


PREM 19/188



Part 3

237

Confidential Filing

Venice Economic Summit, June 1980. — Policy.

ECONOMIC

POLICY

Part 1 : May 1975

Part 3 : January 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000
Direct Dialling 01-233 - 4225

Sir Kenneth Couzens KCB
Second Permanent Secretary
Overseas Finance

20 June 1980

M Alexander, Esq
10 Downing Street, SW1

Dear Michael

VENICE: PRIME MINISTER'S OPENING STATEMENT

I attach an attempt revised in the light of this morning's discussion. I hope the patches are not too purple.

I will bring some copies with me.

Yours ever

Ken

K E COUZENS

enc

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Foreign and Commonwealth Office

London SW1A 2AH

20 June 1980

Dear Michael,

Venice Summit: UNCTAD Common Fund for Commodities

Our Ambassador to the United Nations at Geneva, who heads our delegation to the Common Fund Negotiating Conference, now in its final stages at Geneva, telephoned a senior official here today warning that the Conference might break up without having achieved agreement on the terms of a treaty setting up the Fund. A breakdown might come early next week. He therefore thought it possible that one or more of the participants in the Venice Summit might raise the subject either in Plenary or in the Margins of the Conference.

Mr Marshall suggested that the Conference could fail either because the developing countries, which were becoming increasingly restive, came to the conclusion that the kind of Common Fund which the developed countries were prepared to accept was not worth having, or because of intransigence on the part of the Americans or the Germans (or both) about some of the negotiating issues which remain to be resolved.

We have no interest in bringing this subject up ourselves but the Prime Minister will wish to be briefed in case one of her colleagues at Venice does so. I therefore enclose a brief consisting of a defensive line to take and background for the Prime Minister's use.


I am sending copies of this letter to Stuart Hampson (Dept of Trade), Martin Hall (Treasury) and David Wright (Cabinet Office).

Yours etc

Paul

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON



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UNCTAD COMMON FUND FOR COMMODITIES

POINTS TO MAKE (DEFENSIVE)

1. It is worth making a major effort to bring the Common Fund negotiations to a successive conclusion.
2. If the negotiations fail the developing countries may go back to the excessive demands about trade in commodities which they were making several years ago.
3. In any case, the climate of the North/South dialogue will worsen and the going be made more difficult for the forthcoming Global Negotiations.

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UNCTAD COMMON FUND FOR COMMODITIES

BACKGROUND

1. The Common Fund Conference reconvened in Geneva on 5 June. The Fund is designed to finance both buffer stocks held by international commodity agreements and to promote specific commodities.
2. The Fund as presently envisaged is much less grandiose than as originally conceived by the developing countries. It is far from ideal, but we can live with it. Its inconveniences are a relatively small price to pay to avoid the regime for commodities likely to develop in its absence. Even in its present form, the Fund has a symbolic significance for the developing countries.
3. Agreement is close. But there is a real danger that the Conference will end on 23 June without reaching agreement on important but peripheral issues of a technical nature. These include:
 - a. the phasing of contributions to the Fund;
 - b. 'fungibility', ie the extent to which funds deposited with the Fund can be called in the event of a default by the Fund;
 - c. whether contributions should be designated in national currencies or a unit of account;
 - d. the level of majority for key decisions and distribution of voting shares.

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4. These issues cause difficulty mainly for the Germans and the Americans, although the ODA are anxious to minimise the impact of our contributions on the Aid Budget.

5. Some developing countries may hope they would secure more concessions from the developed countries if negotiations were to become intermeshed with the Global Negotiations starting in New York in September. In that event the demands of the developing countries in the field of trade and commodities would become increasingly far-reaching. It is therefore in our interests to bring the negotiations to an early conclusion. The issues are not ones on which important negotiations should be allowed to collapse. A bit more flexibility from the Americans and Germans might do the trick.

6. The European Council in Venice underlined the importance of bringing these negotiations to a satisfactory conclusion.

Trade Relations and Exports Department
Foreign and Commonwealth Office

20 June 1980

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UNCTAD COMMON FUND FOR COMMODITIES

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Trade Relations and Exports Department
Foreign and Commonwealth Office

20 June 1980



Tel: 01-233-

with compliments

Sir K E Couzens KCB
Second Permanent Secretary
Overseas Finance

H M TREASURY

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Mr M. Alexander



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000

Direct Dialling 01-233 - 4225

Sir Kenneth Couzens KCB
Second Permanent Secretary
Overseas Finance

20 June 1980

Sir Robert Armstrong KCB CVO
Cabinet Office
Whitehall SW1

Dear Robert

VENICE ECONOMIC SUMMIT

Thank you for sending me copies of your letters of 16 and 19 June about some possible initiatives by President Giscard at the forthcoming Summit meeting.

2. On monitoring progress on energy, I have nothing to add to the comments made by Jack Rampton and Michael Palliser.
3. As for the ideas about recycling, and the creation of a new international institution in Paris, I am glad to note from your letter of 19 June that the French may be having second thoughts about these largely misconceived ideas.
4. We are sceptical about a special initiative on the "burden of recycling" (ie extra aid) in the United Nations. We doubt whether in practice it would bring the Russians to increase their aid. We are not even sure we want to do so. And it would be quite the wrong forum for the Saudis. Moreover it is our general line that these are matters for the IMF.
5. As to the proposed Paris institution, that looked earlier like a rival for the World Bank. The more limited idea of a vehicle for technical assistance seems to fall between at least 2 stools. It still appears to damage or rival the World Bank, which is very active in technical assistance. And it does little for Giscard's original objective of showing the scale of industrial country assistance.
6. I am copying this letter to Michael Palliser and Jack Rampton.

Yours ever
Ken

K E COUZENS

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

20 June 1980

T Lankester Esq
No.10 Downing Street

fa.
Am

Dear Tim,

VENICE SUMMIT

Brief No.18 gives some information on Turkey. The Prime Minister will wish to know that the negotiations to reschedule Turkey's debt, which were taking place in Paris this week, have broken down, and will be resumed on ... 8 July. The attached note gives some background, and a line to take if others raise the subject. We would not recommend the Prime Minister herself to raise it.

The Foreign Office agree the general line of this note.

I am copying this to the Private Secretary to the Foreign Secretary and to the Private Secretary to Sir Robert Armstrong.

yours
John

A J WIGGINS

TURKISH DEBT RESCHEDULING

Line to take (if raised)

- i. UK accepts that Turkey's recovery programme needs to be supported by adequate debt rescheduling;
- ii. We would be prepared, if there were a consensus, to take the unprecedented step of rescheduling already rescheduled debt.

Background

Turkey has reached an agreement with the IMF for a 3 year standby, totalling SDR 1250 million. The standby was ratified by the IMF Executive Board on 18 June. The IMF staff considered that the standby needed to be supported by a generous debt reshuffling.

The negotiations to reschedule Turkey's debts, which were going on in Paris this week have ended in disagreement. Turkey wanted rescheduled:-

- i. 95% of all her arrears arising to 30 June 1980, and most other debts incurred before 1 January 1980; including;
- ii. The maturities that have yet to arise under the earlier rescheduling agreements concluded in 1978 and 1979.

The creditors were prepared to reschedule 90% of the debts in (i), but could not agree to reschedule maturities yet to arise under the two earlier agreements. It was on this point that the meeting broke down. Rescheduling already rescheduled maturities is not desirable, and is without precedent, but a number of countries (including ourselves) indicated that they would be prepared to do this, in the last resort, if this would secure final agreement. It would not directly affect the UK public expenditure totals. The Americans however were adamant that they could not make such a concession.

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This is apparently mainly because the Congress would be deeply opposed. Turkey would not accept a rescheduling without this provision because it would leave her with greater debt repayments than could be serviced without cutting back on imports, which are already under pressure.

The negotiations will be resumed on July 8th.

H M TREASURY

20 June 1980

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Ref A02407

MR ALEXANDER

VENICE SUMMIT: OPENING STATEMENT

With my minute of yesterday's date I attach a first draft of this statement. This has now been revised in the light of comments from the Foreign and Commonwealth Office. I attach this revised version.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

20 June 1980

Enc

VENICE: DRAFT OPENING STATEMENT: ECONOMIC DISCUSSION

1. When we met last year in Tokyo we had to face the impact on the world economy of the second huge increase in oil prices in 5 years. Oil cost \$2 a barrel in 1975. It costs \$30 now. The price increases of 1975/74, and 1979/80 have each caused major harm to the world economy.

2. The damage which we foresaw in Tokyo is now upon us. In 1978 inflation was at an average rate of 8 per cent in OECD countries. In April this year it was 14 per cent. For some of us it is much worse. We may have reached the peak of the inflation but the recession is only now beginning. The world will lose at least 2 per cent of growth in 1980 alone. In spite of the efforts of the moderates in OPEC we have no assurance that the rapid succession of oil price increases which began last year is at an end.

3. The less developed countries which have no oil will suffer at least as much as the developed countries. It may be that for them the worst still lies ahead. They face the effects of world recession and the need to finance and adjust to the higher oil price. In doing so they will need help, both from the international financial institutions and from the stronger countries of the West and of OPEC. This is necessary not only for economic and humanitarian reasons; but also because of the serious political implications for the West, following the invasion of Afghanistan, if their problems are left untreated. We must therefore respond to these problems with sympathy and examine how best we can initiate action at this meeting.

4. There have been some encouraging developments. I hope that the Zimbabwe settlement will open the way to economic improvement in central Africa. I welcome too the admission of the People's Republic of China to the International Monetary Fund and the World Bank as a positive step towards a stronger world economy. But other developments can only be regarded as set backs which have added to the damage caused by the oil price increase. The Soviet invasion of Afghanistan and the taking of American hostages in Iran have led to interruptions in trade. Fighting and civil disorder in large areas of East Africa contribute to human misery there and further retard development.

5. In this situation we must continue to give first priority to the fight against inflation. We are all anxious to avoid a general recession. But we shall have no sound basis for recovery if we do not achieve a major reduction in the rate of inflation. We could swiftly find ourselves back into double digit inflation as soon as recovery started, and that would stop recovery in its tracks.

6. We must at the same time create the right conditions for the massive investments necessary to reduce dependence on OPEC oil. They include the £20 billion invested in North Sea oil and gas, the investments of France in her nuclear programme, the public programmes for new energy sources announced by the President of the United States, the world wide retooling of the motor industry to produce smaller and more economic cars and so on. This is the main route by which we can escape during the 1980s from the constant threat of high inflation and low growth now imposed by oil price and supply. It is the way to loosen the link between growth and OPEC oil. It represents a massive challenge to the organising ability and technical skill of the free world, as well as a huge demand on its economy. It calls for the right pricing policies to call forth this investment and the right regulatory, tax and environmental policies to foster it and make it acceptable.

7. There must also be the right conditions for the flow of funds which have to finance the large deficits created for both less developed and developed countries by the oil price increases, and to finance the new energy investments. I believe that the capital markets of the free world can measure up to most of this task, but we will need to consider how the international financial institutions, especially the IMF and the World Bank, can be enabled to do more.

8. One more requirement of policy which I mention last is not the least important. It is that we should counsel moderation in the pricing policy of OPEC. They have seen what immoderate increases do to the world economy and especially to the less developed countries. Their own interests are not served by these consequences. Moderation in pricing is a mutual interest. We should welcome a constructive dialogue on energy and related issues if this seems likely to be fruitful.

9. I believe that the free economies of the world can rise to this challenge and in doing so can use and preserve the open market system with which their freedom is linked. I hope that we can profit from our experience after the first major oil price increase. That experience taught us that the first priority ought to be to win the battle against inflation.

Ref: A02403

Prime Minister.
Am not very busy dark
happy. No Venice. 19/6/80.
we will discuss it

MR. ALEXANDER

Venice Economic Summit: Prime Minister's
Opening Statement

We agreed that I would arrange for the drafting of an opening statement for the Prime Minister to make at the first session of the Venice Summit.

2. The attached, based on a first draft by the Treasury, is still subject to comments from the Foreign and Commonwealth Office which I expect to receive soon. I will then let you have a revised draft in the light of these.

RA

Robert Armstrong

19th June 1980



Foreign and Commonwealth Office

London SW1A 2AH

19 June 1980

Michael O'D B Alexander Esq
10 DOWNING STREET

Prime Minister (2)

PM 5/19/80

Dear Michael,

POLITICAL DISCUSSION AT THE VENICE SUMMIT

1. In your letter of 9 June, you said that the Prime Minister had asked how the Seven would implement the passage in the proposed draft communiqué for Venice promising to 'support' the efforts to strengthen the political independence and security of the states in South West Asia. In this context, I would see the word 'support' as covering the whole range of political, economic and military aid and cooperation offered by the Seven to states in the region. That aid is described in the main brief on the Western reaction to the invasion of Afghanistan, prepared for the Prime Minister's use at Venice.

2. The Prime Minister also asked whether a 'non-aligned' Afghanistan was not much the same as a 'Finlandised' Afghanistan. My short answer to that question would be 'yes, if we are lucky': but the question merits a fuller reply than that. The non-aligned countries which are actively calling for Soviet withdrawal seek an independent and non-aligned status for Afghanistan. So do some major Western countries, notably the United States and France: this is why the phrase appears in the agenda for Venice. We ourselves have used the word 'neutrality', as well as 'non-aligned', since the first perhaps implies more clearly the absence of foreign forces. But it also seems to carry difficult connotations for some of the non-aligned and Lord Carrington has made clear that he sees no need to insist on it. In practice what we all want is for the Russians to withdraw their troops from Afghanistan, leaving an independent Afghan Government, with such guarantees as can be devised against renewed military intervention.

/3.



3. These questions of definition aside, it will be a major achievement if the Soviet Union can be brought to withdraw from Afghanistan, perhaps by a combination of pressure from the Afghans themselves as well as from the outside world. The question of subsequent guarantees is complex: countries such as India could provide an important element.

4. But to come back to my short answer to the Prime Minister's question, the fact is that in the future as in the past, any would-be independent government of Afghanistan will have to take prudent account of the interests of the Soviet Union. Indeed, since 1978 at least, the Afghans have in practice been substantially less independent of the Soviet Union than Finland. If there is any other moral to draw, it is perhaps that the sort of courageous and dogged resistance which the Finns put up against the Soviet invasion of 1940 and 1944 explains why they, unlike Czechoslovakia or Mongolia, are not now members of the Warsaw Pact with a Soviet garrison. It remains to be seen whether similar courage by the Afghans can, with help from outside, achieve a similar result.

To the Sec.

Michael

Michael Palliser

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20 JUN 1980



CABINET OFFICE

With the compliments of
Sir Robert Armstrong KCB, CVO
Secretary of the Cabinet

C. A. Whitmore, Esq.

70 Whitehall, London SW1A 2AS
Telephone: 01-233 8319

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CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01 233 8319

From the Secretary of the Cabinet Sir Robert Armstrong KCB CVO

2.

Prime Minister
To see.
Kw
Kw

19th June, 1980

Ref. A02389

Venice Summit: Press Briefing

In my letter of 11th June, I told you that I would be giving an unattributable Press briefing prior to the Venice Summit on Friday, 20th June. In addition I agreed to see Fred Emery and Roger Bolton of Panorama, on the same unattributable basis, before they left for Venice in preparation for a forthcoming Panorama programme on the Economic Summit. They came yesterday morning; Bernard Ingham was present at the meeting.

Emery led off with questions about the preparation for Venice. He wondered whether the forthcoming Summit had been better prepared than its predecessors, all the more so when I explained to him that we had so far had four meetings of Permanent Representatives. I replied that I was not in the best position to comment on this view since I had not been involved in the preparation of previous Summits. I said that he should not read too much into the fact that we had had four meetings; one of them had been arranged largely because most of us happened to be in Paris on other business. I thought the Permanent Representatives to be a good working group. They did not "pre-cook" the discussion at the Summit, but they did help to ensure that Heads of State and Government made best use of the limited time they were together, by identifying the main areas they would want to talk about, discovering where they were likely to be in agreement and identifying particular aspects where there might be differences which needed to be talked out in discussion. It was helpful, in my view, for senior Governmental Advisers from the main industrialised countries to be able to keep in regular touch. I explained that our work was concerned with five main areas - macro-economics, energy, international monetary questions, the "North/South" relationship and trade; that although there was no specific theme for the Venice Summit, energy was likely to be a main thread through all the discussions because of its effect on world economic prospects, on monetary questions and on the economic health of the developing world; that in addition to the work of the Personal Representatives,

/the Summit

Sir Michael Palliser, GCMG

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the Summit would take delivery of a quantity of work which had been put in hand at previous Summits (e.g. INFCE and IETG), and also the results of the deliberations of the IEA, OECD and EEC). Emery enquired whether the fact that the Venice Summit was "election ridden" meant that economic issues would be less important than political ones. He also wondered whether the Germans were likely to attach great emphasis to the Brandt Report. I said that I thought that it was impossible for the seven leaders of the leading industrialised nations to get together without discussing political questions and that, in the light of international circumstances, it was probable that the Venice Summit would have a somewhat greater political content than its predecessors. On Brandt, I agreed that Venice was likely to take account of the report, and particularly of the suggestion for a North/South Summit. Later in our talk, I emphasised to Emery that there appeared to be no strong German push for a greater Western commitment to increase aid. Everyone seemed to be aware that there were public expenditure constraints on the amount of help which the industrialised countries could afford to make available for the LDCs.

Both Emery and Bolton wondered whether the political limelight in which the Summits were held tended to over-value them and encourage too great a sense of expectancy. I agreed that there was perhaps a danger of too much world attention being concentrated on the results of the meetings. But it was important and valuable that international Leaders were able to get together, exchange views and understand each other's problems.

Emery asked me whether I thought that the Venice Summit was likely to have to devote much of its energy to putting a good face on the Western Alliance and to repairing strains within it because of developments over Afghanistan, Iran, the Moscow Olympics and the Middle East. I told him that I had not been conscious of particular strains. Our preparatory work had shown a strong sense of coherence among industrialised nations. We all had very similar worries about inflation and recession and about the effect of world events on our own national interests and policies. I agreed with Bolton, however, that the immediate electoral prospects, particularly in the United States, meant that the outlook at Venice would probably be fairly short term. I said that there were signs, on such issues as the replenishment of international financial institutions and energy, that the United States Government were looking to the Summit for support for their position from other industrialised nations. Emery asked me whether I thought the French were likely to launch their awaited initiative on international monetary reform. I said that I had not seen any sign of this in the preparatory meetings, although it was not beyond the realms of possibility that something might be launched at the last minute.

/Finally

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Finally, when pressed on Britain's specific objectives for the Summit, I said that naturally the Prime Minister hoped that its conclusions would reflect her own views on tackling inflation and keeping the level of public expenditure down. The Prime Minister was also anxious, I said, that the Communique should indicate what had been discussed at the Summit and not simply what had been prepared in advance.

I am sending copies of this letter to Ken Couzens, Jack Rampton, Ken Clucas, Clive Whitmore and Bernard Ingham.

ROBERT ARMSTRONG

CONFIDENTIAL



Prime Minister

~~Mr. S. Colville~~
24/6/6
19/6.

MR. ALEXANDER

Venice Economic Summit: Draft Declaration

I sent you a minute on 9th June, to which was annexed the text of a draft declaration, agreed by Personal Representatives, to be submitted to Heads of State and Government for consideration at the Summit in Venice.

2. The Prime Minister said that the draft was, in her view, much too long, specific and detailed for a declaration by Heads of State and Government, and she authorised me to let my fellow Personal Representatives know that she would want to suggest to her colleagues in Venice that they should think in terms of something much shorter, less detailed and more direct. She approved a much shortened and revised version of the draft, and agreed that I should send that round to other Personal Representatives. My message to Personal Representatives and the revised draft was circulated as telegrams nos. 288 and 289 of 17th June to Rome, copies attached.

3. I have had reactions from my American and Italian colleagues. My American colleague was content to accept our redraft of the section on inflation and he preferred our draft concluding paragraph to that which had been agreed in the previous draft. He went on to say that the shortened version on energy, relations with the developing countries and international monetary questions was not acceptable to the American Government. It would be regarded as too general and unspecific by American public opinion. They would want to see the longer version reinstated though they would be prepared to consider taking the detailed material about energy out into an annex to the main text, provided that this could be done in a way which did not diminish the strength of the commitment to the measures described in it.

4. My Italian colleague spoke in very similar lines. He said that Signor Colombo also wished to see the specific material from the earlier draft reinstated.

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5. In reply to them both I said that I thought that this was not just a matter of brevity: it was a matter of what was appropriate for a declaration by Heads of State and Government. It was the Prime Minister's view that a great deal of the material on energy and some of the material on North/South relations in the agreed draft was much too detailed and specific to be the concern of Heads of State and Government. There was evidently a difference of principle here, and I thought that that would have to be the subject of discussion when the Heads of State and Government met in Venice. It would be important for this difference of view to be discussed by Heads of State and Government during the course of Sunday 22nd June, so that by the evening of that day Personal Representatives would know the basis on which Heads of State and Government wanted them to work and could undertake whatever restructuring or redrafting was required.

6. I do not think we can take this matter any further until we get to Venice; but I thought I should warn the Prime Minister that she is likely to face a preference on the part of President Carter and Signor Cossiga and perhaps also of President Giscard, for a declaration on the lines of the draft agreed between Personal Representatives. There is, however, scope for taking out into an annex paragraphs 11 to 20 of that version; and if we were also able to somewhat abbreviate the rest, I think we could arrive at a declaration, the text of which would be little, if any, longer than the version which the Prime Minister approved.

7. I am sending copies of this minute to the Private Secretaries to the Foreign Secretary, the Chancellor of the Exchequer and the Secretaries of State for Trade and Energy.

RA

(Robert Armstrong)

19th June 1980

CONFIDENTIAL.

FM F C O 171244Z JUN 30

TO IMMEDIATE ROME

TELEGRAM NUMBER 288 OF 17 JUNE,

AND TO IMMEDIATE WASHINGTON, PARIS, BONN, OTTAWA, TOKYO, UKREP
BRUSSELS.

VENICE ECONOMIC SUMMIT.

1. PLEASE PASS FOLLOWING PERSONAL MESSAGE FROM SIR ROBERT ARMSTRONG TO RENATO RUGGIERO (WASHINGTON TO HENRY OWEN, PARIS TO BERNARD CLAPPIER, BONN TO HORST SCHULMANN, OTTAWA TO KLAUS GOLDSCHLAG TOKYO TO KYO KIKUCHI, UKREP BRUSSELS TO CRISPIN TICKELL).

MESSAGE BEINGS.

I HAVE NOW HAD AN OPPORTUNITY OF SHOWING THE PRIME MINISTER THE DRAFT DECLARATION WE AGREED IN PARIS ON 6 JUNE. HER STRONGLY HELD VIEW IS THAT IT IS MUCH TOO LONG AND DETAILED FOR A DECLARATION BY HEADS OF STATE AND GOVERNMENT, AND SHE WILL WANT TO SUGGEST TO HER COLLEAGUES IN VENICE NEXT WEEKEND THAT THEY SHOULD THINK IN TERMS OF SOMETHING MUCH SHORTER, LESS DETAILED AND MORE DIRECT. I AM SENDING YOU WITH THIS MESSAGE A DRAFT OF THE KIND OF THING SHE HAS IN MIND: I AM COPYING BOTH THE DRAFT AND THIS MESSAGE TO THE OTHER PERSONAL REPRESENTATIVES. WE CAN NO DOUBT DISCUSS THIS IN GENERAL TERMS WHEN WE MEET ON SATURDAY EVENING, ALTHOUGH I SUSPECT THAT DETAILED DISCUSSIONS OF DRAFTING WILL BE BETTER RESERVED FOR SUNDAY EVENING, WHEN WE MAY HAVE INSTRUCTIONS FROM HEADS OF STATE AND GOVERNMENT.

MESSAGE ENDS.

