 5 Mr Littler

Car 6 Sir Crispin Tickell
 Mr Goulden
 Miss Gallagher

Car 7 Mr Bottrill
 Mr Tait
 Mr Nissen

Car 8 Miss Noble
 Miss Lewzey
 Miss Merriman
 Miss Hazell

/Car 9