2. ATTACHED DRAFT FOLLOWS IN MIFT.

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TO IMMEDIATE ROME

TELEGRAM NUMBER 289 OF 17 JUNE

AND TO IMMEDIATE WASHINGTON PARIS BONN OTTAWA TOKYO UKREP
BRUSSELS

M I P T VENICE ECONOMIC SUMMIT

DRAFT DECLARATION

IN THIS OUR FIRST MEETING OF THE 1980 S THE ECONOMIC ISSUES THAT
HAVE DOMINATED OUR THOUGHTS ARE THE PRICE AND SUPPLY OF ENERGY
AND THEIR IMPLICATIONS FOR INFLATION AND THE LEVEL OF ECONOMIC
ACTIVITY IN OUR OWN COUNTRIES AND FOR THE WORLD AS A WHOLE

2 SUCCESSIVE LARGE INCREASES IN THE PRICE OF OIL HAVE PRODUCED
THE REALITY OF HIGHER INFLATION AND THE THREAT OF SEVERE RECESSION
AND UNEMPLOYMENT IN THE INDUSTRIALISED COUNTRIES AT THE SAME
TIME THEY HAVE UNDERMINED AND IN SOME CASES VIRTUALLY DESTROYED
THE PROSPECTS OF BALANCED GROWTH IN THE DEVELOPING COUNTRIES THE
VARIOUS GROUPS OF COUNTRIES THE INDUSTRIALISED COUNTRIES OF THE
FREE WORLD. THE OIL PRODUCING COUNTRIES AND THE NON OIL DEVELOPING
COUNTRIES ALIKE -- DEPEND UPON EACH OTHER FOR THE REALISATION
OF THEIR POTENTIAL FOR ECONOMIC DEVELOPMENT AND PROSPERITY. EACH
CAN OVERCOME THE OBSTACLES TO THAT DEVELOPMENT. BUT ONLY IF ALL WORK
TOGETHER AND WITH THE INTERESTS OF ALL THEIR PEOPLES IN MIND

3. IN THIS SPIRIT WE HAVE DISCUSSED THE MAIN PROBLEMS THAT CONFRONT
US IN THE COMING DECADE.

4. THE REDUCTION OF INFLATION IS OUR IMMEDIATE TOP PRIORITY.
WE MUST NOT SIMPLY INFLATE AWAY THE EFFECTS OF THE RECENT OIL
PRICE INCREASES: WE MUST ACCEPT THEM AS A REAL ADDITIONAL COST

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UPON OUR ECONOMIES DETERMINED FISCAL AND MONETARY RESTRAINT IS REQUIRED TO BREAK INFLATIONARY EXPECTATIONS WE SHALL CO-ORDINATE AMONG OURSELVES TO CARRY OUT THIS POLICY OF RESTRAINT, AND ALSO TO AVOID A WORLD-WIDE RECESSION

5 AT THE SAME TIME AND LOOKING TO THE LONGER TERM WE NEED TO INCREASE PRODUCTIVITY, TO ENCOURAGE THE MOVEMENT OF RESOURCES FROM DECLINING INTO EXPANDING SECTORS SO AS TO PROVIDE NEW JOB OPPORTUNITIES AND TO PROMOTE THE MOST EFFECTIVE USE OF RESOURCES WITHIN AND AMONG COUNTRIES. THIS WILL REQUIRE THE ENCOURAGEMENT OF INVESTMENT AND INNOVATION, AND THE SHIFT OF RESOURCES FROM CONSUMPTION TO INVESTMENT AND FROM GOVERNMENT SPENDING TO THE PRIVATE SECTOR.

6 BY THESE MEANS WE SEEK TO BRING ABOUT GREATER STABILITY IN PRICES AND PROVIDE THE BASIS FOR SUSTAINING A HEALTHY LEVEL OF ECONOMIC ACTIVITY IN OUR OWN COUNTRIES. BY DOING SO WE SHALL IMPROVE JOB OPPORTUNITIES FOR OUR OWN PEOPLE; WE SHALL ALSO ENABLE THE OIL-PRODUCING COUNTRIES TO HAVE CONFIDENCE IN THE VALUE OF THE ASSETS IN OUR COUNTRIES IN WHICH THEY CHOOSE TO INVEST SURPLUS OIL REVENUES; AND WE SHALL PROVIDE USEFUL MARKETS FOR THE GROWING EXPORTS OF THE DEVELOPING COUNTRIES.

7. AN EFFECTIVE AND COMPREHENSIVE ENERGY STRATEGY IS INDISPENSABLE TO THE SECURITY AND ECONOMIC WELL-BEING OF OUR COUNTRIES WE NEED TO, AND WE BELIEVE WE CAN, MAKE OUR USE OF ENERGY MORE EFFICIENT, SO AS TO GET SIGNIFICANTLY MORE POWER OUT OF EVERY BARREL OF OIL (OR ITS EQUIVALENT) THAT WE USE. WE WILL WORK ON OUR OWN AND TOGETHER TO CONSERVE OIL TO IMPROVE THE CONDITIONS AND ARRANGEMENTS UNDER WHICH IT IS MARKETED, TO INCREASE THE SUPPLY AND USE OF COAL, TO EXPAND THE USE OF NUCLEAR POWER, AND TO HASTEN THE DEVELOPMENT OF SYNTHETIC FUELS AND RENEWABLE SOURCES OF ENERGY. WE HAVE NOTED AND WE COMMEND THE RECENT SPECIFIC DECISIONS AND RECOMMENDATIONS OF THE EUROPEAN COMMUNITY, THE INTERNATIONAL ENERGY AGENCY, THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT THE INTERNATIONAL NUCLEAR FUEL CYCLE EVALUATION

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GROUP AND THE INTERNATIONAL ENERGY TECHNOLOGY GROUP TOGETHER THESE DECISIONS AND RECOMMENDATIONS CONSTITUTE A SUBSTANTIAL PROGRAMME OF WORK AND COMMITMENTS ON THE CONSERVATION AND DEVELOPMENT OF ENERGY. SQUARE BRACKETS BEGIN. WE HAVE AGREED UPON ARRANGEMENTS BY WHICH WE SHALL MONITOR THE PROGRESS OF THIS PROGRAMME. SQUARE BRACKETS END.

8 WE REAFFIRM OUR PLEDGE TO ENSURE THAT, AS FAR AS POSSIBLE, INCREASED USE OF FOSSIL FUELS DOES NOT DAMAGE THE ENVIRONMENT; AND IN EXPANDING NUCLEAR CAPACITY, WE WILL CONTINUE TO GIVE THE HIGHEST PRIORITY TO ENSURING THE HEALTH AND SAFETY OF THE PUBLIC TO PERFECTING METHODS FOR DEALING WITH THE DISPOSAL OF NUCLEAR WASTE AND TO MINIMISING THE RISK OF NUCLEAR PROLIFERATION. SQUARE BRACKETS BEGIN WE SHALL INCLUDE PROGRESS IN THESE MATTERS IN THE MONITORING ARRANGEMENTS WE HAVE DECIDED TO ESTABLISH SQUARE BRACKETS END.

9 ALL COUNTRIES HAVE A VITAL INTEREST IN A STABLE EQUILIBRIUM BETWEEN ENERGY SUPPLY AND DEMAND. TO THIS END WE SHOULD WELCOME A CONSTRUCTIVE DIALOGUE ON ENERGY AND RELATED ISSUES BETWEEN THE OIL-PRODUCING AND OIL-CONSUMING NATIONS

AND

10. THE PRESENT/FORESEEABLE DIFFICULTIES WHICH THREATEN THE WORLD GIVE NEW AND GREATER IMPORTANCE TO RELATIONS BETWEEN DEVELOPED AND DEVELOPING COUNTRIES. A MUTUALLY ADVANTAGEOUS RELATIONSHIP WITH THE DEVELOPING COUNTRIES IS AN ESSENTIAL ELEMENT IN OUR STRATEGY FOR DEALING WITH THE PROBLEMS OF THE COMING DECADE. IN THIS SPIRIT WE APPROACH THE PROSPECT OF GLOBAL NEGOTIATIONS IN THE FRAMEWORK OF THE UNITED NATIONS AND THE FORMULATION OF A NEW INTERNATIONAL DEVELOPMENT STRATEGY.

11 OUR OBJECT IS TO CO-OPERATE WITH THE DEVELOPING COUNTRIES IN ENERGY CONSERVATION, THE DEVELOPMENT OF INDIGENOUS ENERGY RESOURCES, THE EXPANSION OF EXPORTS, THE ENHANCEMENT OF HUMAN SKILLS AND THE TACKLING OF UNDERLYING FOOD AND POPULATION PROBLEMS.

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12 WE URGE DONOR NATIONS INCLUDING OIL EXPORTING COUNTRIES TO MAKE EVERY EFFORT TO MAXIMIZE THE FLOW OF AID WE RECOGNISE THE IMPORTANCE OF PRIVATE CAPITAL AND OF PROVIDING A CLIMATE WHICH WILL ENCOURAGE DIRECT INVESTMENT. WE LOOK TO THE INTERNATIONAL FINANCIAL INSTITUTIONS TO IMPROVE AND INCREASE THEIR LENDING PROGRAMMES, PARTICULARLY FOR EXPLORATION DEVELOPMENT AND PRODUCTION OF ENERGY IN DEVELOPING COUNTRIES. FOR THESE PURPOSES WE STRONGLY SUPPORT THE PRESENT REPLENISHMENTS OF THESE INSTITUTIONS: THESE REPLENISHMENTS ARE VITAL TO THE ECONOMIC WELL-BEING OF DEVELOPING COUNTRIES. AND IT IS ESSENTIAL THAT ALL MEMBERS SHOULD PROVIDE THEIR FULL CONTRIBUTIONS ON THE AGREED SCHEDULE.

13. WE WELCOME THE REPORT OF THE BRANDT COMMISSION. AND SHALL CAREFULLY CONSIDER ITS RECOMMENDATIONS. SQUARE BRACKETS BEGIN WE BELIEVE THAT A NORTH-SOUTH SUMMIT AS SUGGESTED IN THAT REPORT. COULD BE USEFUL IN THE RIGHT CIRCUMSTANCES AND AT THE RIGHT TIME SQUARE BRACKETS END.

14 IN THE SITUATION CREATED BY OIL GENERATED PAYMENTS IM-BALANCES WE NEED DETERMINED ACTION TO PROMOTE EXTERNAL ADJUSTMENT AND EFFECTIVE MECHANISMS FOR BALANCE OF PAYMENTS FINANCING. WE LOOK TO THE INTERNATIONAL CAPITAL MARKET TO CONTINUE TO PLAY THE PRIMARY ROLE IN RECYCLING OIL SURPLUSES ON THE BASIS OF SOUND LENDING STANDARDS: BUT THIS WILL NEED TO BE SUPPLEMENTED BY AN EXPANDING ROLE FOR INTERNATIONAL INSTITUTIONS. AND ESPECIALLY THE INTERNATIONAL MONETARY FUND (IMF) WE WELCOME THE FUND'S READINESS TO ACCEPT THIS EXPANDED ROLE. AND WE CONFIRM OUR COMMITMENT TO THE IMPLEMENTATION OF THE AGREED INCREASE IN IMF QUOTAS.

15. WHEN RECESSION THREATENS, THERE IS A TEMPTATION TO YIELD TO PRESSURES FOR INCREASED PROTECTIONISM. THAT CAN ONLY BE SELF DEFEATING AND AGGRAVATE INFLATION. ON THE CONTRARY. WE NEED AND WE ARE RESOLVED IN FUTURE TO STRENGTHEN THE OPEN WORLD TRADING SYSTEM WHICH HAS CONTRIBUTED SO MUCH TO EMPLOYMENT AND PROSPERITY IN THE LAST 30 YEARS. WE WELCOME AND ARE IMPLEMENTING THE POSITIVE CONCLUSIONS OF THE LATEST ROUND OF MULTILATERAL TRADE NEGOTIATIONS

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IN THE FRAMEWORK OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT) INCLUDING THE NEW NON-TARIFF BARRIER CODES. WE CALL FOR THE FULL PARTICIPATION OF AS MANY COUNTRIES AS POSSIBLE IN STRENGTHENING THE GATT AND MAKING IT AN INCREASINGLY EFFECTIVE INSTRUMENT OF INTERNATIONAL TRADE. WE REAFFIRM OUR DETERMINATION TO AVOID A HARMFUL EXPORT CREDIT RACE AND WILL WORK WITH THE OTHER PARTICIPANTS TO STRENGTHEN THE INTERNATIONAL ARRANGEMENT ON EXPORT CREDITS WITH A VIEW TO REACHING A MUTUALLY ACCEPTABLE SOLUTION ON ALL ASPECTS OF THE AGREEMENT BY 1 DECEMBER 1980.

16. THE ECONOMIC MESSAGE FROM THIS VENICE SUMMIT IS CLEAR. THE KEY TO SUCCESS IN RESOLVING THE MAJOR ECONOMIC CHALLENGES WHICH THE WORLD FACES - INFLATION, RECESSION, MONETARY INSTABILITY AND THE THREAT TO GROWTH AND DEVELOPMENT - IS TO ACHIEVE AND MAINTAIN A BALANCE BETWEEN ENERGY SUPPLY AND DEMAND AT REASONABLE LEVELS AND AT REALISTIC AND TOLERABLE PRICES. THE STABILITY AND PROSPERITY OF THE WORLD ECONOMY ON WHICH THE PROSPERITY OF EVERY INDIVIDUAL COUNTRY RELIES, DEPENDS UPON ALL OF THE COUNTRIES CONCERNED - THE INDUSTRIALISED COUNTRIES OF THE FREE WORLD - THE OIL-PRODUCING COUNTRIES AND THE NON-OIL DEVELOPING COUNTRIES- RECOGNISING THEIR MUTUAL NEEDS AND ACCEPTING THEIR MUTUAL RESPONSIBILITIES. IN THIS SPIRIT WE WHO REPRESENT SEVEN LARGE INDUSTRIALISED COUNTRIES OF THE FREE WORLD ARE READY TO TACKLE OUR OWN PROBLEMS WITH DETERMINATION AND TO WORK WITH OTHERS WHO WILL WORK WITH US TO MEET THE CHALLENGES OF THE COMING DECADE, TO OUR OWN ADVANTAGE AND TO THE BENEFIT OF THE WHOLE WORLD.

CARRINGTON

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PS/PUS
SIR D MAITLAND
LORD BRIDGES

MR BULLARD

MR HANNAY
MR EVANS
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MR DONALD
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MISS BROWN

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ECONOMIC SUMMIT

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Foreign and Commonwealth Office

London SW1A 2AH

19 June 1980

Sir Robert Armstrong KCB CVO
CABINET OFFICE

Dear Robert,

VENICE ECONOMIC SUMMIT

1. I have seen a copy of your letter of 16 June and Jack Rampton's reply of 18 June about the French proposal to set up an informal group of representatives of Summit countries to monitor progress on the energy measures to be agreed at Venice.
2. Clearly the setting up of such a group would be a highly undesirable development for the reasons Jack gives. Other Summit countries are likely to make the points about not undermining the International Energy Agency and about taking care of the susceptibilities of the smaller members of the International Energy Agency. We shall want to stay with the pack.
3. On the other hand, as we have already discussed in Venice if everyone attacks the French ideas on recycling, there may be some disposition on the part of others to compensate the French by agreeing to their ideas on monitoring, on the basis that they are not too tiresome and would be a way of bringing the French back into the system. In that case, a fallback would be necessary and Jack's suggestion seems admirable.

Yours ever,

Richard

Michael Palliser

cc: Sir Jack Rampton KCB
DEPARTMENT OF ENERGY
Sir Kenneth Couzens KCB
HM TREASURY
M O'D B Alexander Esq
10 DOWNING STREET



19 JUN 1980



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file B



10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

Venice Economic Summit

The Prime Minister has seen your letter of 16 June to Michael Palliser on this subject. She has noted the reference to a French proposal to create a new institution based in Paris to help the developing countries. She agrees that our reaction to this proposal should be negative.

I am sending copies of this minute to Michael Palliser and Ken Couzens.

M. O'D. B. ALEXANDER

19 June 1980

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GC



CABINET OFFICE

With the compliments of
Sir Robert Armstrong KCB, CVO
Secretary of the Cabinet

M. O'D. B. Alexander, Esq

70 Whitehall, London SW1A 2AS
Telephone: 01-233 8319

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CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet Sir Robert Armstrong KCB CVO

Ref: A02395

19th June 1980

Venice Economic Summit

I have now had an opportunity of talking with Jacques Wahl at the Elisee about the Giscard "initiatives" of which I informed you in my letter of 16th June.

I enclose a copy of the message which I sent him.

In reply Wahl said that he wanted to take advantage of my suggestion that he should reply by telephone. The points which I mentioned were indeed in the President's mind. There was, of course, nothing elaborated or specific in his thinking.

Wahl said that it should be understood that the proposed informal group to monitor the progress on energy was not intended to interfere with the work of the International Energy Agency.

As to the proposed initiative in the United Nations, Wahl said that, if the French Government wished to have a committee or body in the United Nations looking at the question how to share the burden of recycling oil surpluses, that was because in the view of the French Government it was necessary to involve the socialist countries in sharing this burden.

As to the proposition for a new aid institution, the thinking was that, if additional development aid by the industrialised countries was channelled through international multilateral institutions, then the political benefit to the countries in question was diluted. This led the President to think in terms of the possibility of a new kind of channel. He had thought that this might be within or alongside the OECD, but he now understood that this would be difficult, because the United States Congress was unlikely to be willing to contemplate aid other than through existing institutions. There remained, however, the possibility of an institution that would be a vehicle for scientific and technological assistance.

I am sending copies of this letter to Jack Rampton, Ken Couzens and Michael Alexander.

ROBERT ARMSTRONG

Sir Michael Palliser, GCMG

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TO: MONSIEUR JACQUES WAHL,
SECRETAIRE-GENERAL DE LA PRESIDENCE DE LA REPUBLIQUE,
ELYSEE, PARIS.

FROM: SIR ROBERT ARMSTRONG. CABINET OFFICE, LONDON.

DEAR JACQUES,

THE 'ON DIT' AT VENICE LAST WEEK WAS THAT THE PRESIDENT OF THE REPUBLIC MIGHT HAVE TWO PROPOSALS TO PUT BEFORE THE SUMMIT MEETING THIS WEEKEND:-

- (1) A PROPOSAL FOR SETTING UP AN INFORMAL GROUP OF REPRESENTATIVES OF THE SUMMIT HEADS OF STATE AND GOVERNMENT TO MONITOR THE PROGRESS OF MEASURES ON ENERGY.
- (2) A PROPOSAL THAT THE SUMMIT COUNTRIES SHOULD TAKE AN INITIATIVE IN THE UNITED NATIONS TO INVOLVE OPEC AND COMMUNIST COUNTRIES AS WELL AS THE INDUSTRIALISED COUNTRIES IN THE PROBLEMS OF RECYCLING OIL SURPLUSES AND TEMPERING THE WIND TO THE DEVELOPING COUNTRIES: AND SHOULD ALSO, IN ORDER TO MAKE THE EFFORT OF THE INDUSTRIALISED COUNTRIES MORE VISIBLE, PROPOSE THE CREATION OF A NEW INSTITUTION, POSSIBLY LINKED TO THE OECD BUT FINANCED BY THE INDUSTRIALISED COUNTRIES, TO HELP THE DEVELOPING COUNTRIES NOT JUST IN ENERGY CONSERVATION AND DEVELOPMENT BUT IN ALL FIELDS.

IT WOULD OBVIOUSLY BE USEFUL FOR US TO KNOW, BEFORE WE GO TO VENICE, WHETHER THESE REPORTS ARE WELL-FOUNDED: AND, IF THERE IS ANYTHING MORE THAT YOU CAN TELL ME BY WAY OF CORRECTION OR AMPLIFICATION OF THESE IDEAS AS REPORTED, I SHALL BE VERY GRATEFUL TO HAVE IT, BY TELEPHONE IF YOU PREFER THAT TO WRITING.

I LOOK FORWARD TO MEETING YOU IN VENICE.
WITH WARM PERSONAL REGARDS.

ROBERT ARMSTRONG

BT

19 JUN 1960



Cabinet / Cabinet Committee Document

The following document, which was enclosed on this file, has been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES.

Reference: CC(80) 24th Conclusions, Minute 2 (extract)

Date: 19 June 1980

Signed AWayland Date 18 February 2010

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TO IMMEDIATE F C O

TELEGRAM NO 2296 OF 18 JUNE

INFO PARIS, BONN, ROME, OTTAWA, TOKYO, UKREP BRUSSELS, UKDEL NATO

Read in full

WASHINGTON TELNO 2144: THE VENICE SUMMIT: US POLITICAL SITUATION

1. IN A PRESIDENTIAL ELECTION YEAR AMERICAN FOREIGN POLICY IS NORMALLY SUBORDINATED TO DOMESTIC POLITICS; AND PRESIDENT CARTER WANTS ABOVE ALL THINGS TO BE RE-ELECTED. BUT THIS YEAR FOREIGN POLICY, IN THE FORM OF AMERICA'S STANDING AND CREDIBILITY IN THE EYES OF HER ALLIES AND ADVERSARIES ALIKE, IS LIKELY TO BE A MAJOR ISSUE IN THE CAMPAIGN. SELF-INTEREST AND STATESMANSHIP THUS COMBINE TO GIVE CARTER THE BEST OF REASONS FOR GOING TO VENICE DETERMINED TO PLAY, AND TO BE SEEN TO BE PLAYING, AN AUTHORITATIVE AND CONSTRUCTIVE ROLE IN REPAIRING WHAT IS SEEN HERE AS THE DISARRAY AND LOSS OF PURPOSE IN THE WESTERN ALLIANCE.

2. CARTER IS CONFIDENT OF WINNING THE DEMOCRATIC PARTY NOMINATION IN AUGUST AND VIRTUALLY ALL INDEPENDENT OBSERVERS CONCUR. BUT HIS POOR PERFORMANCE AGAINST KENNEDY IN PRIMARIES IN THE MAJOR INDUSTRIAL STATES AND KENNEDY'S CONTINUING CHALLENGE (WHICH NOW CENTRES ON A CLASH OF POLICIES AND PHILOSOPHIES, RATHER THAN PERSONALITIES) HAVE SO FAR PREVENTED HIM FROM UNITING THE DEMOCRATIC PARTY AROUND HIM AND FROM QUIETING DOUBTS ABOUT HIS ABILITY TO DEFEAT REAGAN IN NOVEMBER. THIS HAS CREATED SOME NERVOUSNESS IN THE WHITE HOUSE, EXACERBATED BY THE FEAR THAT THE INDEPENDENT CANDIDACY OF ANDERSON COULD TIP THE BALANCE IN REAGAN'S FAVOUR IN KEY STATES. CURRENT POLLS SHOW CARTER AND REAGAN RUNNING NECK AND NECK, WITH ANDERSON A STRONG THIRD.

3. CARTER'S SELF-CONFIDENCE IS LARGELY UNAFFECTED BY FLUCTUATIONS IN HIS POPULARITY. AT THE SAME TIME HE AND, STILL MORE, HIS INNER CIRCLE OF ADVISERS ARE ACUTELY SENSITIVE TO THE OPINION POLLS AND LIABLE TO LET CALCULATIONS OF DOMESTIC EXPEDIENCY GOVERN THEIR WORDS AND ACTIONS, WITH APPARENTLY LITTLE APPRECIATION OF THE CONTRADICTIONS AND CONFUSION WHICH MAY ENSUE. JITTERS IN THE WHITE HOUSE HAVE BEEN REFLECTED IN SOME UNSURENESS OF TOUCH IN RECENT WEEKS, E.G. THE PRESIDENT'S PUBLIC CRITICISM OF VANCE; HIS AWKWARDLY TIMED LATEST LETTER TO SCHMIDT; HIS LEGALLY IMPROPER DECLARATION THAT RAMSEY CLARK SHOULD BE PROSECUTED FOR GOING TO IRAN; AND HIS DISPUTES WITH CONGRESS OVER THE BUDGET, WHERE THE PRESIDENT CRITICISED CONGRESS FOR ADDING TOO MUCH TO THE DEFENCE BUDGET AT THE EXPENSE OF SOCIAL SERVICES WHILE GOING ON TO MAKE EXPENSIVE AND VOTE-CATCHING DEFENCE PROMISES HIMSELF.

4. THE PRESIDENT'S RELATIONS WITH CONGRESS, ALWAYS UNEASY, ARE AT A PARTICULARLY LOW EBB, DUE IN PART TO POOR WHITE HOUSE LIAISON

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WORK AND TO THE ENDEMIC INDISCIPLINE OF CONGRESS. MANY MEMBERS OF THE DEMOCRATIC MAJORITY, THEMSELVES STANDING FOR ELECTION THIS YEAR, SEE IDENTIFICATION WITH CARTER AS A LIABILITY AND ARE STRIVING TO ESTABLISH THEIR OWN INDEPENDENCE WITH THEIR ELECTORATES. CONGRESS'S DEFEAT OF THE 10¢ A GALLON OIL IMPORT FEE AND SUBSEQUENT OVERTURNING OF THE PRESIDENT'S VETO WAS THE FIRST TIME A DEMOCRATIC CONGRESS HAD SO TREATED A DEMOCRATIC PRESIDENT SINCE TRUMAN.

5. THE AMERICAN PRESS HAS PREDICTABLY BATTENED ON ALL THESE ISSUES TO PORTRAY THE PRESIDENT AS INCREASINGLY A LAME DUCK. IT CITES THE STATE OF THE ALLIANCE AS EVIDENCE OF HIS FAILURE OF LEADERSHIP. THE PRESS'S TREATMENT OF THE PRESIDENT IS SELECTIVE. IT IGNORES THAT ALONG WITH HIS FAILURES, CARTER HAS SCORED SOME IMPORTANT RECENT SUCCESSES IN CONGRESS, E.G. APPROVAL OF REGISTRATION FOR THE DRAFT, PASSAGE OF A MAJOR CIVIL RIGHTS REFORM IN THE HOUSING FIELD AND ADOPTION OF IMPORTANT ELEMENTS OF HIS ENERGY PROGRAMME. NOW THAT IRAN HAS RECEDED FROM THE HEADLINES (THOUGH IT REMAINS BOTH A MAJOR CONCERN AND TEST FOR THE ADMINISTRATION) THERE IS NO SINGLE DOMINANT FOREIGN POLICY ISSUE ON WHICH THE PRESIDENT IS JUDGED: AND CURRENT PUBLIC DISSATISFACTION IS AS MUCH A FAILURE OF PRESENTATION AS OF SUBSTANCE. ON THE WHOLE, THERE HAS BEEN SOMEWHAT GREATER CONTINUITY OF POLICY THAN IS EVIDENT FROM THE CONTRADICTORY STATEMENTS AND TACTICAL SWITCHES WHICH CARTER HAS MADE.

6. THIS IS NOWHERE MORE TRUE THAN IN RESPECT OF THE ALLIANCE. TO SOME EXTENT THE ADMINISTRATION HAVE ONLY THEMSELVES TO BLAME FOR THE PUBLIC PERCEPTION OF ALLIANCE DISARRAY SINCE, BOTH ON IRAN AND AFGHANISTAN AND ON THE MIDDLE EAST IN GENERAL, THE WHITE HOUSE HAVE TENDED TO EMPHASISE THE SIGNIFICANCE OF DIFFERENCES BETWEEN THE ASSESSMENTS OF SOME OF THEIR ALLIES AND THEIR OWN AND HAVE THEMSELVES DEPLOYED CRITICISM OF THE ALLIES FOR POLITICAL ENDS. IT IS THUS NO SURPRISE THAT, AT THE SAME TIME THAT THE WHITE HOUSE DO LITTLE TO HIDE THEIR IRRITATION WITH GERMAN ATTITUDES AND ACTIONS, CARTER SHOULD TELL AN ITALIAN JOURNALIST THAT THE ALLIANCE HAS NEVER BEEN STRONGER, SINCE THAT IS THE PICTURE HE NEEDS TO PAINT ON THE EVE OF THE SUMMIT.

7. BUT CARTER'S CONCERN TO REESTABLISH AN IMAGE OF ALLIANCE SOLIDARITY AND AMERICAN AUTHORITY IS NOT JUST ELECTORAL WINDOW-DRESSING IT REFLECTS A WIDELY FELT ANXIETY HERE ABOUT THE STATE OF THE ALLIANCE: AND A GREAT MANY AMERICANS, NOT JUST THE PRESIDENT, HOPE THAT THE VENICE SUMMIT CAN RECREATE A SENSE OF PARTNERSHIP WHICH, THEY FEAR, HAS BEEN BICKERED AWAY OVER RECENT MONTHS.

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XXXXXXXXXX
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SIR JACK RAMFTON KCB
PERMANENT UNDER-SECRETARY OF STATE

CONFIDENTIAL

18th June 1980.

Dea Robert

Venice Economic Summit

Thank you for sending me copies of your letters of 16th and 18th June to Michael Palliser.

The French proposal for an informal group of representatives of the Summit countries to monitor progress on energy is a renewal of a ploy they tried at Tokyo to get fully into international energy discussions without joining the IEA. On their initiative the Tokyo Summit agreed to set up a High Level Group to monitor progress in reducing oil imports. The French followed this up by promoting a meeting of the Seven Summit Energy Ministers in Paris last September. Most others saw this as a move to undermine the IEA and the meeting proved to be a non-event. The High Level Group itself only met once for less than 3 hours. Thereafter monitoring was effectively taken over by the IEA and the European Community.

Against this background we should view this new French suggestion with great caution. Its implementation would be likely to undermine the IEA by transferring effective decision-making from its Governing Board to the informal group. Pre-cooking of matters for discussion would be bitterly resented by the smaller countries - particularly the Dutch - who were very bothered by the Tokyo decision and the September meeting in Paris. And the French cannot reasonably expect a say in IEA decisions if they are not prepared to accept the responsibilities of membership. These considerations seem to us to outweigh the American point about bringing the French informally into the IEA network. Engelmann told David Jones on the telephone this morning that the Germans also did not like the French idea and that he thought Lambsdorff would oppose it.

I hope therefore that it will be possible to resist this French suggestion - and perhaps even suggest tactfully that the time has come for France to join the IEA! If because of American support we cannot stop the idea, it is important that the new group should be very informal - perhaps meeting over a meal before IEA meetings - and that no reference to its establishment should be made in the communique.

Two other points on the revised draft communique. First, my Secretary of State thinks it is important to include a reference to prices and the market mechanism. This might be done by adding

Handwritten: ✓ *for Robert*

Handwritten: M. P.

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after the third sentence in para. 7 -

"The main factors in encouraging energy investment and conservation will be market forces and realistic prices. Consumer prices for oil should reflect the world price."

Second, it may well be necessary to add something about the short-term oil situation. But that can probably only be decided on the spot.

We will be working the above points into revised briefs including a new one on the short term situation. But I thought it might be helpful to set them out for you.

Engelmann also mentioned that the Germans have ready in case a much shorter section on energy - about one page.

I am sending copies of this letter to Michael Palliser, Ken Couzens and Michael Alexander.

Yours

Paul

Sir Robert Armstrong KCB, CVO,
Cabinet Office,
70 Whitehall,
London SW1A 2AS.

18 JUN 1960

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* * * * *



Foreign and Commonwealth Office

London SW1A 2AH

17 June 1980

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M O'D B Alexander Esq
10 DOWNING STREET

Prime Minister

This all seems to have gone smoothly. It may well be that the political discussion (+ the political section & the communiqué) ^{will} ~~may~~ be the most valuable part of the Summit.

Dear Michael,

POLITICAL DISCUSSION AT VENICE

Phd 19/6

1. As foreshadowed in my letter of 6 June, I attended, as the Prime Minister's personal representative, a 7-power meeting called by the Italians in Rome on 16 June to prepare for the proposed political discussions at the Venice Summit. A list of participants is at Annex A. (The American, German, French and British teams were almost the same as for the secret 4-power meeting on the same subject in Paris on 3-4 June.)

2. Timetable This will of course be for the Heads of Government to decide, at their opening breakfast on 22 June. But we agreed in Rome to recommend that, following a morning on economic affairs, political discussion should begin with a working lunch on 22 June attended only by Heads of Government and Foreign Ministers; that this should be followed by an afternoon meeting on political questions, at which the same two-person teams would be joined by one note-taker; and that the day should end with a dinner attended only by the Heads of Government, who might wish on that occasion to pull together both the economic and the political threads of the day's proceedings. That would leave 23 June as a wholly economic day, except that agreement would need to be reached then on the whole communiqué, including its concluding section on political affairs (unless the latter had been disposed of at the end of Sunday's discussion).

3. Documents

- (a) We agreed without amendment on the 'annotated agenda' (Annex B) which had been secretly pre-agreed at the Paris meeting and was before us as a nominally American draft. As you will see, it is now called 'Points of reference for the discussion'.
- (b) We also agreed on a draft passage for the communiqué (Annex C), to follow the main economic section. As planned at Paris, we started with a nominally French draft and agreed a number of small additions already negotiated à quatre. The other 3 delegations (Italians, Japanese and Canadians) did not seem to detect the process of quadripartite 'fixing' and themselves suggested only the most minor of the drafting changes.

/4.



18 JUN 1961



4. The Prime Minister is not of course committed to either of these documents. But I think they would in fact be quite satisfactory from our point of view.

5. Substance Only two fresh points of interest emerged in our discussions:-

(i) The Japanese are nervous about discussing China. Ostensibly, they are content that the subject should be on the agenda (last paragraph of document at Annex B), given that there is no proposal to mention it in the communiqué. In practice, I suspect they may want to keep even private discussion to a minimum. Their representative was discreet about the reasons for his caution. But one can see that one of the great Asian powers might be concerned not to seem^a/least openly to be discussing the other with a gang of foreign devils!

(ii) The Canadians suggested that their Prime Minister was likely to want to raise the subject of 'crisis management' in general, ie lessons for the future from the less-than-brilliant western handling of the Afghan crisis. They read out a list of objectives (Annex D) which M. Trudeau might have in mind for the upshot of the political discussions at Venice. They got little support but did not seem very ready to be discouraged.

6. It was generally agreed that Afghanistan was the special circumstance which called for political discussion in what has hitherto been a purely economic forum; and that the political agenda should therefore be Afghanistan-related. If the Germans still have ambitions to widen things out at Venice they gave little indication of it at Rome; and only made passing reference to Chancellor Schmidt's visit to Moscow.

7. No one mentioned Arab-Israel or the Middle East.

8. Little attention was paid to the three "spare" pieces of communiqué text which had been agreed earlier by the economic preparatory group, which had however suggested that they might be better included in the political section. These concerned terrorism/hostage-taking; hijacking; and refugees. They are annexed to Robert Armstrong's minute to you of 9 June (A 02297). It seemed to be tacitly accepted that the first^{ty} should be excluded from the communiqué but given to the press after the meeting by the Italian chairman, acting explicitly on behalf of all 7 governments. As regards refugees, the Germans pointed out that the proposed text (Annex E) seemed unsatisfactory in two ways. It did nothing to discourage tyrannical governments from solving their internal minority problems at the rest of the world's expense by ruthless expulsion; and it implied too early a commitment by the Seven to pick up the immigrational and financial bill. No decision was taken. But it clearly is an

/unsatisfactory



unsatisfactory result and I suspect that it will now be quietly dropped. In its present form, I can see no British interest in having it included.

9. As before, I have informed Lord Carrington of the position reached and am also copying this letter and its enclosures to Robert Armstrong.

Yours ever,

Michael

Michael Palliser



PREPARATORY MEETING FOR VENICE SUMMIT
VILLA MADAMA, ROME 16 JUNE 1980

Present

CANADA

Mr Klaus Goldschlag

Deputy Under-Secretary,
Department of External Affairs

Mr J H Taylor

Assistant Under-Secretary.
Department of External Affairs

FRANCE

M. Gabriel Robin

Political Director, MFA

M. Patrick Leclercq

Diplomatic Counsellor, Presidential
Staff

M. Garrigues

Embassy, Rome

FEDERAL REPUBLIC OF GERMANY

State Secretary van Well

MFA

Ambassador von Staden

Chancellor's Office

Herr Reinhard Schenk

Head of West European Dept, MFA

ITALY

Signor Walter Gardini

Political Director, MFA

Signor Ramiro Ruggiero

Under Secretary, MFA

Signor Sergio Berlinguer

Diplomatic Counsellor,
Prime Minister's Office

JAPAN

Deputy-Minister Kikuchi

MFA

Mr Donowaki

Deputy Director (Europe)

UNITED KINGDOM

Sir Michael Palliser

Permanent Under Secretary, FCO

Mr Robert Wade-Gery

Cabinet Office

Mr Roger Garside

Planning Staff

UNITED STATES

Mr Warren Christopher

Deputy Secretary of State

Mr George Vest

Assistant Secretary of State (Europe)

Mr Robert Blackwill

National Security Council Staff

- U.S.A. -

(Points of reference
for the discussion)

1. OBJECTIVE: TO RETURN TO A SOVEREIGN, INDEPENDENT, NON-ALIGNED AFGHANISTAN AT PEACE WITH ITS NEIGHBORS, AND TO DETER FURTHER SOVIET AGGRESSIONS.
THIS IMPLIES:

- WITHDRAWAL OF SOVIET FORCES.,
- A GOVERNMENT BROADLY ACCEPTABLE TO THE PEOPLE.,
- ARRANGEMENTS DESIGNED TO INSURE THAT AFGHANISTAN NEITHER THREATENS NOR IS THREATENED BY ITS NEIGHBORS.

2. ACTION SHOULD BE CONSIDERED IN FIVE MAIN AREAS:

- A) PRESSURE ON THE SOVIET UNION
 - IN THE REGION:
 - BY SUPPORTING AFGHAN RESISTANCE
 - BY DETERRING SOVIET MILITARY ESCALATION IN AFGHANISTAN OR ACROSS ITS BORDERS.
 - DIRECTLY ON THE SOVIET UNION.
- B) PROVISION OF AN ACCEPTABLE POLITICAL SOLUTION. WE SHOULD CONSIDER INITIATIVES TO BE DISCUSSED WITH THE INTERESTED PARTIES.
- C) PREVENTION OF NEW SOVIET INITIATIVES IN THE REGION IN THE FORM OF EITHER SUBVERSION OR OF THE USE OF FORCE, BY STRENGTHENING COUNTRIES THERE AND BY PROVIDING REASSURANCE TO THEM.
- D) ENCOURAGEMENT FOR PARALLEL ACTIONS BY OTHERS, E.G., THE INITIATIVE OF THE ISLAMIC CONFERENCE AND DIRECT SUPPORT GIVEN TO THE RESISTANCE.
- E) DISCOURAGEMENT OF RECOGNITION OF THE BABRÁK KARMAL REGIME THROUGH CONTACTS WITH THE NON-ALIGNED COUNTRIES.

3. IMPLICATIONS FOR ARMS CONTROL AND THE CSCE PROCESS.

4. IMPLICATIONS FOR CHINA AND RELATIONS WITH THAT COUNTRY. —

MS



DRAFT POLITICAL PASSAGES FOR INCLUSION IN THE COMMUNIQUE

1. In defining this global strategy and showing our united determination to make it a reality, we consciously accept the responsibility that falls to the three great industrialised areas of the world - North America, Western Europe and Japan - to help create the conditions for harmonious and sustained economic growth. But we can not do this alone: others too have a part to play.
2. Moreover, present circumstances oblige us to emphasise that our efforts will only bear fruit if we can at the same time preserve a world in which the rule of law is universally obeyed, national independence is respected and world peace is kept. We call on all countries to join us in working for such a world and we welcome the readiness of non-aligned countries and regional groups to accept the responsibilities which this involves.
3. We therefore reaffirm hereby that the Soviet military intervention in Afghanistan is unacceptable and that we are determined not to accept it. It is incompatible with the desire of the Afghan people for independence and with the security of the states of the region. It is also incompatible with the principles of the United Nations Charter and with efforts to maintain genuine détente. It undermines the very foundations of peace, both in the region and in the world at large.
4. We fully endorse in this respect the views already expressed by the overwhelming majority of the international community, as set out by the United Nations General Assembly in Resolution No ES-6/2 of 14 January 1980 and by the Islamic Conference at both its recent sessions.
5. Afghanistan should be enabled to regain the sovereignty, territorial integrity, political independence and non-aligned character it once enjoyed. We therefore call for the withdrawal of Soviet troops and for the Afghan people to be left free again to determine their own future. Only thus will it be possible to re-establish a situation compatible with peace and the rule of law and thereby with the interests of all nations.



6. We are resolved to do everything in our power to achieve this. We are also ready to support any initiatives to this end, such as that of the Islamic Conference. And we shall support every effort designed to contribute to the political independence and to the security of the states of the region.



CANADIAN PROPOSED ''OBJECTIVES'' OF THE POLITICAL DISCUSSION

- (i) to dispel the perception of division and disarray among the principal Western countries; ✓
- (ii) to put an end to public recrimination between them; ✓
- (iii) to try to reach a reasonable consensus on how we go forward from here; ✓
- (iv) to examine how well we are served by existing processes and mechanisms of consultation; ✓
- (v) to look beyond the present crisis to some general principles of crisis management. ✓

CONFIDENTIAL
STATEMENT ON REFUGEES

ANNEX E

We are acutely conscious of the human suffering caused by the flow of refugees. We pledge ourselves to join with others in supporting refugees and in assisting their resettlement.

We call on those countries that are responsible for the problem to eliminate the causes of this human tragedy.

CONFIDENTIAL

STATEMENT ON HIJACKING

[At the request of the Heads of State and Government who participated in the Summit, I, in my capacity of chairman of the meeting, am pleased to make the following statement which concerns the declaration on air-hijacking issued in Bonn in July 1978.]

The Heads of State and Government expressed their satisfaction at the broad support of the international community for the principles set out in the Bonn Declaration of July 1978 as well as in the international Conventions dealing with unlawful interference with civil aviation. The increasing adherence to these Conventions and the responsible attitude taken by States with respect to air-hijacking reflect the fact that these principles are being accepted by the international community as a whole.

While enforcement measures under the Declaration have not yet been necessary, the Heads of State and Government emphasise that hijacking remains a threat to international civil aviation and that there can be no relaxation of efforts to combat this threat. To this end they look forward to continuing co-operation with all other governments.

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STATEMENT ON THE TAKING OF DIPLOMATIC HOSTAGES

Gravely concerned by recent incidents of terrorism involving the taking of hostages and attacks on diplomatic and consular premises and personnel, the Heads of State and Government reaffirm their determination to deter and combat such acts. They note the completion of work on the International Convention Against the Taking of Hostages and call on all States to consider becoming parties to it as well as to the Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons of 1973.

The Heads of State and Government vigorously condemn the taking of hostages and the seizure of diplomatic and consular premises and personnel in contravention of the basic norms of international law and practice. They declare that their Governments will also co-operate for the purpose of bringing the perpetrators of such acts to justice. The Heads of State and Government urge all Governments to adopt policies which will contribute to the attainment of this goal and to take appropriate measures to deny terrorists any benefits from such criminal acts. They also resolve to provide to one another's diplomatic and consular missions support and assistance in situations involving the seizure of diplomatic and consular establishments or personnel.

The Heads of State and Government recall that every State has the duty under international law to refrain from organising, instigating, assisting or participating in terrorist acts in another State or acquiescing in organised activities within its territory directed towards the commission of such acts, and deplore in the strongest terms any breach of this duty.

M

CONFIDENTIAL

FM LUXEMBOURG 1713φφZ

TO PRIORITY FCO

TELEGRAM NUMBER 178 OF 17 JUNE 198φ

INFO ALL EC POSTS

EUROPEAN SUMMIT: LUXEMBOURG REACTIONS

1. REACTION, BOTH OFFICIAL AND PRESS, IN LUXEMBOURG TO THE VENICE SUMMIT HAS CONCENTRATED ON THE SETBACK TO M THORN'S CANDIDATURE FOR THE PRESIDENCY OF THE COMMISSION.
2. THAT ASIDE, THERE IS A FEELING OF RELIEF THAT THE ATMOSPHERE AT VENICE WAS GOOD AND THAT THE MEETING WAS ABLE TO CONSIDER WIDER ISSUES, HAVING AT LAST BEEN RELEASED FROM THE STRAIGHT-JACKET OF THE BRITISH BUDGETARY PROBLEM. THE COMMUNITY'S DECLARATION ON THE MIDDLE EAST IS SINGLED OUT AS A SIGNIFICANT MOVE IN THE DEVELOPMENT OF A COMMON EC VOICE IN THE WORLD. THE MIDDLE EAST QUESTION IS CLEARLY IDENTIFIED AS BEING ONE OF THE POLITICAL TOPICS BOUND TO DOMINATE THE LUXEMBOURG PRESIDENCY.
3. SOME OF THE MORE THOUGHTFUL LUXEMBOURGERS TO WHOM I HAVE SPOKEN ARE ALSO UNEASILY AWARE THAT THEY ARE AT THE BEGINNING OF A SEA CHANGE IN MEMBERS' ATTITUDES TOWARDS EC BUDGET IN GENERAL AND TO THE CAP IN PARTICULAR. IT IS NO LONGER THE BRITISH AGAINST THE REST; BUT, WITH GERMANY'S WEIGHT THROWN INTO THE PRESSURE FOR REFORM, STRUCTURAL CHANGE IS GOING TO HAPPEN AND LUXEMBOURG WILL BE AFFECTED.
4. BUT COMMENT IS MAINLY ABOUT GASTON THORN. THERE IS GREAT DISAPPOINTMENT THAT THE VENICE MEETING FAILED TO REACH A CONSENSUS IN SUPPORT OF HIM. HIS MERITS FOR THE SUCCESSION TO MR JENKINS HAVE BEEN EXHAUSTIVELY REHEARSED IN THE PRESS. NOT ALL LOCAL COMMENTATORS HAVE YET WRITTEN HIM OFF; AND MY BELGIAN COLLEAGUE HAS CONFIRMED THAT THERE HAS BEEN MUCH INFORMAL TELEPHONING IN THE PAST TWO DAYS BETWEEN LUXEMBOURG AND BELGIAN MINISTERS. HE CLAIMS THAT BOTH GOVERNMENTS WANT TO AGREE ON A SINGLE CANDIDATE BEFORE VENICE II. PRESIDENT GISCARD IS FIRMLY LABELLED AS THE VILLAIN OF THE PIECE (SETTLING OLD SCORES WITH THORN, AND NOT WANTING AN INDEPENDENT-MINDED POLITICIAN IN THE JOB) AND THE BELGIANS GET A ROUGH RIDE FROM THE PRESS FOR PUTTING UP DAVIGNON AT THE LAST MOMENT. THERE HAS BEEN NO DISPOSITION SO FAR TO FOLLOW THE FRENCH STORY ABOUT BRITAIN HAVING BEEN RESPONSIBLE FOR BLOCKING THORN AND I HAVE ENSURED THAT THORN PERSONALLY HAS NO MISUNDERSTANDINGS ON THIS POINT .

THOMAS

F I L E S

FRD	NEWS D	MR BULLARD
ECON D	PS	MR HANNAY
WED	PS/LPS	MR EVANS
FED	PS/MR HURD	LORD N G LENNOX
NAD	PS/MR RIDLEY	MR DONALD
ECD	PS/MR MARTEN	MR HAYES
PLANNING STAFF	PS/FUS	MISS BROWN
TRED	SIR D MAITLAND	
ES & SD	LORD BRIDGES	

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[NOT ADVANCED]
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FM F C O 171244Z JUN 80

TO IMMEDIATE ROME

TELEGRAM NUMBER 289 OF 17 JUNE

AND TO IMMEDIATE WASHINGTON PARIS BOHN OTTAWA TOKYO UKREP
BRUSSELS

M I P T VENICE ECONOMIC SUMMIT

DRAFT DECLARATION

IN THIS OUR FIRST MEETING OF THE 1980 S THE ECONOMIC ISSUES THAT
HAVE DOMINATED OUR THOUGHTS ARE THE PRICE AND SUPPLY OF ENERGY
AND THEIR IMPLICATIONS FOR INFLATION AND THE LEVEL OF ECONOMIC
ACTIVITY IN OUR OWN COUNTRIES AND FOR THE WORLD AS A WHOLE

2 SUCCESSIVE LARGE INCREASES IN THE PRICE OF OIL HAVE PRODUCED
THE REALITY OF HIGHER INFLATION AND THE THREAT OF SEVERE RECESSION
AND UNEMPLOYMENT IN THE INDUSTRIALISED COUNTRIES AT THE SAME
TIME THEY HAVE UNDERMINED AND IN SOME CASES VIRTUALLY DESTROYED
THE PROSPECTS OF BALANCED GROWTH IN THE DEVELOPING COUNTRIES THE
VARIOUS GROUPS OF COUNTRIES THE INDUSTRIALISED COUNTRIES OF THE
FREE WORLD THE OIL PRODUCING COUNTRIES AND THE NON OIL DEVELOPING
COUNTRIES ALIKE DEPEND UPON EACH OTHER FOR THE REALISATION
OF THEIR POTENTIAL FOR ECONOMIC DEVELOPMENT AND PROSPERITY. EACH
CAN OVERCOME THE OBSTACLES TO THAT DEVELOPMENT, BUT ONLY IF ALL WORK
TOGETHER AND WITH THE INTERESTS OF ALL THEIR PEOPLES IN MIND

3. IN THIS SPIRIT WE HAVE DISCUSSED THE MAIN PROBLEMS THAT CONFRONT
US IN THE COMING DECADE.

4 THE REDUCTION OF INFLATION IS OUR IMMEDIATE TOP PRIORITY.
WE MUST NOT SIMPLY INFLATE AWAY THE EFFECTS OF THE RECENT OIL
PRICE INCREASES: WE MUST ACCEPT THEM AS A REAL ADDITIONAL COST

UPON OUR ECONOMIES DETERMINED FISCAL AND MONETARY RESTRAINT IS REQUIRED TO BREAK INFLATIONARY EXPECTATIONS WE SHALL CO-ORDINATE AMONG OURSELVES TO CARRY OUT THIS POLICY OF RESTRAINT, AND ALSO TO AVOID A WORLD-WIDE RECESSION

5 AT THE SAME TIME AND LOOKING TO THE LONGER TERM WE NEED TO INCREASE PRODUCTIVITY, TO ENCOURAGE THE MOVEMENT OF RESOURCES FROM DECLINING INTO EXPANDING SECTORS SO AS TO PROVIDE NEW JOB OPPORTUNITIES AND TO PROMOTE THE MOST EFFECTIVE USE OF RESOURCES WITHIN AND AMONG COUNTRIES. THIS WILL REQUIRE THE ENCOURAGEMENT OF INVESTMENT AND INNOVATION, AND THE SHIFT OF RESOURCES FROM CONSUMPTION TO INVESTMENT AND FROM GOVERNMENT SPENDING TO THE PRIVATE SECTOR.

6 BY THESE MEANS WE SEEK TO BRING ABOUT GREATER STABILITY IN PRICES AND PROVIDE THE BASIS FOR SUSTAINING A HEALTHY LEVEL OF ECONOMIC ACTIVITY IN OUR OWN COUNTRIES. BY DOING SO WE SHALL IMPROVE JOB OPPORTUNITIES FOR OUR OWN PEOPLE; WE SHALL ALSO ENABLE THE OIL-PRODUCING COUNTRIES TO HAVE CONFIDENCE IN THE VALUE OF THE ASSETS IN OUR COUNTRIES IN WHICH THEY CHOOSE TO INVEST SURPLUS OIL REVENUES; AND WE SHALL PROVIDE USEFUL MARKETS FOR THE GROWING EXPORTS OF THE DEVELOPING COUNTRIES.

7. AN EFFECTIVE AND COMPREHENSIVE ENERGY STRATEGY IS INDISPENSABLE TO THE SECURITY AND ECONOMIC WELL-BEING OF OUR COUNTRIES WE NEED TO, AND WE BELIEVE WE CAN, MAKE OUR USE OF ENERGY MORE EFFICIENT, SO AS TO GET SIGNIFICANTLY MORE POWER OUT OF EVERY BARREL OF OIL (OR ITS EQUIVALENT) THAT WE USE. WE WILL WORK ON OUR OWN AND TOGETHER TO CONSERVE OIL TO IMPROVE THE CONDITIONS AND ARRANGEMENTS UNDER WHICH IT IS MARKETED, TO INCREASE THE SUPPLY AND USE OF COAL, TO EXPAND THE USE OF NUCLEAR POWER, AND TO HASTEN THE DEVELOPMENT OF SYNTHETIC FUELS AND RENEWABLE SOURCES OF ENERGY. WE HAVE NOTED AND WE COMMEND THE RECENT SPECIFIC DECISIONS AND RECOMMENDATIONS OF THE EUROPEAN COMMUNITY, THE INTERNATIONAL ENERGY AGENCY, THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT THE INTERNATIONAL NUCLEAR FUEL CYCLE EVALUATION

GROUP AND THE INTERNATIONAL ENERGY TECHNOLOGY GROUP TOGETHER THESE DECISIONS AND RECOMMENDATIONS CONSTITUTE A SUBSTANTIAL PROGRAMME OF WORK AND COMMITMENTS ON THE CONSERVATION AND DEVELOPMENT OF ENERGY. SQUARE BRACKETS BEGIN. WE HAVE AGREED UPON ARRANGEMENTS BY WHICH WE SHALL MONITOR THE PROGRESS OF THIS PROGRAMME. SQUARE BRACKETS END.

8 WE REAFFIRM OUR PLEDGE TO ENSURE THAT AS FAR AS POSSIBLE INCREASED USE OF FOSSIL FUELS DOES NOT DAMAGE THE ENVIRONMENT; AND IN EXPANDING NUCLEAR CAPACITY WE WILL CONTINUE TO GIVE THE HIGHEST PRIORITY TO ENSURING THE HEALTH AND SAFETY OF THE PUBLIC TO PERFECTING METHODS FOR DEALING WITH THE DISPOSAL OF NUCLEAR WASTE AND TO MINIMISING THE RISK OF NUCLEAR PROLIFERATION. SQUARE BRACKETS BEGIN WE SHALL INCLUDE PROGRESS IN THESE MATTERS IN THE MONITORING ARRANGEMENTS WE HAVE DECIDED TO ESTABLISH SQUARE BRACKETS END.

9 ALL COUNTRIES HAVE A VITAL INTEREST IN A STABLE EQUILIBRIUM BETWEEN ENERGY SUPPLY AND DEMAND TO THIS END WE SHOULD WELCOME A CONSTRUCTIVE DIALOGUE ON ENERGY AND RELATED ISSUES BETWEEN THE OIL-PRODUCING AND OIL-CONSUMING NATIONS

10. THE PRESENT FORESEEABLE DIFFICULTIES WHICH THREATEN THE WORLD GIVE NEW AND GREATER IMPORTANCE TO RELATIONS BETWEEN DEVELOPED AND DEVELOPING COUNTRIES. A MUTUALLY ADVANTAGEOUS RELATIONSHIP WITH THE DEVELOPING COUNTRIES IS AN ESSENTIAL ELEMENT IN OUR STRATEGY FOR DEALING WITH THE PROBLEMS OF THE COMING DECADE. IN THIS SPIRIT WE APPROACH THE PROSPECT OF GLOBAL NEGOTIATIONS IN THE FRAMEWORK OF THE UNITED NATIONS AND THE FORMULATION OF A NEW INTERNATIONAL DEVELOPMENT STRATEGY.

11 OUR OBJECT IS TO CO-OPERATE WITH THE DEVELOPING COUNTRIES IN ENERGY CONSERVATION, THE DEVELOPMENT OF INDIGENOUS ENERGY RESOURCES, THE EXPANSION OF EXPORTS THE ENHANCEMENT OF HUMAN SKILLS AND THE TACKLING OF UNDERLYING FOOD AND POPULATION PROBLEMS.

12. WE URGE DONOR NATIONS INCLUDING OIL EXPORTING COUNTRIES TO MAKE EVERY EFFORT TO MAXIMISE THE FLOW OF AID. WE RECOGNISE THE IMPORTANCE OF PRIVATE CAPITAL AND OF PROVIDING A CLIMATE WHICH WILL ENCOURAGE DIRECT INVESTMENT. WE LOOK TO THE INTERNATIONAL FINANCIAL INSTITUTIONS TO IMPROVE AND INCREASE THEIR LENDING PROGRAMMES, PARTICULARLY FOR EXPLORATION DEVELOPMENT AND PRODUCTION OF ENERGY IN DEVELOPING COUNTRIES. FOR THESE PURPOSES WE STRONGLY SUPPORT THE PRESENT REPLENISHMENTS OF THESE INSTITUTIONS; THESE REPLENISHMENTS ARE VITAL TO THE ECONOMIC WELL-BEING OF DEVELOPING COUNTRIES, AND IT IS ESSENTIAL THAT ALL MEMBERS SHOULD PROVIDE THEIR FULL CONTRIBUTIONS ON THE AGREED SCHEDULE.

13. WE WELCOME THE REPORT OF THE BRANDT COMMISSION, AND SHALL CAREFULLY CONSIDER ITS RECOMMENDATIONS. SQUARE BRACKETS BEGIN WE BELIEVE THAT A NORTH-SOUTH SUMMIT AS SUGGESTED IN THAT REPORT, COULD BE USEFUL IN THE RIGHT CIRCUMSTANCES AND AT THE RIGHT TIME SQUARE BRACKETS END.

14. IN THE SITUATION CREATED BY OIL GENERATED PAYMENTS IM-BALANCES WE NEED DETERMINED ACTION TO PROMOTE EXTERNAL ADJUSTMENT AND EFFECTIVE MECHANISMS FOR BALANCE OF PAYMENTS FINANCING. WE LOOK TO THE INTERNATIONAL CAPITAL MARKET TO CONTINUE TO PLAY THE PRIMARY ROLE IN RECYCLING OIL SURPLUSES ON THE BASIS OF SOUND LENDING STANDARDS; BUT THIS WILL NEED TO BE SUPPLEMENTED BY AN EXPANDING ROLE FOR INTERNATIONAL INSTITUTIONS, AND ESPECIALLY THE INTERNATIONAL MONETARY FUND (IMF) WE WELCOME THE FUND'S READINESS TO ACCEPT THIS EXPANDED ROLE, AND WE CONFIRM OUR COMMITMENT TO THE IMPLEMENTATION OF THE AGREED INCREASE IN IMF QUOTAS.

15. WHEN RECESSION THREATENS, THERE IS A TEMPTATION TO YIELD TO PRESSURES FOR INCREASED PROTECTIONISM. THAT CAN ONLY BE SELF DEFEATING AND AGGRAVATE INFLATION. ON THE CONTRARY, WE NEED AND WE ARE RESOLVED IN FUTURE TO STRENGTHEN THE OPEN WORLD TRADING SYSTEM WHICH HAS CONTRIBUTED SO MUCH TO EMPLOYMENT AND PROSPERITY IN THE LAST 30 YEARS. WE WELCOME AND ARE IMPLEMENTING THE POSITIVE CONCLUSIONS OF THE LATEST ROUND OF MULTILATERAL TRADE NEGOTIATIONS

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IN THE FRAMEWORK OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT) INCLUDING THE NEW NON-TARIFF BARRIER CODES WE CALL FOR THE FULL PARTICIPATION OF AS MANY COUNTRIES AS POSSIBLE IN STRENGTHENING THE GATT AND MAKING IT AN INCREASINGLY EFFECTIVE INSTRUMENT OF INTERNATIONAL TRADE. WE REAFFIRM OUR DETERMINATION TO AVOID A HARMFUL EXPORT CREDIT RACE AND WILL WORK WITH THE OTHER PARTICIPANTS TO STRENGTHEN THE INTERNATIONAL ARRANGEMENT ON EXPORT CREDITS WITH A VIEW TO REACHING A MUTUALLY ACCEPTABLE SOLUTION ON ALL ASPECTS OF THE AGREEMENT BY 1 DECEMBER 1980.

16. THE ECONOMIC MESSAGE FROM THIS VENICE SUMMIT IS CLEAR. THE KEY TO SUCCESS IN RESOLVING THE MAJOR ECONOMIC CHALLENGES WHICH THE WORLD FACES - INFLATION, RECESSION, MONETARY INSTABILITY AND THE THREAT TO GROWTH AND DEVELOPMENT - IS TO ACHIEVE AND MAINTAIN A BALANCE BETWEEN ENERGY SUPPLY AND DEMAND AT REASONABLE LEVELS AND AT REALISTIC AND TOLERABLE PRICES. THE STABILITY AND PROSPERITY OF THE WORLD ECONOMY ON WHICH THE PROSPERITY OF EVERY INDIVIDUAL COUNTRY RELIES, DEPENDS UPON ALL OF THE COUNTRIES CONCERNED - THE INDUSTRIALISED COUNTRIES OF THE FREE WORLD - THE OIL-PRODUCING COUNTRIES AND THE NON-OIL DEVELOPING COUNTRIES- RECOGNISING THEIR MUTUAL NEEDS AND ACCEPTING THEIR MUTUAL RESPONSIBILITIES. IN THIS SPIRIT WE WHO REPRESENT SEVEN LARGE INDUSTRIALISED COUNTRIES OF THE FREE WORLD ARE READY TO TACKLE OUR OWN PROBLEMS WITH DETERMINATION AND TO WORK WITH OTHERS WHO WILL WORK WITH US TO MEET THE CHALLENGES OF THE COMING DECADE, TO OUR OWN ADVANTAGE AND TO THE BENEFIT OF THE WHOLE WORLD.

CARRINGTON

F I L E S

FRD	NEWS D	MR BULLARD
EOON D	PS	MR HANNAY
WED	PS/LPS	MR EVANS
FED	PS/MR HURD	LORD N G LENNOX
NAD	PS/MR RIDLEY	MR DONALD
EGD	PS/MR MARTEN	MR HAYES
PLANNING STAFF	PS/FUS	MISS BROWN
TRED	SIR D MAITLAND	
ES & SD	LORD BRIDGES	
MAED		

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SIR P ARCESTON, ODA

GRS 240

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FM F C O 171244Z JUN 30

TO IMMEDIATE ROME

TELEGRAM NUMBER 288 OF 17 JUNE,

AND TO IMMEDIATE WASHINGTON, PARIS, BONN, OTTAWA, TOKYO, UKREP
BRUSSELS.

VENICE ECONOMIC SUMMIT.

1. PLEASE PASS FOLLOWING PERSONAL MESSAGE FROM SIR ROBERT ARMSTRONG TO RENATO RUGGIERO (WASHINGTON TO HENRY OWEN, PARIS TO BERNARD CLAPIER, BONN TO HORST SCHULMANN, OTTAWA TO KLAUS GOLDSCHLAG TOKYO TO KYO KIKUCHI, UKREP BRUSSELS TO CRISPIN TICKELL).

MESSAGE BEINGS.

I HAVE NOW HAD AN OPPORTUNITY OF SHOWING THE PRIME MINISTER THE DRAFT DECLARATION WE AGREED IN PARIS ON 6 JUNE. HER STRONGLY HELD VIEW IS THAT IT IS MUCH TOO LONG AND DETAILED FOR A DECLARATION BY HEADS OF STATE AND GOVERNMENT, AND SHE WILL WANT TO SUGGEST TO HER COLLEAGUES IN VENICE NEXT WEEKEND THAT THEY SHOULD THINK IN TERMS OF SOMETHING MUCH SHORTER, LESS DETAILED AND MORE DIRECT. I AM SENDING YOU WITH THIS MESSAGE A DRAFT OF THE KIND OF THING SHE HAS IN MIND: I AM COPYING BOTH THE DRAFT AND THIS MESSAGE TO THE OTHER PERSONAL REPRESENTATIVES. WE CAN NO DOUBT DISCUSS THIS IN GENERAL TERMS WHEN WE MEET ON SATURDAY EVENING, ALTHOUGH I SUSPECT THAT DETAILED DISCUSSIONS OF DRAFTING WILL BE BETTER RESERVED FOR SUNDAY EVENING, WHEN WE MAY HAVE INSTRUCTIONS FROM HEADS OF STATE AND GOVERNMENT.
MESSAGE ENDS.

2. ATTACHED DRAFT FOLLOWS IN MIFT.

CARRINGTON

FILES

FRD

ECON D

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PLANNING STAFF

TRED

ES & SD

MARS

NEWS D

PS

PS/LPS

PS/MR HURD

PS/MR RIDLEY

PS/MR MARTEN

PS/FUS

SIR D MAITLAND

LORD BRIDGES

MR BULLARD

MR HANNAY

MR EVANS

LORD N G LENNOX

MR DONALD

MR HAYES

MISS BROWN

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CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB CVO

Ref: A02344

16th June 1980

Prime Minister
To Mr (3) i parliament

Venice Economic Summit

Paul

While we were in Venice for the European Council last week, Renato Ruggiero reported French views, as he had learnt them at one remove in Washington, on three matters:

- (1) President Giscard was reported to be "quite pleased" with the draft declaration prepared by Personal Representatives; but he wanted stronger political language and more stress on the need "to loosen the Gordian knot between energy and growth".
- (2) President Giscard was likely to put forward a proposal for setting up an informal group of representatives of the Seven Economic Summit countries to monitor the progress of the programme of measures on energy. This group, the informality of which was stressed, would in effect pre-cook matters for subsequent discussion and agreement in the International Energy Agency (IEA). The Americans were disposed to go along with this proposal, which would have the advantage of bringing the French informally into the IEA network.
- (3) On recycling, the French Government took the view that the industrialised countries should not be the only countries involved. They would propose that a strong effort should be made in the United Nations to reach agreements which included the OPEC and the socialist bloc countries as well as the industrialised countries. The French Government were not against the idea of a new World Bank affiliate, but wanted to make the effort of the industrialised countries to aid the developing countries more visible, and would therefore propose the creation of a new institution, to be based in Paris, possibly linked to the OECD, to help the developing countries not just in energy conservation and development but in all fields, and to be financed only by the industrialised countries of the free world. This new institution would be separate from the World Bank, but could use it as an agent. Ruggiero said that the reaction both of the Americans and of the Germans to this proposal had been extremely negative; and I said that ours would be equally negative.

Paul - no use v. italics.
/I propose
no new money

Sir Michael Palliser, GCMG

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I propose to speak to the Elysee on the telephone as soon as possible, to see whether I can find out any more about these French proposals. If I do, I will let you know.

I should be grateful if these matters could be covered in the briefing for the Summit.

I am sending copies of this letter to Jack Rampton, Ken Couzens and Michael Alexander.

ROBERT ARMSTRONG

CONFIDENTIAL



17 JUN 1960

RECEIVED

c. c. Mr. Alexander

CONFIDENTIAL



ton R

10 DOWNING STREET

From the Private Secretary

16 June, 1980.

The Prime Minister was grateful for your Secretary of State's minute of 13 June, in which he set out a number of current trade issues with the United States as background to the Venice Economic Summit.

I am sending copies of this letter to Paul Lever (Foreign and Commonwealth Office), Martin Hall (HM Treasury), Ian Ellison (Department of Industry), and David Wright (Cabinet Office).

M. A. PATTISON

Stuart Hampson, Esq.,
Department of Trade.

S

CONFIDENTIAL

File No.
Department
Drafted by
(Block Capitals)
Tel. Extn
(Handwritten mark resembling a stylized '1' or '7' is present to the left of this section.)

OUTWARD
TELEGRAM

Security Classification
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PREAMBLE

(Time of Origin) Z (G.M.T.) (Restrictive Prefix)
(Security Class.) CONFIDENTIAL (Caveat/ Privacy marking)
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COPY TO:-
Lord N Gordon-Lennox
Mr Donald

[TEXT] *Top copy on Deaths June 1950.
Death of Mr Masayoshi Ohira
PM of Japan*

MESSAGE FROM THE ACTING JAPANESE PRIME MINISTER

1. MIFT contains the text of a message to the Prime Minister from Mr Ito which crossed Mrs Thatcher's personal message in my telno 227.
2. Please deliver the following reply from the Prime Minister as soon as possible:

'I was most grateful for your message informing me of Mr Ohira's untimely death and of your own appointment as acting Prime Minister. You will in the meantime have received the personal message which I sent to you through Sir Michael Wilford. I should like to take this

Additional Dist:
Economic Summit

/opportunity

opportunity to renew my sincere condolences.

I am sorry that I shall not have the opportunity to meet you in Venice but I quite understand that your constitutional responsibilities will make it impossible for you to leave Japan during the next few weeks. For my part, I should welcome Dr Okita as your personal representative at the meetings restricted to Heads of State and Government. I attach the highest importance to full and effective Japanese participation in all our discussions.'

2. See MIFT.

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- Mr Bullard
- Mr Hannay
- ~~XXXXXX~~
- Mr Evans
- Lord N Gordon-Lennox
- Mr Donald

[TEXT]

MIPT: MESSAGE FROM THE ACTING JAPANESE PRIME MINISTER

1. Following is text of Mr Ito's message:-
 [a-b]

Additional Dist:
 Economic Summit

CONFIDENTIAL

JUNE

12, 1980

A/IT IS WITH DEEP SORROW
THAT I MUST INFORM YOU OF
THE UNTIMELY PASSING AWAY
OF PRIME MINISTER MASAYOSH
I OHIRA THIS MORNING. HE D
IED OF A SUDDEN DETERIORAT
ION OF HIS HEART CONDITION
. HIS UNEXPECTED DEMISE CA
ME AS A PROFOUND SHOCK TO
ALL THE JAPANESE PEOPLE, L
ET ALONE HIS BEREAVED FAMI

CONFIDENTIAL

LY. I WOULD LIKE TO EXPRESS OUR SINCERE APPRECIATION OF YOUR WARM MESSAGE TO OUR PRIME MINISTER AFTER HIS HOSPITALIZATION AND FOR YOUR DEEP FEELING OF FRIENDSHIP TO HIM.

I WAS APPOINTED ACTING PRIME MINISTER, IN ACCORDANCE WITH OUR CONSTITUTIONAL PROCEDURE, TO HEAD THE CARE-TAKER GOVERNMENT.

I CONSIDER IT MY PRIME TASK TO SEE TO IT THAT THE ELECTIONS FOR THE HOUSE OF REPRESENTATIVES AND FOR THE HOUSE OF COUNCILLORS WILL BE COMPLETED AND TO ENSURE THE SMOOTH TRANSITION THEREAFTER. WHILE RECOGNIZING THE IMPORTANCE OF THE SUMMIT, I AM AFRAID THAT I WILL NOT BE ABLE TO ATTEND IT UNDER THE PRESENT CIRCUMSTANCES. I, THEREFORE, WOULD LIKE TO SEND TO VENICE MINISTER FOR FOREIGN A

FFAIRS, MINISTER FOR FINAN
CE AND MINISTER FOR INTERN.
ATIONAL TRADE AND INDUSTRY
. IF IT IS AGREEABLE TO YO
U AND OTHER HEADS OF STATE
AND GOVERNMENT, I WOULD L
IKE TO HAVE FOREIGN MINIST
ER OKITA BE PRESENT AT THE
MEETINGS WHERE ONLY THE H
EADS OF STATE AND GOVERNME
NT CAN ATTEND, AND HAVE HI
M SPEAK ON BEHALF OF MYSEL
F.

MASAYOSHI ITO
ACTING PRIME MINIST
ER OF JAPAN/B



Prime Minister
Background for next
weekend.

MAR
13/11.

PRIME MINISTER

VENICE ECONOMIC SUMMIT

TRADE ISSUES WITH THE USA

Trade relations between the EC, particularly the UK, and the USA are in a difficult state, which the recession can only exacerbate. Two particular problems are synthetic textiles and steel.

As you know, we have been compelled by the acute difficulties caused for our synthetic fibre producers by cheaper imports from North America to get the Community to take restrictive action. The United States have reacted strongly. They have made excessive demands for compensation under the terms of the GATT, and the Administration is consulting publicly on possible measures of retaliation. Official discussions are continuing with the US on whether a lesser level of compensation will enable them to withdraw this threat and produce a negotiated settlement. There is no need for you to raise this with President Carter at Venice, though if it comes up you will wish to encourage the Administration to continue to pursue a negotiated settlement rather than retaliation.

Meanwhile, the advantage enjoyed by US users of petrochemical feedstock can only be made worse by the current run of oil price rises. You should be warned that there is increasing pressure from the chemical industries for action against lower-priced imports of chemical products from the US.

And of course there is the problem of steel, where US Steel launched major anti-dumping suits last March against imports of several steel products from 7 European countries. Further suits have been threatened, but it is not clear whether these will be filed. You



were briefed on the steel problem for this week's meeting of the European Council. I endorse the advice given to you that we should now look for a negotiated settlement with the US which would involve the withdrawal of the US Steel anti-dumping suits in return for some form of agreement on a regime for steel imports into the USA which would enable traditional trade patterns to continue. Although we have less at stake in the USA than some other Community exporters - because of the serious decline in BSC steel exports to the USA in recent years - we are greatly at risk from the disruption of the international market if the Americans were effectively to stop imports of steel from Europe this autumn.

One of the difficulties is that US Steel have filed their anti-dumping complaints because the US Administration refused to help alleviate their financial problems by giving them preferential measures of assistance (including tax reliefs and relief from environmental controls). The US have enjoyed a good deal of protection against imports in recent years. European steel producers, who in 1979 took up only 4.6% of the US steel market, are being made scapegoats for the Americans' failure to put their own affairs in order. A negotiated settlement which simply reduced the discipline of imports on the US industry, and which could also benefit exporters of other countries at our expense, would be of little help in the long run in regularising the world steel situation.

At the Venice Economic Summit there will probably be discussion of the possibilities for a negotiated settlement. I hope you will be able to make it very clear to President Carter in your conversations with him that we are anxious to see the steel questions resolved. If the petitions run their full course, and anti-dumping duties are imposed, this would have a very disruptive effect on trade between our countries, not only in steel but in other products since as the recession begins to bite, it would be increasingly difficult for



Governments on both sides to resist demands for protectionist action. President Carter should throw his weight behind a negotiated settlement, but be left in no doubt that the problems over steel in the United States do not arise just from imports from Europe. The Administration and the US industry must make their own contribution to settling what could become a very serious global trade problem, in the interests of all steel-producing countries including the US.

I am copying this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Industry and Sir Robert Armstrong.

Department of Trade
1 Victoria Street
London, SW1

13 June 1980

SW
JN

13 JUN 1960



CONFIDENTIAL

~~MODISA (OR)~~

Cabinet Office,
Whitehall,
London, SW1.

12th June, 1980

PS(80) 13

Dear Private Secretary,

Venice Economic Summit: 22nd-23rd June 1980

With my letter PS(80) 12 of 10th June I enclosed a revised list of briefs, Annex A. Since that revised list was issued, there has been a substantial change in the political subject briefs. This change has been taken into account in the further revision of Annex A attached to this letter. Briefs 10 and 11 are being given a restricted distribution. A number of the political briefs may have to be revised again next week in the light of events.

I am sending copies of this letter to the Private Secretaries to Sir Michael Palliser, Sir Brian Cubbon, Sir Douglas Wass, Sir Peter Carey, Sir Kenneth Clucas, Sir Jack Rampton, Sir Kenneth Couzens and Mr. Robin Ibbs, and to Michael Alexander, No. 10.

Yours sincerely,

(Signed) D.J. WRIGHT

CONFIDENTIAL

ANNEX ALIST OF BRIEFS FOR VENICE ECONOMIC SUMMIT
22nd-23rd JUNE 1980

<u>PMVZ(80)</u>	<u>Lead Department</u>	<u>In consultation with</u>
1. Steering Brief	FCO	As appropriate
<u>Economic Subjects</u>		
2. World Economic Situation	Treasury	
3. Energy (including nuclear energy and United States proposals for an energy affiliate for the IBRD)	Energy	FCO Treasury
4. Trade Issues (including Trade Pledge, Export Credit and a Code of Business conduct)	Trade	FCO Treasury
5. North/South Matters (including Brandt Commission and United States proposals on Food)	FCO	As appropriate
6. Recycling and Related Issues concerning the International Financial Institutions	Treasury	FCO
7. Communique: Economic Subjects	FCO	As appropriate
8. Terrorism: Hijacking and Hostage-taking	FCO	As appropriate
9. Law of the Sea	FCO	As appropriate
<u>Political Subjects</u>		
10. Political Discussion: Implications of Afghanistan	FCO	As appropriate
11. Communique: Political Subjects	FCO	As appropriate
12. Namibia	FCO	As appropriate

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<u>PMVZ(80)</u>	<u>Lead Department</u>	<u>In consultation with</u>
13. Arab-Israel	FCO	As appropriate
14. Arms Control	FCO	As appropriate
15. Irar Hostages	FCO	As appropriate
16. Japan: Domestic Situation and Personality Notes on Japanese Representative	FCO	As appropriate
17. Bilateral Meetings:	FCO	As appropriate
(a) President Carter		
(b) Signor Cossiga		
18. Politically Significant Countries in Economic Difficulty	FCO	As appropriate

Sir R. Armstrong's office
informed.

Prime Minister

MR. ALEXANDER

Yes - much better now.

After message + new text as a basis for work? PM's

When we discussed with the Prime Minister the other day my minute of 9 June on the draft declaration to be submitted to Heads of State and Government for consideration at the Summit in Venice on 22/23 June, the Prime Minister said that the draft that had been prepared was much too long and detailed for a declaration of heads of State and Government. She agreed that I should inform my fellow personal representatives that, when she went to Venice, she would want to suggest to her colleagues that they should think in terms of something much shorter, less detailed and more direct; and she agreed that I should prepare a revised draft of the kind of thing that would meet this specification.

I now attach drafts of a message which I propose to send, if the Prime Minister agrees, to my fellow personal representatives and of a revised draft declaration. It is about a third of the length of the earlier version; and, though I have used the framework and some of the phraseology of the earlier version, and I have included brief references to some of the points which we know will be important to the Americans, it is (I hope) largely free of the detail which made the earlier version so unsuitably long.

This is not of course a final version. If it were to be adopted as a basis, other personal representatives would no doubt have many changes to suggest to it; and I shall also want before Venice to clear it in London (I have already agreed it with Sir Michael Palliser). But I should be glad to know if the Prime Minister is content with it as a basis for further work.

RA

12 June 1980

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[TEXT]

Please pass following personal message from
Sir Robert Armstrong to Renato Ruggiero (Washington to
Henry Owen, Paris to Bernard Clappier, Bonn to Horst
Schulmann, Ottawa to Klaus Goldschlag, Tokyo to
Kyo Kikuchi, UKREP Brussels to Crispin Tickell).

I have now had an opportunity of showing the
Prime Minister the draft declaration we agreed in
Paris last week. Her strongly held view is that it is
much too long and detailed for a declaration by Heads
of State and Government, and she will want to suggest
to her colleagues in Venice next weekend that they
should think in terms of something much shorter, less

/detailed

Copies to:-

detailed and more direct.

I am sending you with this message a draft of the kind of thing she has in mind. We can no doubt discuss this when we meet on Saturday evening.

Message ends.

Attached draft follows in MIPT.

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DRAFT DECLARATION

In this, our first meeting of the 1980s, the economic issues that have dominated our thoughts are the price and supply of energy, and their implications for inflation and the level of economic activity in our own countries and for the world as a whole.

2. Successive large increases in the price of oil have produced the reality of higher inflation and the threat of severe recession and unemployment in the industrialised countries. At the same time they have undermined and in some cases virtually destroyed the prospects of balanced growth in the developing countries. The various groups of countries - the industrialised countries of the free world, the oil-producing countries, and the non-oil developing countries alike - depend upon each other for the realisation of their potential for economic development and prosperity. Each can overcome the obstacles to that development, but only if all work together, and with the interests of all their peoples in mind.

3. In this spirit we have discussed the main problems that confront us in the coming decade.

4. The reduction of inflation is our immediate top priority. We must not simply inflate away the effects of the recent oil price increases: we must accept them as a real additional cost upon our economies. Determined fiscal and monetary restraint is required to break inflationary expectations. We shall co-ordinate among ourselves to carry out this policy of restraint, and also to avoid a world-wide recession.

5. At the same time, and looking to the longer term, we need to increase productivity, to encourage the movement of resources from declining into expanding sectors so as to provide new job opportunities, and to promote the most effective use of resources within and among countries. This will require the encouragement of investment and innovation, and the shift of resources from consumption to investment and from government spending to the private sector.

6. An effective and comprehensive energy strategy is indispensable to the security and economic well-being of our countries. We need to, and we believe we can, make our use of energy more efficient, so as to get significantly more power out of every barrel of oil (or its equivalent) that we use. We will work on our own and together to conserve oil, to improve the conditions and arrangements under which it is marketed, to increase the supply and use of coal, to expand the use of nuclear power, and to hasten the development of synthetic fuels and renewable sources of the energy. We have noted and we commend/recent specific decisions and recommendations of the European Community (EC), the International Energy Agency (IEA), the Organisation for Economic Co-operation and Development (OECD), the International Nuclear Fuel Cycle Evaluation (INFCE) Group, and the International Energy Technology Group which together constitute a substantial programme of commitments and work for these purposes.

7. We reaffirm our pledge to ensure that, as far as possible, increased use of fossil fuels does not damage the environment; and

/in

NOTHING TO BE WRITTEN IN THIS MARGIN

in expanding nuclear capacity, we will continue to give the highest priority to ensuring the health and safety of the public, to perfecting methods for dealing with the disposal of nuclear waste, and to minimising the risk of nuclear proliferation.

8. All countries have a vital interest in a stable equilibrium between energy supply and demand. To this end we should welcome a constructive dialogue on energy and related issues between the oil-producing and oil-consuming nations.

9. The present and foreseeable difficulties which threaten the world give new and greater importance to relations between developed and developing countries. A mutually advantageous relationship with the developing countries is an essential element in our strategy for dealing with the problems of the coming decade. In this spirit we approach the prospect of global negotiations in the framework of the United Nations and the formulation of a new International Development Strategy.

10. Our object is to co-operate with the developing countries in energy conservation, the development of indigenous energy resources, the expansion of exports, the enhancement of human skills, and the tackling of underlying food and population problems.

11. We urge donor nations including oil-exporting countries, to make every effort to maximise the flow of aid. We recognise the importance of private capital, and of providing a climate which will encourage direct investment. We look to the

/international

NOTHING TO BE WRITTEN IN THIS MARGIN

international financial institutions to improve and increase their lending programmes, particularly for exploration, development and production of energy in developing countries. For these purposes we strongly support the present replenishments of these institutions: these replenishments are vital to the economic well-being of developing countries, and it is essential that all members should provide their full contributions on the agreed schedule.

12. We welcome the report of the Brandt Commission, and shall carefully consider its recommendations. We believe that a North-South Summit, as suggested in that report, could be useful in the right circumstances and at the right time.⁷

13. In the situation created by oil-generated payments balances we need determined action to promote external adjustment and effective mechanisms for balance of payments financing. We look to the international capital market to continue to play the primary role in recycling oil surpluses on the basis of fund lending standams; but this will need to be supplemented by an expanding role for international institutions, and especially the International Monetary Fund (IMF). We welcome the Fund's readiness to accept this expanded role, and we confirm our commitment to the implementation of the agreed increase in IMF quotas.

14. When recession threatens, there is a temptation to yield to pressures for increased protectionism. That can only be self-defeating and aggravate inflation. On the

/contrary

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are

contrary, we need and we resolved in future to strengthen the open world trading system which has contributed so much to employment and prosperity in the last 30 years. We welcome and are implementing the positive conclusions of the latest round of multi-lateral trade negotiations in the framework of the General Agreement on Tariffs and Trade (GATT), including the new non-tariff barrier codes. We call for the full participation of as many countries as possible in strengthening the GATT and making it an increasingly effective instrument of international trade. We reaffirm our determination to avoid a harmful export credit race, and will work with the other participants to strengthen the International Arrangement on Export Credits, with a view to reaching a mutually acceptable solution on all aspects of the Agreement by 1 December 1980.

15. The economic message from this Venice Summit is clear. The key to success in resolving the major economic challenges which the world faces - inflation, recession, monetary instability and the threat to growth and development - is to achieve and maintain a balance between energy supply and demand at reasonable levels and at realistic and tolerable prices. The stability and prosperity of the world economy, on which the prosperity of every individual country relies, depends upon all of the countries concerned - the industrialised countries of the free world, the oil-producing countries and the non-oil developing countries - recognising their mutual needs and accepting their mutual responsibilities. In this spirit we who represent seven large industrialised countries

/of the

of the free world are ready to tackle our own problems with determination, and to work with others who will work with us to meet the challenges of the coming decade, to our own advantage and to the benefit of the whole world.

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CONFIDENTIAL

FM FCO121010Z JUN 80
TO IMMEDIATE VENICE
TELEGRAM NUMBER 18 OF 12 JUNE
FOR PS/SOS

FOLLOWING TELEGRAM NOW REPEATED TO YOU AT REQUEST OF PRIVATE OFFICE WAS RECEIVED FROM WASHINGTON TELEGRAM NO 2198 OF 11 JUNE INFO IMMEDIATE ROME. ROUTINE BONN, PARIS, TEL AVIV, CAIRO, UK REP BRUSSELS, UK DEL NATO, MOSCOW AND UK MIS NEW YORK. INFO SAVING AMMAN, BEIRUT, DAMASCUS, JERUSALEM, JEDDAH, KABUL AND OTHER EC POSTS.

ROME TEL NO 384 TO YOU : COLOMBO'S VISIT TO WASHINGTON.

1. ATTOLICO HAS GIVEN US THE FOLLOWING ACCOUNT OF COLOMBO'S TALKS WITH MUSKIE ON 10 JUNE.

2. THE VISIT HAD BEEN ARRANGED AT ITALIAN SUGGESTION, TO ENABLE COLOMBO AND MUSKIE TO TAKE STOCK OF DEVELOPMENTS SINCE THEY MET AT VIENNA, AND IN ADVANCE OF THE ECONOMIC SUMMIT IN VENICE. MUSKIE HAD WELCOMED THE FACT ALL SEVEN PARTICIPANTS WERE NOW AGREED, TO A GREATER OR LESSER DEGREE, THAT THERE SHOULD BE SOME POLITICAL DISCUSSION AT THE SUMMIT. THE MAIN ISSUES DISCUSSED WITH MUSKIE HAD BEEN AFGHANISTAN, INCLUDING THE RESPONSE OF THE ALLIANCE, AND THE MIDDLE EAST.

AFGHANISTAN.

3. MUSKIE HAD NOTED THAT THERE WAS GENERAL AGREEMENT AMONG THE ALLIES ON THE IMPLICATIONS FOR WESTERN INTERESTS OF THE SOVIET INVASION OF AFGHANISTAN. HOWEVER, THE CONCRETE MEASURES WHICH HAD BEEN TAKEN IN RESPONSE SHOWED A CERTAIN LACK OF COHESION. MUSKIE HAD REFERRED APPROVINGLY TO THE DECISION TO INCREASE DEFENCE EXPENDITURES BY 3 PERCENT AND TO LAST YEAR'S TNF MODERNISATION DECISION, BUT HAD SUGGESTED THAT THE RESPONSE TO AFGHANISTAN HAD CREATED THE IMPRESSION THAT THE ALLIES WERE RESIGNED TO THE FACT OF SOVIET INTERVENTION. HE HAD SPECIFICALLY REFERRED TO THE NEED TO REACH AGREEMENT NOT TO RENEW EXPORT CREDITS TO THE SOVIET UNION AND TO BAN THE EXPORT OF ADVANCED TECHNOLOGY THERE.

4. COLOMBO HAD AGREED ON THE NEED TO SHOW A UNITED RESPONSE TO AFGHANISTAN. BUT HE HAD SUGGESTED THAT THERE WAS ALSO A NEED FOR BETTER COORDINATION AND CONSULTATION WITHIN THE ALLIANCE TO AVOID MISUNDERSTANDINGS. REFERRING TO THE OLYMPIC BOYCOTT AND THE IMPOSITION OF SANCTIONS ON IRAN HE HAD SAID THAT IF THERE HAD BEEN A BETTER UNDERSTANDING BY GOVERNMENTS ON BOTH SIDES OF THE ATLANTIC WHAT PUBLIC OPINION IN OTHER ALLIED COUNTRIES WAS PREPARED TO ACCEPT SOME OF OUR RECENT DIFFICULTIES COULD HAVE BEEN AVOIDED. ITALY HAD NOT BELIEVED THAT SANCTIONS AGAINST IRAN WOULD BE PARTICULARLY EFFECTIVE BUT HAD NONETHELESS DECIDED TO IMPOSE THEM IN THE INTEREST OF PROMOTING AN IMPRESSION OF ALLIED SOLIDARITY. ITALY HAD NOT RENEWED ITS CREDIT AGREEMENT WITH THE SOVIET UNION AND NO NEW CONTRACTS HAD BEEN SIGNED SINCE AFGHANISTAN. THE GOVERNMENT WAS HOWEVER COMING UNDER PRESSURE BOTH FROM THE SOVIETS AND FROM ITALIAN FIRMS INTERESTED IN DOING BUSINESS IN THE SOVIET UNION TO AGREE TO A RENEWAL. COLOMBO HAD SAID THAT THE GOVERNMENT WOULD RESIST THESE PRESSURES, BUT ONLY IF:

(A) NO-ONE ELSE AGREED TO A RENEWAL;

(B) COUNTRIES WHERE CREDIT WAS PROVIDED THROUGH PRIVATE BANKS NO LONGER ALLOWED THE BANKS TO BENEFIT FROM SPECIAL TREATMENT FROM THE CENTRAL BANK IN RESPECT OF EXPORT CREDIT; AND

(C) OTHER COMPETITORS DID NOT TAKE UP THE ITALIAN SHARE OF THE SOVIET MARKET.

MIDDLE EAST.

5. WHILE REGRETTING THAT THE AUTONOMY TALKS WERE TEMPORARILY STALLED, MUSKIE HAD INSISTED THAT THIS WAS NOT SURPRISING, AS EACH OF THE PARTNERS HAD A NUMBER OF SUBSTANTIVE ISSUES AT STAKE. THE UNITED STATES HAD ACHIEVED A GREAT DEAL THROUGH CAMP DAVID, MOST NOTABLY THE ESTABLISHMENT OF PEACE BETWEEN EGYPT AND ISRAEL. BUT THE ACHIEVEMENTS WERE VERY FRAGILE AND IT WAS THEREFORE IMPORTANT THAT THE PROCESS SHOULD CONTINUE. IT WOULD BE SERIOUS IF ANYTHING WAS DONE TO HAMPER THE PROCESS. THE AMERICANS WERE CONFIDENT THAT THEY COULD SECURE A RESUMPTION OF THE TALKS, AND IT WOULD BE A PITY IF THE EUROPEANS WERE TO OFFER EITHER OF THE PARTNERS A POSSIBILITY OF ESCAPING FROM HIS RESPONSIBILITIES AT A MOMENT IN THE TALKS WHEN SOME HARD DECISIONS WERE AHEAD. MUSKIE HAD ASKED THAT WHATEVER THE EUROPEANS MIGHT DO IT SHOULD FACILITATE NOT HAMPER THE CAMP DAVID PROCESS.

6. COLOMBO HAD REPLIED THAT IT WOULD BE A GRAVE MISTAKE FOR THE AMERICANS TO PRESENT A EUROPEAN INITIATIVE AS IN ANY WAY RUNNING COUNTER TO CAMP DAVID OR U.S. POLICY. THE EUROPEANS REGARDED HIGHLY THE ACTION THE U.S. HAD ALREADY TAKEN AND RECOGNISED THAT THEY COULD DO EVEN MORE. THE EUROPEANS WERE NOT PREPARING AN INITIATIVE TO REVISE RESOLUTION 242. EVEN IF THIS HAD BEEN CONSIDERED AT ONE TIME, THE CONSENSUS WAS THAT PRESENT CIRCUMSTANCES WERE NOT FAVOURABLE FOR SUCH AN INITIATIVE. THE EUROPEANS HAD NO INTENTION OF CREATING OBSTACLES TO THE FURTHER DEVELOPMENT OF THE CAMP DAVID PROCESS. THE NINE HAD WELCOMED THE CAMP DAVID AGREEMENT AND HAD ASSUMED CERTAIN RESPONSIBILITIES IN DOING SO. THE NINE WERE CONCERNED THAT INTRANSIGENT BEHAVIOUR (COLOMBO HAD REFERRED TO ISRAELI SETTLEMENT POLICY) WOULD PREVENT THE NEGOTIATING PROCESS FROM LEADING TO GLOBAL SOLUTION. IT WAS PRECISELY BECAUSE THE NINE HAD BACKED THE CAMP DAVID AGREEMENT DESPITE ARAB DOUBTS THAT THEY FELT OBLIGED TO HELP BRING ABOUT THE FULL IMPLEMENTATION OF THE AGREEMENTS. IF IN VENICE THE NINE WERE TO BE SILENT ON THE ISSUE, OR TO TAKE A STEP BACKWARDS, THIS WOULD HAVE A DESTABILISING EFFECT IN MODERATE ARAB COUNTRIES, AS HAD BEEN MADE CLEAR IN A RECENT APPROACH THEY HAD HAD FROM THE SAUDIS.

7. ATTOLICO CONCLUDED BY SAYING THAT HE HAD NOT BEEN PRESENT DURING THE TETE A TETE BETWEEN MUSKIE AND COLOMBO, AND COULD NOT EXCLUDE THAT THE FORMER MIGHT HAVE TAKEN A TOUGHER LINE IN PRIVATE. BUT HE ASSURED US THAT IN THE PLENARY SESSIONS, MUSKIE'S LINE HAD ESSENTIALLY BEEN THAT WHILE THE AMERICANS COULD NOT TELL THE EUROPEANS WHAT THEY SHOULD DO OR NOT DO, THEY VERY MUCH HOPED THAT ANYTHING WE DID WOULD NOT RUN COUNTER TO THE CAMP DAVID PROCESS.

CARRINGTON

CONFIDENTIAL

GR 150
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FM ROME 111125Z JUNE 80
TO PRIORITY FCO
TELEGRAM NUMBER 387 OF 11 JUNE
INFO ROUTINE WASHINGTON , UKREP BRUSSELS

YOUR TELNO 270: VENICE ECONOMIC SUMMIT: BILATERAL MEETING

1. COSSIGA'S CABINET HAVE CONFIRMED THAT A BILATERAL MEETING AS PROPOSED DURING THE ECONOMIC SUMMIT WOULD BE WELCOME. HOWEVER, THEY SUGGEST THAT DETAILED ARRANGEMENTS MIGHT BE DECIDED BETWEEN PRIVATE SECRETARIES DURING THE EUROPEAN COUNCIL.

2. THE SUBSTANCE OF THE MEETING WILL PRESUMABLY DEPEND UPON EXCHANGES AT THE EUROPEAN COUNCIL BUT THE PRIME MINISTER WILL NO DOUBT WISH TO THANK COSSIGA ONCE AGAIN FOR THE PART PLAYED BY ITALY IN THE BUDGET NEGOTIATIONS. IT WOULD ALSO BE APPROPRIATE TO CONGRATULATE HIM ON THE OUTCOME OF LOCAL ELECTIONS ON 8/9 JUNE (MY TELNO 353) WHICH HAS STRENGTHENED COSSIGA'S PERSONAL POSITION. WE KNOW OF NO BILATERAL ISSUES WHICH COSSIGA WOULD BE LIKELY TO RAISE BUT THE PRIME MINISTER SHOULD BE AWARE OF ITALIAN CONCERN ABOUT QUADRIPARTITE MEETINGS.

(attached)

ARCULUS

FILES
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ADDITIONAL DIST:
ECONOMIC SUMMIT

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FM ROME 101630Z JUNE 80

TO PRIORITY FCO

TELEGRAM NUMBER 383 OF 10 JUNE

INFO ROUTINE UKREP BRUSSELS

INFO SAVING OTHER EC POSTS, UKDEL NATO, WASHINGTON AND MILAN

MYTEL NR 364: ITALIAN INTERNAL SITUATION

1. IN LOCAL ELECTIONS ON 8-9 JUNE THE ADMINISTRATIONS OF MOST OF ITALY'S REGIONS, PROVINCES AND COMMUNES WERE UP FOR RENEWAL FOR THE FIRST TIME SINCE 1975. THE PROVINCIAL AND COMMUNAL RESULTS ARE STILL COMING IN, BUT IT IS CLEAR FROM THE FINAL RESULTS IN THE REGIONS THAT THERE HAS BEEN A MODERATE DECLINE IN THE COMMUNIST VOTE (31.5%) AS COMPARED WITH THEIR STRONG SHOWING IN 1975 (WHEN THEY SCORED 33.4%) AND WITH THE GENERAL ELECTION IN 1979 (31.2%). THE CHRISTIAN DEMOCRATS (36.8%) AND THE SMALL CENTRE PARTIES HAVE HELD UP WELL. THE SOCIALISTS (12.7%) HAVE SIGNIFICANTLY IMPROVED ON THEIR PERFORMANCE IN BOTH PREVIOUS ELECTIONS. THE TURN OUT WAS 88.5%, DOWN 3% ON 1975.

2. LOCAL ISSUES PLAYED A VERY SMALL PART IN THE ELECTIONS, WHICH WERE SEEN ESSENTIALLY AS A VOTE OF CONFIDENCE IN THE CENTRAL GOVERNMENT. THE FAVOURABLE OUTCOME FOR THE THREE COALITION PARTIES IS THUS LIKELY TO GIVE A CONSIDERABLE BOOST TO THE PRESENT GOVERNMENT AND TO SIGNOR COSSIGA PERSONALLY. THE COMMUNIST ATTACK ON COSSIGA OVER THE DONAT-CATTIN AFFAIR (MYTELS NRS 363 AND 364) DOES NOT APPEAR TO HAVE HAD ANY SIGNIFICANT ADVERSE EFFECT ON THE CHRISTIAN DEMOCRAT VOTE (UP 1.5% ON 1975) AND MAY EVEN HAVE BROUGHT IN SOME SYMPATHY VOTES. IT IS THOUGHT LIKELY THAT THE AFFAIR WILL NOW DIE DOWN FOR THE TIME BEING, PROBABLY AT LEAST UNTIL THE AUTUMN. THE MARKED SUCCESS OF THE SOCIALISTS SHOULD STRENGTHEN CRAXI'S HAND AGAINST THE LEFT WING OF HIS PARTY, THUS REDUCING THE RISK OF AN EARLY UPSET OF THE COSSIGA COALITION.

3. OF THE OPPOSITION PARTIES THE SMALL LIBERAL PARTY DID QUITE WELL, REFLECTING THE HIGH PERSONAL STANDING OF ITS LEADER ZANONE. FOR THE TIME BEING THERE IS LITTLE POSSIBILITY OF EITHER THE LIBERALS OR THE SOCIAL DEMOCRATS BEING BROUGHT INTO THE COALITION BECAUSE OF THE SOCIALISTS' REFUSAL TO JOIN IN GOVERNMENT WITH PARTIES OF SUCH CLEAR ANTI-COMMUNIST VIEWS. BUT IN THE LONGER TERM, IF THE SOCIALIST SUCCESS ENABLES CRAXI TO ESTABLISH HIS AUTHORITY OVER HIS LEFT WING, TODAY'S RESULTS COULD POINT THE WAY TOWARDS THE CREATION OF A MORE BROADLY BASED NON-COMMUNIST ALLIANCE.

4. AT THE REGIONAL LEVEL, THE COMMUNISTS WILL NO LONGER BE THE LARGEST PARTY IN THE PIEDMONT OR LAZIO (THE REGION ABOUT ROME) AND WILL PROBABLY ALSO LOSE CONTROL OF LIGURIA.

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5. ITALIAN COMMENTATORS ARE MAKING MUCH OF THE FACT THAT THE NON-VOTERS, PLUS THOSE WHO RECORDED SPOILT OR BLANK PAPERS, TOGETHER ADDED UP TO 17%, MAKING THEM THE THIRD LARGEST "PARTY" AFTER THE CHRISTIAN DEMOCRATS AND THE COMMUNISTS. AN 88.5% TURNOUT, ALTHOUGH HIGH BY MOST EUROPEAN STANDARDS, IS IN FACT A RECORD LOW IN AN ITALIAN REGIONAL ELECTION. IT IS GENERALLY UNDERSTOOD THAT THERE MAY BE ADMINISTRATIVE PENALTIES FOR THOSE WHO DO NOT VOTE. THE NUMBER OF ABSTENTIONS WILL HAVE BEEN SWOLLEN THIS TIME BY THE RADICAL PARTY, WHO URGED THEIR SUPPORTERS TO RECORD BLANK VOTES: IT ALSO SUGGESTS SOME DISILLUSIONMENT AMONG THE ELECTORATE ABOUT THE QUALITY OF THE CHOICES OFFERED TO THEM. WHATEVER THE POPULAR MOOD, THE VOTES HAVE BEEN CAST IN A WAY HELPFUL TO THE COSSIGA GOVERNMENT. COSSIGA HIMSELF THUS GETS A WELCOME BOOST BEFORE THE VENICE MEETINGS.

FCO PSE PASS SAVING ADDRESSEES

ARCULUS

(REPEATED AS REQUESTED)

**THIS TELEGRAM
WAS NOT
ADVANCED**

**FCO WHITEHALL DIST:
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L2.



Cabinet Office,
Whitehall,
London SW1

10th June, 1980

PS(80) 12

Dear Private Secretary,

Venice Economic Summit: 22nd-23rd June 1980

In my letter PS(80) 11 of 27th May, I set out the briefing arrangements for the Economic Summit in Venice. Annex A to that letter contained a list of briefs. This list of briefs has now been revised to take account of additional briefing that will be required, mainly on the political side. I enclose the revised version.

I am sending copies of this letter to the Private Secretaries to Sir Michael Palliser, Sir Brian Cubbon, Sir Douglas Wass, Sir Peter Carey, Sir Kenneth Clucas, Sir Jack Rampton, Sir Kenneth Couzens and Mr. Robin Ibbs, and to Michael Alexander, No. 10.

Yours sincerely,

(Signed) D. J. WRIGHT

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ANNEX A

LIST OF BRIEFS FOR VENICE ECONOMIC SUMMIT
22nd-23rd JUNE 1980

<u>PMVZ(80)</u>		<u>Lead Department</u>	<u>In consultation with</u>
1.	Steering Brief	FCO	as appropriate
<u>Economic Subjects</u>			
2.	World Economic Situation	Treasury	
3.	Energy (including nuclear energy and United States proposals for an energy affiliate for the IBRD)	Energy	FCO Treasury
4.	Trade Issues (including Trade Pledge, Export Credit and a Code of Business conduct)	Trade	FCO Treasury
5.	North/South Matters (including Brandt Commission and United States proposals on food)	FCO	as appropriate
6.	Recycling and Related Issues concerning the International Financial Institutions	Treasury	FCO
7.	Communique: Economic Subjects	FCO	as appropriate
8.	Terrorism: Hijacking and Hostage-taking	FCO	as appropriate
9.	Law of the Sea	FCO	as appropriate
<u>Political Subjects</u>			
10.	Political Discussion: Implications of Afghanistan	FCO	as appropriate
11.	Arab-Israel	FCO	as appropriate

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<u>PMVZ(80)</u>		<u>Lead</u> <u>Department</u>	<u>In consultation</u> <u>with</u>
12.	Iran Hostages	FCO	as appropriate
13.	Communique: Political Subjects	FCO	as appropriate
14.	Japan: Domestic Situation and Personality Notes on Japanese Representative	FCO	as appropriate
15.	Bilateral Meetings:	FCO	as appropriate
	(a) President Carter		
	(b) Signor Cossiga		

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FM FCO 091530Z JUN 80

TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER 1091 OF 10 JUNE

INFO ROUTINE ROME

YOUR TELNO 2046: PRESIDENT CARTER'S MOVEMENTS AND THE VENICE SUMMIT.

1. YOU QUOTE WHITE HOUSE STAFF AS SUGGESTING THAT THE VENICE SUMMIT ITSELF WOULD PROVIDE A VALUABLE OPPORTUNITY FOR THE PRESIDENT TO HAVE IMPORTANT BILATERAL DISCUSSIONS WITH THE PRIME MINISTER.
2. PLEASE NOW APPROACH THE WHITE HOUSE AND TELL THEM THAT THE PRIME MINISTER IS MUCH LOOKING FORWARD TO MEETING PRESIDENT CARTER AT VENICE. SHE HOPES ALSO TO HAVE THE CHANCE OF A BILATERAL MEETING WITH HIM. IN VIEW OF THE OTHER DEMANDS ON PRESIDENT CARTER'S TIME, IT IS PROBABLY NOT TOO EARLY TO ASK THE AMERICANS TO FIX A TIME FOR SUCH A BILATERAL MEETING NOW.
3. WE ARE PREPARING BRIEFS FOR THE PRIME MINISTER CONCENTRATING ON THE EAST/WEST SITUATION FOLLOWING AFGHANISTAN, IRAN (PARTICULARLY SANCTIONS) AND ARAB/ISRAEL.
4. THE PRIME MINISTER WILL ARRIVE AT VENICE AIRPORT AT 1730 LOCAL TIME ON SATURDAY 21 JUNE AND WILL LEAVE ON THE EVENING OF 23 JUNE. SHE IS STAYING AT THE GRITTI PALACE HOTEL.

CARRINGTON

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SED	PS/PUS	MR D'AMCONA, D/ENERGY
EESD	SIR D MAITLAND	MR BENJAMIN, DOI
EOC (E)	SIR A ACLAND	
NEWS D	MR BULLARD	
OID	LORD N G LENNOX	
	MR HANNAY	
	MR FERGUSSON	

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It is a ridiculous
Commission and I propose
to say to Heads of Govt. that
Ref: A02297 & then to push the go
into the mind of
James in para 2.

Prime Minister. (1)

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This is a terrible mass of verbiage.
Whatever your views on the
substance, I am sure you will agree that
as much as possible should be put in an
Annex or Annexes.

MR. ALEXANDER

These cases
need clarifying
not putting into
an annex.

Venice Economic Summit - 22nd and 23rd June

Annex 9/6

for
Annex 12/6

I attended a further meeting of Personal Representatives in Paris from 4th to 6th June. Sir Michael Palliser and Mr. Hancock (Treasury) were with me part of the time. We reached agreement on a text of a draft Declaration to be submitted to Heads of State and Government for consideration at the Summit in Venice. I attach the text of the draft Declaration herewith.

2. It seemed to us all that the main economic issues on which Heads of State and Government were likely to concentrate in Venice were energy; inflation and recession, and the need for medium-term structural adjustment in our economies; and in relations with developing countries (North/South). Inevitably energy runs like a thread through the whole theme: it is a critical issue both in the management of the economies of the industrialised countries and in relation to developing countries. It seemed to me, however, that what we especially needed for this country was a strong and unambiguous commitment to the reduction in inflation, and that is reflected in the opening paragraphs of the draft.

3. The draft is too long, despite my own efforts and those of our Italian Chairman (Signor Ruggiero) to keep it shorter. The main reason for its length is the insistence of the United States Personal Representative on what he calls "specificity", particularly in the sections on energy and on relations with developing countries. He has argued strongly throughout that the Declaration would commend itself to American public opinion, and therefore to the President, in so far as it contained figures for targets or yardsticks on energy and commitments to specific action, particularly in the energy field. I have given notice that I shall seek the Prime Minister's authority to propose to the other Personal Representatives before Venice that we should take out the detailed stuff on energy-paragraphs 11-20 of the present draft - into an annex, in such a way as to make it clear that that does not diminish the degree of commitment to the measures and policies described in those paragraphs. If that were done, the remaining text would be of reasonable length and balance.

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4. The text has been worked over in detail, and officials are generally content that we can accept the policies and commitments described in it. In particular, the energy section has been closely considered by energy experts.

5. I should draw attention to the following points of detail:

- (1) In paragraph 10 there is a sentence in square brackets which reads as follows: "Domestic prices for oil should as far as possible reflect representative world prices". All the Personal Representatives except the Canadian would like to see this sentence included in the Declaration without the words "as far as possible". The Canadian Representative was unable to accept a sentence which said that domestic prices for oil should reflect representative world prices. He reminded us that Mr. Clark had lost an election on this issue, which was therefore of great sensitivity in Canada; it is an issue with constitutional as well as economic implications, because of the desire of the oil-rich provinces in Canada, and particularly Alberta, to go their own way on energy without federal interference. The Canadian Representative was prepared to accept, ad referendum to his Prime Minister, the sentence which said that domestic prices for oil should as far as possible reflect representative world prices. This is clearly an issue which will have to be discussed by Heads of Government in Venice.
- (2) In paragraph 31 there is a sentence in square brackets which reads: "We believe a North/South summit, as suggested in the Brandt Report, could be useful under appropriate circumstances and at a suitable time". This is clearly one of the points which Heads of State and Government will need to discuss in Venice. Personal Representatives thought that pressure for such a summit was likely to grow and to be difficult to resist, and that this was about the smallest distance one could go as a cool and cautious response at this stage.
- (3) Paragraph 38 refers to the work at present going on in the United Nations towards an agreement to prohibit illicit payments to foreign Government officials in international business transactions. There is a sentence in square brackets in the paragraph which commits the Heads of State and Government of the Seven Economic Summit countries to seek to conclude

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an agreement among themselves, if the United Nations does not reach agreement during the next year. This sentence is inserted upon the insistence of the United States Personal Representative. I argued that its inclusion was not a good idea, for two reasons:

- (a) It would reduce pressures on the United Nations to conclude a satisfactory agreement.
- (b) A partial agreement would be worse than useless, because those who signed it would simply be strapping their hands behind their backs against the competition. Most of the European Representatives were inclined to agree with this, but the Americans insisted on including this sentence, so that we agreed that it should remain in square brackets, for discussion in Venice.

6. Annexed to the draft Declaration are statements on refugees, on hijacking, and on the taking of diplomatic hostages. The texts of these statements are agreed. The Americans are very keen to see them come out of Venice in some form or another. They do not fit into the framework of the economic Declaration, and it will be for discussion at Venice whether, particularly if there is a political section in the Communique, these statements should be included as part of the whole, or whether they should be made as statements at the Press conference by the Chairman of the meeting, Signor Cossiga.

7. Subject to the Prime Minister's views, I will now let my Personal Representative colleagues know that we shall definitely be proposing at Venice that paragraphs 11-20 of the economic Declaration should be taken out into an annex, in such a way as to make it clear that that represents no weakening in the commitment to them on the part of Heads of State and Government.

8. I am sending copies of this minute and of the draft Declaration to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and the Secretary of State for Energy.



ROBERT ARMSTRONG

*(Approved by Sir R. Armstrong
and signed on his behalf.)*

9th June, 1980

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REVISED DRAFT DECLARATION OF THE VENICE SUMMIT

22nd and 23rd June 1980

A turbulent decade has ended, leaving us a difficult legacy. Sudden, large increases in the price of oil have from time to time intensified world-wide inflation, created new risks of a global recession, and undermined the ability of developing and industrialised countries alike to achieve more balanced growth.

2. In this, the first Summit of the 1980s, we reaffirm our confidence in the ability of democratic societies, based on individual freedom and social solidarity, to meet these challenges.

3. We are determined to establish a sound basis for economic progress in the 1980s. We will have to make major improvements in the structure of our economies to bring this about. There are no quick or easy solutions: sustained efforts are needed to achieve a better future.

4. The centrepiece of our discussion has been energy. It is only one of many problems facing the world, but without a solution to it we cannot deal satisfactorily with other problems: inflation, unemployment, protectionism, monetary instability, and the threat of stagnation in the developing world. We have discussed all these issues, and they are all inter-related; but reducing our collective demand for oil is necessary to success in the other areas and in particular to controlling inflation.

II - INFLATION

5. The reduction of inflation is our immediate top priority. Inflation retards growth and harms all sectors of our societies. Determined fiscal and monetary restraint is required to break inflationary expectations. Continuing dialogue among the social partners is needed for the same purpose. We must retain effective international co-ordination to carry out this policy of restraint, but also to avoid a worldwide recession. A reduction of inflation will benefit all nations, whether industrialised or developing, oil-producing or oil-importing.

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6. We are also committed to encouraging investment and innovation, so as to increase productivity, to fostering the movement of resources from declining into expanding sectors, and to promoting the most effective use of resources within and among countries. This will require shifting resources from government spending to the private sector and from consumption to investment, and avoiding or carefully limiting actions that shelter particular industries or sectors from the rigors of adjustment. Measures of this kind may be economically and politically difficult in the short term, but are essential to sustained non-inflationary growth and to the increase in employment which is our major goal.

7. In shaping economic policy, we need a better understanding of the long-term environmental and other effects of population growth, industrial expansion and economic development generally. A study of global trends is in hand. Our representatives will keep these matters under review.

III - ENERGY

8. We cannot achieve our economic objectives, either nationally or in relation to world development, unless greater progress is achieved in dealing with energy problems. The heart of the matter is that economic policy is now constrained by the energy imbalance. An effective and comprehensive energy strategy is indispensable to the security and well-being of our countries. We need to weaken the link between economic growth and consumption of energy and, in particular, of oil. To do this, we must work together to use energy more efficiently, conserve oil, improve market conditions, increase the supply of coal, expand the use of nuclear power, and hasten the development of synthetic fuels and renewable sources of energy. We ask all countries to join in this effort.

9. We welcome recent decisions of the European Community (EC), the International Energy Agency (IEA) and the Organisation for Economic Co-operation and Development (OECD) regarding the need for long-term structural change to reduce oil consumption, continuing procedures to monitor progress, the possible use of oil ceilings to deal with tight market conditions, and co-ordination of stock policies to mitigate the effects of market disruption.

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We note that the member countries of the IEA have agreed that their energy policies should result in their collective 1985 net oil imports being substantially less than their existing 1985 group objective, and that they will quantify the reduction as part of their continuing monitoring efforts. The potential for reduction has been estimated by the IEA Secretariat, given existing uncertainties at around 4 million barrels a day (MBD).

10. In order to encourage energy investment and the confidence that flows from sustained economic activity, market forces should be supplemented, where appropriate, by effective fiscal incentives and administrative measures. Domestic prices for oil should [as far as possible] reflect representative world prices. Energy investment will contribute substantially to economic growth and employment.

The next ten paragraphs might be taken into an annex.

11. To conserve oil in our countries:-

- (a) we are agreed that no new base-load oil-fired generating capacity should be constructed, save in exceptional circumstances and that the conversion of oil-fired capacity to other fuels should be accelerated;
- (b) we will increase efforts, including fiscal incentives where necessary, to accelerate the substitution of oil in industry;
- (c) we will encourage oil saving investments in residential and commercial buildings, where necessary by financial incentives and by establishing insulation standards. We look to the public sector to set an example.
- (d) In transportation, our objective is the introduction of increasingly fuel efficient vehicles. The demand of consumers and competition among manufacturers are already leading in this direction. We will accelerate this progress, where appropriate, by arrangements or standards for improved automobile fuel efficiency, by gasoline pricing and taxation decisions, by research and development, and by making public transport more attractive.

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12. Our potential to increase the supply and use of energy sources other than oil over the next ten years is estimated at the equivalent of 15-20 MBD of oil. We intend to make a co-ordinated and vigorous effort to realise this potential. To this end, we will seek a large increase in the use of coal and enhanced use of nuclear power in the medium term and a substantial increase in production of synthetic fuels and sources of renewable energy over the longer term.

13. We shall encourage the exploration and development of our indigenous hydrocarbon resources in order to secure maximum production on a long-term basis.

14. Together we intend to double coal production and use by early 1990. We will encourage long-term commitments by coal producers and consumers. It will be necessary for both exporting and importing countries to improve their infrastructures, as far as is economically justified, to ensure the required supply and use of coal.

15. We are conscious of the environmental risks associated with increased coal production and combustion. We reaffirm our pledge to ensure that, as far as possible, increased use of fossil fuels, especially coal, does not damage the environment.

16. We look forward to the recommendations of the International Coal Industry Advisory Board. They will be considered promptly.

17. We underline the vital contribution of nuclear power to a more secure energy supply. The role of nuclear energy has to be increased if world energy needs are to be met. We will therefore have to expand our nuclear capacity. We will continue to give the highest priority to ensuring the health and safety of the public and to perfecting methods for dealing with accumulations of spent fuel and disposal of nuclear waste.

18. We reaffirm the importance of ensuring the reliable supply of nuclear fuel and minimising the risk of nuclear proliferation.

19. The studies made by the International Nuclear Fuel Cycle Evaluation Group, launched at the London Summit in 1977, are a significant contribution to the use of nuclear energy. We welcome their findings with respect to: increasing predictable supplies, the most effective utilisation of uranium sources,

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including the development of advanced technologies and the minimisation of proliferation risks, including support of IAEA safeguards. We urge all countries to take these findings into account when developing policies and programmes for the peaceful use of nuclear energy.

20. We will actively support the recommendations of the International Energy Technology Group, proposed at the Tokyo Summit last year, for bringing new energy technologies into commercial use at the earliest feasible time. As far as national programmes are concerned, we will by mid-1981 adopt a two-phased approach - first, listing the numbers and types of commercial scale plants to be constructed in each of our countries by the mid-1980s, and, second, indicating quantitative projections for expanding production by 1990, 1995 and 2000, as a basis for future actions. As far as international programmes are concerned, we will join others in creating an international team to promote collaboration among interested nations on specific projects.

The annex would end here

21. We are convinced that our comprehensive energy strategy can curb the demand for energy, particularly oil, without hampering growth. We expect that, with this strategy, the ratio between increases in collective energy consumption and economic growth of our countries will, over the coming decade, be reduced to about 0.6, that the share of oil in our total energy demand will be reduced from 53 per cent now to about 40 per cent by 1990, and that our collective consumption of oil in 1990 will be sufficiently below present levels to permit a balance between supply and demand at tolerable prices. Progress will be closely monitored against these guidelines, while taking into account developments in the supply of oil, and our policies will be adjusted accordingly.

22. We continue to believe that international co-operation in energy is essential. All countries have a vital interest in a stable equilibrium between energy supply and demand. We would welcome a constructive dialogue on energy and related issues between energy producers and consumers in order to improve the coherence of their policies.

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IV - RELATIONS WITH DEVELOPING COUNTRIES

23. The present and foreseeable difficulties which threaten the world, both politically and economically, make more important than ever the relations between developed and developing countries. These relations must be based on the recognition of fundamental interdependence and mutuality of interests and on the need to further world peace. A mutually advantageous relationship is an essential element of our strategy for dealing with the problems of the coming decade.

24. We approach in a positive and constructive spirit the prospect of global negotiations in the framework of the United Nations and the formulation of a new International Development Strategy. In particular, our object is to co-operate with the developing countries in energy conservation and development, expansion of exports, the enhancement of human skills, and the tackling of underlying food and population problems, in order to promote their continuing growth. It is a common responsibility of the industrialised nations, including the Communist countries, as well as of the oil-producing countries to make sure that the developing countries do not lack the means of economic growth and of social progress.

25. Higher oil prices and energy shortages critically threaten the well-being of oil-importing developing nations. A major international effort to help these countries increase their energy production is required.

26. In particular, we ask the World Bank to consider means, including the possibility of establishing a new affiliate, by which it might improve and increase its lending programmes for exploration, development and production of conventional and renewable energy sources in these countries. This initiative should be explored with both oil-exporting and industrial countries. We strongly support the United Nations conference on new and renewable sources of energy.

27. We are deeply conscious that extreme poverty and chronic malnutrition afflict hundreds of millions of people. We are ready to join with developing countries and international agencies in their comprehensive long-term strategies to increase food production, to improve both national and international research services, and to expand food security systems. We will support and

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where appropriate supplement World Bank and Food and Agriculture Organisation initiatives to improve grain storage and food handling facilities. We underline the importance of wider membership of the new Food Aid Convention so as to ensure at least 10 million tons of food aid annually and of an equitable replenishment of the International Fund for Agricultural Development.

28. Higher priority should be given to efforts to cope with population growth and to existing United Nations and other programmes for supporting these efforts.

29. We urge donor nations, including oil-exporting countries, to make every effort to maximise the flow of aid. We note the inadequate contribution of communist countries to world development. We recognise the major role of private resource flows and the importance of a suitable climate in encouraging direct investment.

30. We strongly support the general capital increase of the World Bank, increases in the funding of the regional development banks, and the sixth replenishment of the International Development Association. We would welcome an increase in the rate of lending of these institutions, within the limits of their present replenishments, as needed to fulfil the programmes described above. These replenishments are vital to the economic well-being of developing countries. It is therefore essential that all members, particularly the major donors, provide their full contributions on the agreed schedule.

31. We welcome the report of the Brandt Commission. We shall carefully consider its recommendations. [We believe a North-South Summit, as suggested in that report, could be useful under appropriate circumstances and at a suitable time.]

V - MONETARY PROBLEMS

32. The situation created by large oil-generated payments imbalances, in particular those of oil-importing developing countries, requires a combination of determined actions by all countries to promote external adjustment and effective mechanisms for balance of payments financing. We look to the international capital market to continue to play the primary role in re-channeling

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these substantial oil surplus funds on the basis of sound lending standards. Private lending will need to be supplemented by an expanded role for international institutions, especially the International Monetary Fund. We are committed to the implementation of the agreed increase in IMF quotas, and support appropriate borrowing by the Fund if needed to meet financing requirements of its members. We welcome the IMF's readiness to play a growing part in the financing of payments imbalances. We encourage the IMF to seek ways in which it could, within its guidelines on conditionality, make it more attractive for countries with financing problems to use its resources. In particular, we support the IMF's examination of possible ways to reduce charges on credits to low income developing countries. The IMF should work closely with the World Bank in responding to these problems. We welcome the Bank's innovative lending scheme for structural adjustment. We urge oil-exporting countries to help the recycling process by increasing their direct lending to countries with financing problems, thus reducing the strain on other recycling mechanisms.

33. We reaffirm our commitment to stability in the foreign exchange markets. We recognise that our efforts to improve the fundamental conditions of our economies are essential to it. The European Monetary System has contributed to stability in foreign exchange markets. We will continue close co-operation in exchange market policies so as to avoid disorderly exchange rate fluctuations. We will also co-operate with the IMF to achieve more effective surveillance. We support continuing examination by the IMF of arrangements to provide for a more balanced evolution of the world reserve system.

VI - TRADE

34. In the 1980s we are resolved further to strengthen the open world trading system which has contributed so much to prosperity, employment, and productivity in the last thirty years. To that end we will resist pressures for protectionist actions, which can only be self-defeating and aggravate inflation.

35. We welcome the positive conclusion of the multilateral trade negotiations, and commit ourselves to early and effective implementation. In particular, we welcome the new non-tariff^{barrier}/codes. We welcome the participation of some of our developing partners in the new codes and call upon others to participate. We also call for the full participation of as many countries as possible in strengthening the GATT system as a framework for trading relationships in the

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1980s. We will seek to make the GATT an increasingly effective international trade instrument. We urge the more advanced of our developing partners gradually to open their markets over the coming decade, in a manner commensurate with their growing economic strength and with their desire to ensure fuller integration into the world trading system.

36. We also welcome the OECD Ministerial Council's new trade declaration, including its commitments to resist protectionism and to seek further improvements in the world trading system.

37. We reaffirm our determination to avoid a harmful export credit race. To that end we shall work with the other participants to strengthen the International Arrangement on Export Credits, with a view to reaching a mutually acceptable solution covering all aspects of the Arrangement by 1st December 1980. In particular we shall seek to bring its terms closer to current market conditions and reduce distortions in export competition, recognising the differentiated treatment of developing countries in the Arrangement.

38. As a further step in strengthening the international trading system, we commit our governments to work for one more year in the United Nations toward agreement to prohibit illicit payments to foreign government officials in international business transactions. If that effort falters, we will seek to conclude an agreement among our countries, but open to all, with the same objective.

VII - CONCLUSIONS

39. At this Summit we have been conscious of the seriousness of the problems facing the world in the coming decade. Inflation, unemployment, energy and development all pose major challenges. The key to an effective response is the greater effort to conserve and produce more energy on which we have agreed. That effort is essential if we are to succeed in overcoming inflation and unemployment, and it will also reinforce the co-operation we seek with developing countries on such global problems as energy, food and population. In this strategy we shall be able to draw on the remarkable potential of our democratic societies and meet the challenges of the coming decade to our own advantage and the benefit of the whole world.



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STATEMENT ON REFUGEES

We are acutely conscious of the human suffering caused by the flow of refugees. We pledge ourselves to join with others in supporting refugees and in assisting their resettlement.

We call on those countries that are responsible for the problem to eliminate the causes of this human tragedy.



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STATEMENT ON HIJACKING

[At the request of the Heads of State and Government who participated in the Summit, I, in my capacity of chairman of the meeting, am pleased to make the following statement which concerns the declaration on air-hijacking issued in Bonn in July 1978.]

The Heads of State and Government expressed their satisfaction at the broad support of the international community for the principles set out in the Bonn Declaration of July 1978 as well as in the international Conventions dealing with unlawful interference with civil aviation. The increasing adherence to these Conventions and the responsible attitude taken by States with respect to air-hijacking reflect the fact that these principles are being accepted by the international community as a whole.

While enforcement measures under the Declaration have not yet been necessary, the Heads of State and Government emphasise that hijacking remains a threat to international civil aviation and that there can be no relaxation of efforts to combat this threat. To this end they look forward to continuing co-operation with all other governments.



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STATEMENT ON THE TAKING OF DIPLOMATIC HOSTAGES

Gravely concerned by recent incidents of terrorism involving the taking of hostages and attacks on diplomatic and consular premises and personnel, the Heads of State and Government reaffirm their determination to deter and combat such acts. They note the completion of work on the International Convention Against the Taking of Hostages and call on all States to consider becoming parties to it as well as to the Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons of 1973.

The Heads of State and Government vigorously condemn the taking of hostages and the seizure of diplomatic and consular premises and personnel in contravention of the basic norms of international law and practice. They declare that their Governments will also co-operate for the purpose of bringing the perpetrators of such acts to justice. The Heads of State and Government urge all Governments to adopt policies which will contribute to the attainment of this goal and to take appropriate measures to deny terrorists any benefits from such criminal acts. They also resolve to provide to one another's diplomatic and consular missions support and assistance in situations involving the seizure of diplomatic and consular establishments or personnel.

The Heads of State and Government recall that every State has the duty under international law to refrain from organising, instigating, assisting or participating in terrorist acts in another State or acquiescing in organised activities within its territory directed towards the commission of such acts, and deplore in the strongest terms any breach of this duty.



- 9 JUN 1980



[The body of the document contains several paragraphs of text that are extremely faint and illegible due to the quality of the scan. The text appears to be a formal report or memorandum.]

CONFIDENTIAL

GRS 73φ

CONFIDENTIAL

FM PARIS φ91715Z JUN 8φ

TO IMMEDIATE FCO

TELEGRAM NUMBER 525 OF φ9 JUNE 198φ

INFO SAVING TO WASHINGTON BONN ROME OTTAWA TOKYO AND UKREP
BRUSSELS

YOUR TELNO 99φ TO WASHINGTON: VENICE ECONOMIC SUMMIT:
FRENCH APPROACH

Read in full.
no

1. PRESIDENT GISCARD WILL WANT TO USE THE VENICE ECONOMIC SUMMIT, AS HE TRIES TO USE ALL SUMMITS, TO PROJECT HIMSELF AS A WORLD STATESMAN. HIS WIDELY CRITICISED MEETING WITH MR BREZHNEV IN WARSAW, THE DISCOMFURE OF FRANCE OVER THE COMMUNITY BUDGET AND THE ADVERSE REACTIONS AT HOME AND ABROAD TO HIS REMARKS LAST WEEK ABOUT DELAYING ENLARGEMENT HAVE GIVEN HIM A REPAIR JOB TO DO. THE DEMANDS OF THE PRESIDENTIAL ELECTION CAMPAIGN BETWEEN NOW AND NEXT MAY WILL NEVER BE ABSENT FROM HIS MIND.

2. THE FRENCH HAVE NOW APPARENTLY AGREED TO A POLITICAL SESSION AT VENICE. WHATEVER PRESIDENT GISCARD'S EARLIER MISGIVINGS ABOUT THE APPROPRIATENESS OF THE SEVEN FOR DISCUSSION OF INTERNATIONAL POLITICAL ISSUES, HE WILL PROBABLY WISH TO USE THE OCCASION TO JUSTIFY AND ASSERT HIS ROLE IN EAST-WEST RELATIONS. THE ELYSEE DIPLOMATIC COUNSELLOR HAS TOLD US THAT HE EXPECTS THE MAIN TOPICS TO BE AFGHANISTAN, EAST-WEST RELATIONS AND IRAN. HE EXPECTS LESS ATTENTION TO BE FOCUSSED ON THE MIDDLE EAST SINCE THIS WILL HAVE BEEN THE MAIN FOREIGN AFFAIRS TOPIC AT THE EUROPEAN COUNCIL.

3. ON THE MAIN ECONOMIC ISSUES PRESIDENT GISCARD SHARES THE GENERAL CONCERN OVER HIGH INFLATION, LOW GROWTH, RISING UNEMPLOYMENT AND FURTHER OIL PRICE INCREASES. PUBLIC RECOGNITION THAT THESE PROBLEMS ARE COMMON TO ALL WESTERN ECONOMIES COULD BE ELECTORALLY USEFUL. IT SEEMS THAT ON ENERGY MATTERS, THE FRENCH SHERPAS HAVE GONE ALONG WITH THE TREND OF DISCUSSION, INCLUDING THE ILLUSTRATIVE FIGURES. GENERAL ENDORSEMENT OF NUCLEAR ENERGY PROGRAMMES AND ENERGY CONSERVATION POLICIES WOULD APPEAR TO MEET A FRENCH AIM. ON NORTH-SOUTH ISSUES, FRENCH OFFICIALS ARE TAKING THE LINE THAT, WHILE NOT OPPOSED IN PRINCIPLE TO THE BRANDT IDEA OF A NORTH-SOUTH SUMMIT, FRANCE CONSIDERS THAT THIS MIGHT MORE PROFITABLY BE ORGANISED NEXT YEAR WHEN GLOBAL NEGOTIATIONS MIGHT HAVE MADE SOME HEADWAY. AS YOU KNOW (WALDEN'S MINUTE OF 21 MAY TO FRD) PRESIDENT GISCARD THINKS IT SHOULD BE LEFT UNTIL AFTER A NEW AMERICAN PRESIDENT HAS BEEN ELECTED. IN THE VIEW OF FRENCH OFFICIALS THE VENICE SUMMIT SHOULD EXPRESS ITSELF FAVOURABLY ABOUT THE NORTH-SOUTH DIALOGUE BUT STRESS THE NEED FOR PRACTICAL RESULTS. PRESIDENT GISCARD WILL WANT THE SUMMIT TO MAKE A RESOUNDING DECLARATION

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CONFIDENTIAL

ON THE FLIGHT OF LDCs AND THE NEED FOR OPEN MARKETS. THE PRINCIPAL FRENCH CONCERN ON INTERNATIONAL TRADE MATTERS IS TO BRING HOME TO THE JAPANESE THE NEED FOR GENUINE RECIPROCITY ON IMPORTS. PRECISELY HOW PRESIDENT GISCARD WILL HANDLE THIS APPEARS TO DEPEND ON DISCUSSIONS AT THE EUROPEAN COUNCIL.

4. THE ONE AREA WHERE A FRENCH INITIATIVE WAS PROMISED IN NOVEMBER BY PRESIDENT GISCARD IS REFORM OF THE INTERNATIONAL MONETARY SYSTEM. IN HIS SPEECH AT THE OECD MINISTERIAL LUNCH LAST WEEK, M. BARRE EMPHASISED ONCE AGAIN THE NEED FOR GREATER EXCHANGE RATE STABILITY AND BETTER RECYCLING FACILITIES. WHILE PRESIDENT GISCARD HAS MADE A PRACTICE OF MOUNTING LAST-MINUTE INITIATIVES, FRENCH OFFICIALS, INCLUDING THOSE AT THE ELYSEE, HAVE FOR SOME TIME ASSIDUOUSLY PLAYED DOWN ANY IDEA THAT PRESIDENT GISCARD WOULD LAUNCH NEW PROPOSALS AT VENICE. THEY SAY THAT THE INTERNATIONAL ENVIRONMENT HAS CHANGED CONSIDERABLY SINCE NOVEMBER. ACCORDING TO FRENCH OFFICIALS THE MAIN PREOCCUPATION AT PRESENT IS TO STIMULATE MULTILATERAL TALKS ON WAYS OF IMPROVING EXISTING RECYCLING FACILITIES SO AS TO DRAW OPEC SURPLUS COUNTRIES INTO THE GENERAL DISCUSSION.

5. THERE HAVE BEEN SOME FAIRLY PLAUSIBLE RUMOURS THAT PRESIDENT GISCARD HAS BEEN LOOKING ACTIVELY FOR WAYS OF PROMOTING SOME SORT OF INTERNATIONAL INITIATIVE WITH A LEADING ROLE FOR FRANCE FOR END 1980 AND EARLY 1981. THE FRENCH PROPOSALS FOR A EUROPEAN DISARMAMENT CONFERENCE DO NOT SEEM LIKELY TO PROSPER IN THE COURSE OF THIS YEAR, AND THE OMENS ARE NOT FAVOURABLE FOR A USEFUL OUTCOME FROM THE MADRID CSCE REVIEW MEETING. IF PRESIDENT GISCARD WAS LOOKING FOR SOME SORT OF OPENING LEADING TO A HIGH LEVEL INTERNATIONAL CONFERENCE WHEN HE SAW MR BREZHNEV, HE SEEMS TO HAVE BEEN DISAPPOINTED. IT OUGHT TO BE ASSUMED THAT PRESIDENT GISCARD WILL JUMP AT ANY OPPORTUNITY WHICH MAY BE OFFERED TO LAUNCH A TOP LEVEL INTERNATIONAL INITIATIVE ON ALMOST ANY SUBJECT, AND TO SUGGEST THAT THE SEAT OF ANY SUCH MEETING SHOULD BE PARIS.

6. THE ABOVE ASSESSMENT IS SUBJECT TO THE QUALIFICATIONS EXPRESSED IN PARAGRAPH 1 OF WASHINGTON TELNO 2144. THE EUROPEAN COUNCIL WILL OF COURSE BE THE PLACE WHERE PRESIDENT GISCARD WILL FIRST SHOW HIS HAND.

FCO PLEASE PASS SAVING ADDRESSEES.

HIBBERT.

[REPEATED AS REQUESTED]

FILES

FRD LORD BRIDGES
WED MR EVANS
ES & SD MR FERGUSSON
PS
PS/LPS
PS/PUS

COPIES TO:

PS NO 10 DOWNING STREET



10 DOWNING STREET

From the Private Secretary

9 June 1980

Econ PM 15 JS

cc CO

BIF 12-6-80

POLITICAL DISCUSSION AT THE VENICE SUMMIT

The Prime Minister has seen your letter to me of 6 June about the preparations for the political discussion at the Venice Summit. She is content with the agenda and with the general thrust of the communique (but she has commented against the final sentence of paragraph 6 of the draft English language text of the draft communique: "How?").

The Prime Minister has asked, in relation to the objective for our policy on Afghanistan defined at the beginning of the draft agenda, whether it is not the case that if Afghanistan is to regain her sovereignty and political independence, she could choose whether to be aligned, non-aligned or neutral. If this is not the case, are we really accepting "Finlandisation" by the device of calling it non-alignment?

The Prime Minister strongly agrees with you that Chancellor Schmidt should not be seen to be spokesman either for the West or for this country when he goes to Moscow. The Prime Minister's view remains that he should not be going to Moscow at all.

The Prime Minister would like to discuss with you and with Robert Armstrong (to whom I am sending a copy of this letter), the position now reached in the preparations for the Venice Summit. We shall be getting in touch with your office to arrange this.

M. O'D. B. ALEXANDER

Sir Michael Palliser, GCMG,
Foreign and Commonwealth Office.

CONFIDENTIAL *610 58* CONFIDENTIAL
FM WASHINGTON 062215Z JUNE 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 2144 OF 6 JUNE

INFO ROUTINE PARIS, BONN, ROME, OTTAWA, TOKYO, UKREP BRUSSELS

FOLLOWING FOR BAYNE FROM DEREK THOMAS

Read i full

FCO TELEGRAM NO 990: U.S. OBJECTIVES FOR VENICE SUMMIT.

1. IT IS NOT EASY TO OFFER ANY ORIGINAL FORECAST OF LIKELY U.S. OBJECTIVES AT THE SUMMIT WHEN IT IS STILL MORE THAN TWO WEEKS AWAY. THOSE WHO HANDLE THESE QUESTIONS HERE HOLD THE SUMMIT CARDS CLOSE TO THEIR CHESTS. MOREOVER, THINGS MAY WELL CHANGE BETWEEN NOW AND 22 JUNE. SIR R ARMSTRONG, SIR M PALLISER AND OTHERS WHO HAVE BEEN ATTENDING THE PREPARATORY MEETINGS IN PARIS THIS WEEK WILL BE CLOSER TO THEIR CURRENT THINKING THAN WE ARE. BUT WITH THESE CAVEATS, WE OFFER THE FOLLOWING AS OUR BEST GUESS AT WHAT PRESIDENT CARTER MAY AT PRESENT BE AIMING TO GET OUT OF THE VENICE MEETING.

mt

2. HIS MAIN OBJECTIVE WILL BE TO USE THE MEETING TO RE-ESTABLISH HIMSELF IN THE EYES OF HIS ELECTORATE AS AN AUTHORITATIVE FIGURE AMONG HIS PRINCIPAL WESTERN PARTNERS. HE WILL WANT THE PUBLIC PRESENTATION OF THE SUMMIT DISCUSSIONS TO EMPHASISE THE DEGREE OF ACCORD AMONG THE PARTICIPANTS, TO SHOW THE RESULTS AS ENDORSING U.S. POLICIES, AND TO PLAY DOWN THE SENSE OF DISARRAY AMONG THE ALLIES THAT AT PRESENT PERVADES THE U.S. MEDIA.

3. ON THE POLITICAL SIDE, IT GOES WITHOUT SAYING THAT THE AMERICANS WILL WANT THE SUMMIT TO PROVIDE THE STRONGEST RALLYING POINT POSSIBLE FOR INTERNATIONAL PRESSURE FOR SOVIET WITHDRAWAL FROM AFGHANISTAN. ON THE ECONOMIC ISSUES, SUBJECT TO WHAT MAY HAVE BEEN AGREED IN PARIS THIS WEEK, THE MAIN U.S. OBJECTIVES ON INFLATION, ENERGY AND THE L.D.C.S HAVE NOW BEEN ENSHRINED IN THE DRAFT COMMUNIQUE. BUT THE SECTION ON ENERGY WILL NEED TO BE LOOKED AT AGAIN IN THE LIGHT OF THE RESULTS OF THE OPEC MEETING NEXT WEEK. AND THE AMERICANS MAY SEE THE NEED FOR SOME TAILORING OF THE WORDING TO REFLECT THE REJECTION OF THE OIL IMPORT FEE BY CONGRESS THIS WEEK. IN ADDITION, PRESIDENT CARTER MAY PRESS FOR SOMETHING MORE SPECIFIC ON THE EXPORT CREDIT CONSENSUS AND POSSIBLY ALSO ON ILLICIT PAYMENTS.

4. FOR THE REST, PRESIDENT CARTER WILL WANT TO USE THE OPPORTUNITY OFFERED BY BILATERAL DISCUSSIONS AT VENICE TO DEMONSTRATE THAT THE MEETING HAS ENHANCED HIS RELATIONSHIP WITH THE PRIME MINISTER AND HIS OTHER SUMMIT COLLEAGUES AND INCREASED THEIR CONFIDENCE IN HIS LEADERSHIP.

HENDERSON

*FILED
FAB
END-50*

*19/10/80
10 23 11/10/80*

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No. 10 DOWNING STREET

CONFIDENTIAL



10 DOWNING STREET

Prime Minister.

The Quadrilateral preparatory discussions for the political part of the Venice Summit seem to have gone well. The agenda (Page A) looks sensible & the Communique language (Page C) strikes me as very good. (It was originally a French draft!). The machinery for converging the consensus of the 4 to the 7 (para 3 of Sir N. Pallas's letter) is clumsy but perhaps unavoidably so.

On the other hand some of the points made in Sir N. Pallas's letter (para 5) about the Germans are worrying.

(a) Agree - broadly - the agenda & Communique

(b) Would you like a meeting next week with Sir N. Pallas & Sir R. Armstrong to discuss the state of the preparations for the summit?

6-6-80 *[Signature]*

14



Foreign and Commonwealth Office

London SW1A 2AH

6 June 1980

kg
Ann's 17/6

Prime Minister

①

M O'D B Alexander Esq
10 DOWNING STREET

Dear Richard,

① If Afghanistan is to ^{Ann's} regain her sovereignty & political independence surely she can choose whether she be directly non-aligned or neutral? Or are we indirectly accepting 'Frankfurtischheit' by the device of calling it 'non-alignment'?

POLITICAL DISCUSSION AT THE VENICE SUMMIT

1. I attended, as the Prime Minister's representative, a Quadripartite meeting under French chairmanship near Paris on 3 - 4 June, to prepare for political discussions among the Seven Powers at Venice. Knowledge of this will be kept secret. I was accompanied by Robert Wade-Gery and Roger Garside of our Planning Staff. The Americans, Germans and French were each similarly represented by a senior man from their Foreign Ministry, supported by a member of the White House staff or its French and German equivalent. (A list of the participants is attached).

?) Agree to Ann's agenda. or general thrust of communiqué. we would like suggested meeting. mb.

2. The meeting was brisk and to the point. We agreed (ad referendum) on three documents:

- a) a draft "annotated agenda" for the political part of the Venice Summit (Annex A);
- b) two versions (see below) of a draft passage for inclusion at the end of the Summit communiqué (Annexes B and C).

The French made it clear that they have accepted the need for some political discussion at Venice and that it should be reflected in the communiqué. But they implied that it had not been easy to persuade President Giscard to accept this. (I think this is a bit overdone. The French played a full and, on the whole, constructive part in the discussion at our meeting and in drafting the texts I have just mentioned. Indeed the draft communiqué they themselves proposed was much more robust than I expected).



3. We also agreed on a procedure for merging this 4-Power preparation with that which will now have to be undertaken by the Venice Seven, without revealing our prior collusion particularly to the hyper-sensitive Italians. The latter have proposed a meeting of the Seven in Rome on 16 June to discuss the political part of the agenda. Ostensibly in preparation for that, The French will now let them have, as a unilateral French document, the draft communiqué passage at Annex B. Then, shortly before the 16 June meeting the Americans will give the Italians, as a unilateral United States document, the annotated agenda (Annex A). When we all meet in Rome, the British, French and Germans will of course support the "American" annotated agenda, without revealing our part in drafting it. Similarly, we, the Americans and the Germans will in principle support the "French" draft of the communiqué passage; but we will, by agreement, severally suggest certain modifications designed to convert the French text at Annex B into the slightly preferable version at Annex C. (The English text of that was written in a hurry and will need a bit of polishing). I am afraid this seems a rather complicated web. But I think that, provided none of us reveal the fact of our prior Quadripartite discussions, it should work out all right at the Seven power meeting.

4. There was general agreement to recommend that, because of Italian susceptibilities, there should not be any meeting at Venice of either the Four Heads of Government or the Foreign Ministers. The latter will of course meet anyway on the eve of the subsequent NATO meeting in Ankara (as they always do on such occasions, under "Berlin" cover). On the other hand, we learned from David Aaron that Brzezinski is aiming to have a discreet breakfast meeting at Venice with Wahl, von Staden and Robert Armstrong. This has happened without comment at some of the previous Summits.

5. So much for procedure: but most of our discussion was on matters of substance, revolving essentially around the Afghan crisis and its implications. There were four areas where certain differences emerged:-

- (i) As has been the case almost from the start, the Germans and French professed to see the implications of the crisis primarily in regional terms; and at one point I had to refute firmly the French contention that it was mistaken to regard detente in Europe as necessarily weakened by Soviet activity in other parts of the world. The Americans and we were, as I expected, agreed in arguing that the crisis could not be confined to its regional implications, but had to be seen in a wider context. In this argument there was also anuance between the German and French approach. The Germans see regional containment of the Russians in terms primarily of propping up other countries under threat with economic or military assistance; whereas the French accept more

/readily



readily the need for counter action as well, e.g. in material support for the Afghan resistance.

- (ii) The Germans thought that Chancellor Schmidt would want to widen the political discussion at Venice to include various world trouble-spots, in particular Namibia. The French argued that they had only agreed reluctantly to have political discussion at all, because of the Afghan crisis; it should therefore concentrate on that subject and on issues which could naturally be related to it (eg arms control - see below). We and the Americans recognised that Heads of Government could raise whatever points they wished. But we reminded van Well that time at Venice was limited; and tried in particular to dissuade the Germans from diverting the discussion to issues like Namibia which, though important, were really peripheral to the main topic. It emerged pretty clearly that Chancellor Schmidt would like as wide-ranging a discussion as possible so that he can go to Moscow, a week later, in the role of accredited purveyor of Western views on the main political problems of the world. Up to a point this has merit, in that it might encourage him to caution. Equally, I do not think the Prime Minister and the Foreign Secretary would want him to seem to be our spokesman in Moscow. The Americans were notably cool towards his visit; and the French made no secret of their unwillingness to see him play this role.

Handwritten note:
 certainly not -
 I think he is
 wrong to go.
 mh

- (iii) It was agreed that President Carter should tell his colleagues in Venice how he saw prospects for arms control (particularly SALT II and TNF/SALT III) post-Afghanistan; and the Germans said that Chancellor Schmidt would wish to respond. In this context, Aaron went out of his way to say (clearly on instructions) that one of the main reasons for the current disaffection in the United States with arms control in general and SALT II in particular was the belief that the Alliance was disunited and European support for American policy inadequate. Frankly, I think we should treat this with some reserve; but it was notably the meeting's clearest example of American whip-cracking.

/(iv)



(iv) The Germans explained, in a surprisingly apologetic tone, that Chancellor Schmidt's visit to Moscow would be very much a "routine affair". But they admitted that it would include signature (not by the Chancellor himself) of the programme of action to implement the Soviet-German long term Economic Agreement signed in 1978. Aaron said firmly that the United States Government were "disappointed" by this news; they had been urging their Allies, ever since Afghanistan started, to take economic action against the Soviet Union analogous to their own. The Soviet-German Agreement would be seen as a move in the opposite direction. I gave him some support.

6. More important in my view than these differences, which were to be expected, is the fact that they did not inhibit agreement either on the annotated agenda or on the draft communiqué passage. The latter (Annex C), or something like it, should I think make a significant impact, representing as it does a robust condemnation of the Russians in a document to which the French are prepared to join the Americans (and the rest of us) in subscribing.

7. With the Rome meeting in view, which I would propose also to attend, perhaps you could let me know if the Prime Minister is broadly content with the draft communiqué passage (version II at Annex C) and with the draft annotated agenda (Annex A). She is, of course, in no sense committed to them.

8. I am sending a copy of this letter to Robert Armstrong; and I have informed Lord Carrington of the position reached.

Taus car,

Michael

Michael Palliser

DRAFT ANNOTATED AGENDA

AFGHANISTAN

1. Objective: } To return to a sovereign, independent, non-aligned
Afghanistan at peace with its neighbours and
deter further Soviet aggression.

It implies: - withdrawal of Soviet forces;
- a Government broadly acceptable to the people;
- arrangements designed to ensure that Afghanistan
neither threatens nor is threatened by its
neighbours.

2. Action by the Seven should develop in five main areas:
- a) Pressures on Soviet Union
 - in the region:
 - . to support Afghan resistance
 - . to deter Soviet military escalation
in Afghanistan
or across its borders.
 - directly on Soviet Union.
 - b) Providing an acceptable political solution. We should consider initiatives to be discussed with interested parties.
 - c) To prevent new Soviet initiatives in the region in the form either of subversion or the use of force, by strengthening countries there and by providing reassurance to them.
 - d) Encouragement for parallel actions by others, eg the initiative envisaged by the Islamic Conference and direct support given to the resistance.
 - e) Discouragement of recognition of the Babrak Karmal regime, through contacts with the non-aligned countries.
3. Implications for arms control and the CSCE process.
4. Implications for China and relations with that country.



DRAFT COMMUNIQUÉ - VERSION I
(French to give to Italians)

[En définissant cette stratégie globale et en manifestant notre volonté commune de la mettre en oeuvre]* nous avons conscience d'assumer les responsabilités qu'ont les trois grandes régions industrialisées du monde - Europe occidentale, Japon, Amérique du Nord - de contribuer à créer les conditions d'une croissance économique harmonieuse et soutenue.

Les circonstances actuelles nous imposent cependant de souligner aujourd'hui que nos efforts ne porteront leurs fruits que si, parallèlement, nous savons préserver un monde où le droit soit universellement observé, l'indépendance des peuples respectée, la paix internationale maintenue et garantie.

C'est pourquoi nous voulons réaffirmer que l'intervention militaire soviétique en Afghanistan est inacceptable et que nous sommes déterminés à ne pas l'accepter. Incompatible avec la volonté d'indépendance du peuple afghan, avec la sécurité des Etats de la région et avec les principes de la Charte des Nations Unies, elle met en cause les fondements de la paix.

Nous nous sentons, à cet égard, en plein accord avec le sentiment de l'immense majorité de la Communauté Internationale tel qu'il s'est exprimé à l'Assemblée Générale des Nations Unies et au cours des deux sessions de la Conférence Islamique.

Nous déclarons en conséquence que les troupes soviétiques doivent se retirer et que la possibilité doit être rendue au peuple afghan de déterminer librement son avenir. C'est à cette double condition que pourra être restaurée une situation conforme aux exigences du droit et de la paix, et par là aux intérêts de tous.

Nous sommes résolus à faire ce qui dépend de nous pour atteindre cet objectif. Nous sommes prêts, également, à seconder toute initiative dans ce sens, et en particulier celle qui a été décidée par la Conférence Islamique, ainsi qu'à contribuer à la sécurité des autres Etats de la région.

* Linking passage to the economic section of the communiqué, which will precede this.

DRAFT COMMUNIQUÉ - VERSION II
(our objective as a final draft)

1. [In defining this global strategy and in demonstrating our common will to translate it into action],* we are conscious of the responsibility of the three great industrialised regions of the world - Western Europe, Japan and the United States - to work for conditions in which harmonious and sustained economic growth can take place. But we cannot do this alone. Others must play their part.

2. Moreover, the present situation reminds us that our efforts will only bear fruit in a world where the rule of law is universally observed, the independence of states is respected and international peace is maintained and assured. We call upon all countries to join us in working for such a world, and we welcome the readiness of non-aligned countries and regional groups to accept responsibility in this respect.

3. With this in mind, we reaffirm that the Soviet military intervention in Afghanistan is unacceptable now and we shall not accept it in the future. It is incompatible with the will of the Afghan people for independence, with the security of the states of the region, with the principles of the Charter of the United Nations and with efforts to maintain genuine détente. It undermines the very foundations of peace in the region and in the world at large.

4. We fully agree with the views expressed on this issue by the overwhelming majority of the international community in the General Assembly of the United Nations and by the Islamic Conference at both its sessions.

5. We therefore declare that the Soviet troops must be withdrawn and the Afghan people given the freedom to determine their own future. Afghanistan should be permitted to regain the sovereignty, territorial integrity, political independence, and non-aligned character that it once enjoyed. Thus, a situation can be restored that conforms to the requirements of law and peace, and thereby serves the interests of all nations.

/6.

*[Linking passage to the economic section of the communiqué, which will precede this.]



6. We are determined to do everything in our power to attain this objective. We are also ready to support initiatives that others may undertake to this end, particularly that of the Islamic Conference. And we shall support efforts to enhance the political independence and the security of the states in the region from the threat of outside domination.

How ?

SECRET
BURNING BUSH

PARTICIPANTS IN QUADRIPARTITE MEETING,
PARIS, 3-4 JUNE

FRANCE

M. Gabriel Robin, Political Director, MFA.
M. Patrick Leclercq, Diplomatic Counsellor,
Presidential Secretariat
M. Edouard Braine, staff of Political Director.

FEDERAL REPUBLIC OF GERMANY

State Secretary van Well, MFA
Ambassador von Staden, Chancellor's Office
Herr Reinhard Schenk, Head of West European Dept., MFA

UNITED STATES OF AMERICA

Mr Warren Christopher, Deputy Secretary of State
Mr David Aaron, National Security Council Staff
Mr George Vest, Assistant Secretary of State (Europe)

UNITED KINGDOM

Sir Michael Palliser, Permanent Under-Secretary, FCO
Mr Robert Wade-Gery, Cabinet Office
Mr Roger Garside, Planning Staff, FCO

SECRET
BURNING BUSH

Frank P...

CONFIDENTIAL

GR 95
CONFIDENTIAL
FRAME GENERAL
FM ROME 061030Z JUN
TO ROUTINE FCO
TELEGRAM NUMBER 376 OF 6 JUNE 1980
INFO UKREP BRUSSELS

mt

ITALIAN PRIORITIES FOR THE EUROPEAN COUNCIL

1. BUCCI (ECONOMIC DIRECTOR MFA) TOLD ME LAST NIGHT THAT HE WOULD BE SUBMITTING THE FOLLOWING TO MINISTER COLOMBO OVER THIS WEEKEND, AS PRIORITY ISSUES FOR THE COUNCIL, AND EXPECTED HIM TO CONCUR:

- A) PRESIDENCY OF THE COMMISSION -
- B) NUMBER OF COMMISSIONERS -
- C) FUTURE ORIENTATION OF THE COMMUNITY ?
- D) MIDDLE EAST
- E) PREPARATIONS FOR THE ECONOMIC SUMMIT.

2. ON (A) HE SAID THAT HE THOUGHT THE ITALIANS WOULD NOT BE PUSHING THE CANDIDATURE OF PANDOLFI, NOR THAT OF COLOMBO. (BUT THEY ARE BOTH VERY GOOD CANDIDATES.) ON (B) HE SAID THERE WOULD BE DISAGREEMENTS, PARTICULARLY FROM THE GERMANS. ON (C) NOW THAT THE BUDGET PROBLEM WAS OUT OF THE WAY ONE MUST LOOK TO THE FUTURE.

ARCULUS

[THIS TELEGRAM WAS NOT ADVANCED]

FRAME GENERAL

ECD (E)

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5 June 1980

Venice Economic Summit: Bilateral Meetings

The Prime Minister has seen your letter to me of 4 June on this subject. She is content that arrangements should be put in hand for bilateral meetings with President Carter and Prime Minister Cossiga. However, she sees little point in the meeting with Mr. Ohira unless there is a specific bilateral issue that we should raise with him.

MICHAEL ALEXANDER

George Walden, Esq.,
Foreign and Commonwealth Office.

SP

no



CONFIDENTIAL

Prime Minister
Mr Carter - Mr Ohira (if he
comes) would seem inevitable.
Mr Cossiga would be essentially a
courtesy call. Agree that we
should put the arrangements in hand.

Foreign and Commonwealth Office
London SW1A 2AH

4 June 1980

Dear Michael,

Andy 4/6

Venice Economic Summit: Bilateral Meetings

We have been considering what advice to give the Prime Minister about bilateral meetings in the margins of the Economic Summit in Venice.

So far as can be foreseen at present, there are three Heads of Government whom it would be particularly useful for the Prime Minister to see separately on this occasion. They are Prime Minister Cossiga, as host and as the current holder of the Presidency; Prime Minister Ohira (assuming he comes), who has shown a keen interest in bringing Japan closer to the United States and Western Europe on political matters, and whom there are fewer opportunities for the Prime Minister to meet; and of course President Carter.

Of the remainder, the Prime Minister will have seen President Giscard and Chancellor Schmidt only 10 days earlier, and you are aware of the proposal for Mr Trudeau to meet the Prime Minister in London on his way back to Canada after the Venice meeting.

I should be grateful to know whether the Prime Minister agrees that we should seek to arrange the three meetings mentioned in paragraph 2 above.

Tom
GGH

(G G H Walden)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
London

*There seems little
point in having a
bilateral with Mr. Ohira
unless we have some
specific point to raise
not*

CONFIDENTIAL



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-4 JUN 1980

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FM BONN 041615Z JUN 80
TO PRIORITY FCO
TELEGRAM NUMBER 441 OF 4 JUNE
INFO WASHINGTON, TOKYO, OTTAWA, PARIS, ROME, UKREP BRUSSELS, MOSCOW

CONFIDENTIAL

Very depressing. Read in full

YOUR TEL 990 TO WASHINGTON

VENICE ECONOMIC SUMMIT

1. THE VENICE SUMMIT IS TAKING PLACE ONE WEEK BEFORE THE FEDERAL CHANCELLOR VISITS MOSCOW AND HIS IMMEDIATE PRIORITY WILL BE TO CLEAR HIS LINES WITH HIS PRINCIPAL ALLIES BEFORE MEETING BREZHNEV AND TO IMPROVE HIS RELATIONSHIP WITH CARTER. HE WILL HAVE EXPERIENCED HIS PARTY CONFERENCE ON 9-10 JUNE AND WILL STILL BE FEELING THE BRUISES OF THE COMMUNITY BUDGET NEGOTIATION AND THE COST OF THE SETTLEMENT TO THE FRG. HE FACES ELECTIONS ON 5 OCTOBER.
2. IN ELECTORAL TERMS IT IS EAST-WEST RATHER THAN DOMESTIC ECONOMIC ISSUES WHICH MOST PREOCCUPY SCHMIDT. HE IS ON RECORD AS WANTING A DAY AT VENICE DEVOTED TO POLITICAL SUBJECTS. SO FAR HE APPEARS TO HAVE SUCCEEDED IN CATCHING THE MOOD OF MUCH OF THE ELECTORATE IN HIS HANDLING OF THE FRG'S RELATIONS WITH THE EAST POST-AFGHANISTAN. BUT THE MOOD COULD CHANGE. THERE IS WIDESPREAD CONCERN AT THE CONTINUED DECLINE IN MUTUAL CONFIDENCE BETWEEN BONN AND WASHINGTON, AND THE OPPOSITION HAVE BEEN MAKING SOME EFFECTIVE PLAY WITH THE CHANCELLOR'S ALLEGED AMBIGUITY IN HIS ATTITUDES TO THE SOVIET UNION AND THE UNITED STATES, EXPLOITING HIS ILL-CONSIDERED WORDS ON THE ARMS CONTROL IN APRIL. SCHMIDT HAS FELT THE NEED TO STEADY HIS RELATIONS WITH WASHINGTON SUFFICIENTLY TO HAVE MY AMERICAN COLLEAGUE HERE TO A TETE-A-TETE DINNER LAST WEEK: AN UNPRECEDENTED HAPPENING. THIS SUBJECT IS TINDER IN THE COALITION AND SCHMIDT HAS ALREADY DEMONSTRATED HIS SENSITIVITY BY RETRACTING WHAT HE SAID IN APRIL AND BY LOSING HIS TEMPER IN PUBLIC WITH THE (FDP-ORIENTED) FRANKFURTER ALLGEMEINE ZEITUNG. THE TICHONOV VISIT, UNDERLINING THE FEDERAL GERMAN ECONOMIC STAKE IN THE EAST, AND PERHAPS TYING GERMAN HANDS TIGHTER, HAS NOT HELPED TO REASSURE EITHER THE AMERICANS OR THE OPPOSITION.
3. SCHMIDT WILL THEREFORE BE HOPING TO USE THE VENICE MEETING TO MEND HIS FENCES WITH THE US: TO PRESENT HIMSELF AS A CENTRAL FIGURE IN THE WESTERN ALLIANCE; AND TO DEMONSTRATE THAT THE POLICIES ON WHICH HIS VISIT TO MOSCOW IS BASED, IF NOT IDENTICAL WITH MOST OF HIS PRINCIPAL PARTNERS, ARE ACCEPTED AND ENDORSED BY THEM. IN SHORT, HE WILL WANT TO SHOW THAT STRAUSS'S EXPRESSED VIEW OF HIM AS AN UNRELIABLE WESTERN ALLY WITH NEUTRALIST TENDENCIES IS NOT SHARED BY THE ALLIES THEMSELVES.
4. HE DOES NOT NEED TO WORRY ABOUT IMMEDIATE GERMAN ECONOMIC PROSPECTS. IF NOT PERFECT, THE MANUFACTURING AND INVESTMENT OUTLOOK IS MUCH BETTER HERE THAN ELSEWHERE. GERMANY'S MAJOR MARKETS HAVE NOT DRIED UP. HOWEVER WIDER ENERGY AND MONETARY ISSUES CAUSE HIM DEEP ANXIETY: IN PARTICULAR THE OIL PRICE/CPPEC SURPLUS COMPLEX WHICH HAS FORCED THE FEDERAL REPUBLIC INTO DEFICIT. SCHMIDT

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Lawrence

We can't be used like this

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WORRIES ABOUT THE ABILITY OF EXISTING INTERNATIONAL POLITICAL AND FINANCIAL INSTITUTIONS TO COPE. HE WILL WISH TO OBTAIN RECOGNITION BY THE SEVEN THAT RECESSION AND INFLATION CAN BE DEALT WITH ONLY BY GRITTING THE TEETH AND STICKING TO FREE MARKET PRINCIPLES; AND EXAMINE WHAT MUST BE DONE TO HELP THE LDCs ADJUST QUICKLY (A MINIMUM RESPONSE AFTER THE BRANDT REPORT). FOR THE LONGER TERM HE WILL BE LOOKING FOR ACTIVE SUPPORT FROM OTHER ECONOMIC GROUPINGS IN THE TASK OF MAINTAINING PROVEN ECONOMIC PRINCIPLES AND UNDERPINNING THE THIRD WORLD.

5. IN SCHMIDT'S MIND THE VARIOUS SUMMIT ITEMS ARE INSEPARABLY LINKED. HE WILL WANT TO REVIEW THE CHANCES OF A WESTERN UNDERSTANDING WITH OPEC ON RECYCLING. THIS SUBJECT IS CONTROVERSIAL IN THE FRG AND IT IS NOT YET CLEAR WHETHER HE WILL HAVE PROPOSALS TO BRING FORWARD. GENERALLY HE WILL ARGUE THAT OPEC MUST DO MORE FOR THE NON-OIL DEVELOPING COUNTRIES IN THE FORM OF DIRECT FINANCE, WHILE THE INDUSTRIALISED WEST'S MOST EFFECTIVE CONTRIBUTION LIES IN KEEPING ITS MARKETS OPEN. BOTH MATTHOEFER (FEDERAL MINISTER OF FINANCE) AND OFFERGELD (ECONOMIC DEVELOPMENT) HAVE MADE RECENT STATEMENTS ON THE NEED TO ENGAGE OPEC IN THIS TASK.

6. IN SCHMIDT'S VIEW AFGHANISTAN HAS NOT REDUCED THE NEED TO SECURE A SOVIET CONTRIBUTION TO THE NORTH/SOUTH DIALOGUE. HE WILL RAISE THIS WITH BREZHNEV AND SEEK COMMON GROUND IN VENICE BEFOREHAND. HE SEEKS WIDER AREAS OF ECONOMIC COOPERATION INTO WHICH THE BLOC COULD BE DRAWN. HE FAVOURS THE DEVELOPMENT OF A WESTERN ENERGY DIALOGUE WITH THE SOVIET UNION AND HIS ENTHUSIASM FOR A HIGH LEVEL EEC MEETING ON ENERGY IS, WE BELIEVE, UNABATED.

7. ON ENERGY AS SUCH THE GERMAN PRIORITIES HAVE BEEN MET BY THE TEXT AGREED AT THE IEA ON 23 MAY - THE AVOIDANCE OF 1985 OIL CONSUMPTION COMMITMENT IN FIGURES AND A PARAGRAPH WHICH BACKS UP THE COALITION'S EFFORTS TO ENLARGE GERMAN NUCLEAR POWER CAPACITY. IN OTHER RESPECTS THE ENERGY OUTLOOK HERE (PRICE APART) HAS IMPROVED. THE COAL AND ELECTRICITY INDUSTRIES HAVE NEGOTIATED A LONG TERM AGREEMENT ON COALBURN IN POWER STATIONS AND THE GOVERNMENT HAS INTRODUCED A SLIGHTLY MORE LIBERAL COAL IMPORT REGIME. OIL SUPPLY IS GOOD AND STOCKS HIGH. BUT THE CONGRESSIONAL THREAT TO PRESIDENT CARTER'S OIL IMPORT FEE CAUSES GLOOM.

8. SCHMIDT WILL REITERATE THE GERMAN VIEW THAT THE STATE OF THE WORLD ECONOMY IS AN INVITATION TO PROTECTIONISM AND THIS MUST BE RESISTED. HE IS AWARE THAT SOME GERMANS WANT THE CURRENT ACCOUNT DEFICIT CUT BACK BY A SPECIFIC EXPORT DRIVE; AND THAT THE GERMAN CAR INDUSTRY IS BEGINNING TO FEEL THE WIND OF JAPANESE COMPETITION. SCHMIDT WOULD FIND AN FRG DRIFT INTO PROTECTIONISM REPUGNANT BUT WILL BE LOOKING FOR SUPPORT BY DEEDS FROM HIS PARTNERS.

9. VENICE WILL ALSO BE SCHMIDT'S FIRST MEETING WITH THE PRIME MINISTER SINCE THE COMPROMISE REACHED OVER THE UK'S SHARE OF THE COMMUNITY BUDGET. THIS HAS LED TO SERIOUS STRAINS WITHIN THE SPD/FDP COALITION AND SET THE FEDERAL GOVERNMENT A DIFFICULT

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PROBLEM OVER FINANCING THE ADDITIONAL GERMAN CONTRIBUTION. SCHMIDT WILL THEREFORE BE LOOKING FOR BRITISH RECOGNITION OF THE LENGTHS TO WHICH THE FRG HAS GONE TO MEET OUR REQUIREMENTS AND FOR INDICATIONS THAT, WITH THE BUDGET DISPUTE OFF THE TABLE, THE UK WILL NOW BE PREPARED TO PLAY A CONSTRUCTIVE PART IN SOLVING THE REMAINING PROBLEMS FACING THE COMMUNITY. BUT, ONCE HIS ELECTIONS AND THE FRENCH PRESIDENTIAL ELECTIONS ARE OVER, HE SHOULD BE READY TO USE HIS WEIGHT FOR RE-STRUCTURING THE BUDGET AND GETTING REFORM OF THE CAP UNDER WAY. BUT BOTH WILL BE A HARD SLOG.

WRIGHT

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Read in full

FM OTTAWA 042105Z JUN 80

TO PRIORITY FCO

TELEGRAM NUMBER 278 OF 4 JUNE

INFO PRIORITY UKREP BRUSSELS, WASHINGTON, TOKYO, BONN, ROME, PARIS

YOUR TELEGRAM TO WASHINGTON NO 990

VENICE ECONOMIC SUMMIT

mb

1. SINCE COMING INTO OFFICE IN FEBRUARY, MR TRUDEAU HAS BEEN ALMOST COMPLETELY PREOCCUPIED WITH THE QUEBEC REFERENDUM, AND LATTERLY WITH PREPARATIONS FOR THE CONSTITUTIONAL DISCUSSIONS BETWEEN THE FEDERAL GOVERNMENT AND THE PROVINCES. HE HAS HAD BRIEFINGS ON THE SUMMIT, BUT HAS IN NO SENSE FOCUSED ON IT, AND IS UNLIKELY TO DO SO UNTIL IMMEDIATELY BEFORE HAND. IN ADDITION, THE SUMMIT COMES AT A PARTICULARLY DIFFICULT TIME FOR CANADA SINCE IT RAISES QUESTIONS ABOUT MACRO-ECONOMIC POLICY (E.G. PARA 8 OF THE DRAFT COMMUNIQUE) AND ENERGY (PRICES) ON WHICH THE NEW GOVERNMENT'S OWN POLICIES HAVE NOT BEEN ENUNCIATED AND WHICH IN THE CASE OF OIL DEPEND ON AN AGREEMENT WHICH HAS YET TO BE REACHED WITH THE PROVINCES.

2. MR TRUDEAU'S OBJECTIVES AT THE SUMMIT HAVE THEREFORE NOT YET BEEN DEFINED, BEYOND REDRAFTING SOME OF THE LANGUAGE IN THE COMMUNIQUE. BUT THERE IS NO DOUBT THAT HE SHARES THE CONCERN OF THE OTHER SIX ABOUT THE THREE MAJOR ECONOMIC QUESTIONS TO BE DISCUSSED. MR TRUDEAU CAN BE EXPECTED ALSO TO EXPRESS HIS TRADITIONAL CONCERN FOR THE DEVELOPING COUNTRIES, AND WILL SUPPORT MECHANISMS FOR AIDING LDC'S WITH THEIR CURRENT DEFICITS (ALTHOUGH THE CANADIANS ARE MOST UNLIKELY TO BE ABLE TO OFFER ADDITIONAL AID FUNDS IN THE FORSEEABLE FUTURE).

3. SENIOR OFFICIALS CONCERNED WITH THE SUMMIT HAVE ALSO EXPRESSED A FIRM VIEW ON THE POLITICAL NECESSITY OF THE SUMMIT AT A TIME WHEN CANADA SEES THE WESTERN ALLIANCE IN DISARRAY. (I SHALL COMMENT SEPARATELY ON A RECENT SPEECH BY MR MACGUIGAN.) MR TRUDEAU IS THERE FORE LIKELY TO WELCOME A DISCUSSION OF THE BROAD IMPLICATIONS OF THE SOVIET ACTION IN AFGHANISTAN AND TO OPPOSE ANY MOVE TO EXCLUDE CANADA FROM ANY POLITICAL DISCUSSIONS.

**THIS TELEGRAM
WAS NOT
ADVANCED**

DAVIES

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NAD
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LORD GARDNER

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GR 250

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FM TOKYO 040835Z JUNE 80

TO PRIORITY FCO

TELEGRAM NUMBER 359 OF 4 JUNE

SAVING WASHINGTON, OTTAWA, PARIS, BONN, ROME, UKREP BRUSSELS

Read 2 full

YOUR TELNO 990 TO WASHINGTON: VENICE ECONOMIC SUMMIT

MT.

1. I DEFINE JAPAN'S OBJECTIVES AT THE SUMMIT AS:-

- A. TO SHOW JAPAN AS A FULL PARTNER AMONG THE BIG INDUSTRIALISED NATIONS;
- B. TO SPEAK AS A CHAMPION OF THE DEVELOPING WORLD, ESPECIALLY IN ASIA, AND TO PLEAD THE CAUSE FOR PRACTICAL IMPROVEMENTS IN THE CONDITION OF THE SOUTH: THUS INCIDENTALLY EARNING GOOD MARKS FROM THE DEVELOPING (AND ESPECIALLY RESOURCE PROVIDING) COUNTRIES;
- C. TO ACHIEVE UNDERSTANDING FOR JAPAN'S ENERGY POSITION AND ITS REQUIREMENT TO IMPORT ALMOST THE TOTALITY OF ITS NEEDS AND TO INCLUDE POWER GENERATION BY NUCLEAR MEANS;
- D. IF IT WERE POSSIBLE TO DEVISE SOME AGREEMENT THE PARTICIPANTS LEADING TO GREATER STABILITY OF EXCHANGE RATES THIS WOULD BE VERY WELCOME;
- E. TO DEVELOP THE HABIT OF CONSULTATION IN THE HIGHEST POSSIBLE DEGREE.

2. MR OHIRA'S PERSONAL INTERESTS WILL BE:-

- A. FOR INTERNAL POLITICAL REASONS, COMPOUNDED BY HIS RECENT ILL HEALTH, TO SHOW HIMSELF AS STILL WELL ABLE TO REPRESENT JAPAN ON THE INTERNATIONAL STAGE;
- B. AS HOST FOR THE LAST SUMMIT IN TOKYO, TO ENSURE THAT TARGETS AGREED THEN (EG ON ENERGY) SHOULD BE SEEN TO HAVE BEEN MET;
- C. THAT THE SUMMIT SHOULD DEMONSTRATE THE RESOLVE OF THE MAJOR WESTERN INDUSTRIALIST POWERS INCLUDING JAPAN TO TACKLE AND OVERCOME WORLD ECONOMIC PROBLEMS IN AN INTERNATIONAL PERSPECTIVE;
- D. TO ADVANCE ONE STAGE FURTHER HIS OWN POLICY OF BRINGING JAPAN INTO ACTIVE PARTICIPATION IN DISCUSSION OF MAJOR POLITICAL ISSUES, PARTICULARLY THE MIDDLE EAST.

3. THE ONLY POSITIVE JAPANESE PROPOSAL WHICH MAY EMERGE CONCERNS AN INCREASE OF JAPAN'S ODA TARGET, BUT MINISTRIES ARE STILL HAGGLING ABOUT THIS. I DO NOT EXCLUDE MR OHIRA DECIDING HOWEVER THAT SOME EYE CATCHING ANNOUNCEMENT SHOULD BE MADE BY JAPAN (EG ANOTHER DOUBLING UP PLEDGE). IN OTHER RESPECTS OFFICIALS HAVE LITTLE SUBSTANTIVE COMMENT ON THE PREPARATORY WORK DONE SO FAR, ALTHOUGH THEY BELIEVE THAT THE EMPHASIS MAY BE SHIFTING FROM ANTI-INFLATION TO ANTI-RECESSION POLICY. IN SUPPORT OF THIS THEY QUOTE THE COMMUNIQUE OF THE OECD MINISTERIAL MEETING.

WILFORD

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F I L E S

[THIS TELEGRAM WAS NOT ADVANCED]

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SIR D MAITLAND

LORD BRIDGES

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2.

Prime Minister



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Ref. A02273

[Handwritten signature]

MR. WHITMORE

In my minute of 19th May, I informed you of the two meetings preparatory to Venice due to take place in Paris. In your minute of 20th May, you said that the Prime Minister had approved my absences.

2. The second of these two meetings starts this evening and will continue until Friday afternoon. Since I will be absent from Cabinet tomorrow I have asked Mr. Franklin to stand in for me. Mr. Wade-Gery will head the Secretariat for tomorrow's meeting of OD and Mr. Le Cheminant for that of E.

ReA

ROBERT ARMSTRONG

4th June, 1980



THE SECRETARY OF STATE
 DEPARTMENT OF STATE
 WASHINGTON, D. C. 20520

[Faint, mostly illegible typed text follows, appearing to be a memorandum or letter.]



JUN 4 1980

original filed on: - Italy: Visit of Colombo, Foreign Minister of Italy: May 80
Econ 80

SECRET

13

(2)

PRIME MINISTER

Quadripartite Discussions in Venice

I attach a telegram which Robert Armstrong sent from Paris on Friday following his preparatory discussions for the Venice Economic Summit. As you will see, the French appear once again to be having doubts about political discussions in anything other than the quadripartite forum.

The Italians are showing increasing signs of sensitivity about quadripartite political discussions. The Italian Ambassador complained at length to the Foreign and Commonwealth Secretary today about the meeting in Vienna (where it was, unfortunately, our turn to play host).

I fear that Signor Colombo may raise this problem at dinner tomorrow. I attach the text of a telegram which is being sent this evening to try to calm Italian fears. You may care to draw on it tomorrow evening.

Paul

27 May 1980

SECRET

No 10. Downing St.

GRS 500

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ADVANCE COPY

FM PARIS 230926Z MAY 80

TO PRIORITY FCO

TELEGRAM NUMBER 473 OF 23 MAY 1980

FROM ARMSTRONG
VENICE SUMMIT

1. WHEN PERSONAL REPRESENTATIVES MET YESTERDAY EVENING TO DISCUSS PREPARATIONS FOR THE VENICE ECONOMIC SUMMIT, THERE WAS SOME DISCUSSION ABOUT POLITICAL DISCUSSIONS AT VENICE.
2. OWEN TOOK ME ON ONE SIDE TO TELL ME THAT PRESIDENT GISCARD, IN A TELEPHONE CONVERSATION ON THURSDAY WITH PRESIDENT CARTER, HAD SAID CATEGORICALLY THAT HE WAS PREPARED TO DISCUSS POLITICAL MATTERS ONLY A QUATRE, AND WOULD NOT BE PREPARED TO DISCUSS THEM A SEPT IN VENICE. THIS HAD APPEARED TO THE AMERICANS TO CONFLICT WITH THE ATTITUDE OF THE FRENCH REPRESENTATIVES IN OFFICIAL DISCUSSIONS A QUATRE IN VIENNA AS REPORTED BY AARON AND VEST. THE AMERICAN AMBASSADOR IN PARIS THOUGHT THAT, WHEN IN DOUBT, ONE SHOULD PREFER WHAT THE PRESIDENT SAID TO WHAT FRENCH OFFICIALS SAID.
3. IN GENERAL DISCUSSION THE CANADIAN PERSONAL REPRESENTATIVE PRESSED HARD FOR SOME CLARIFICATION OF THE INTENTIONS OF OTHERS AS TO POLITICAL DISCUSSIONS AT VENICE AND AS TO PREPARATION FOR SUCH DISCUSSIONS. HE THOUGHT THAT, IF THERE WERE TO BE POLITICAL DISCUSSIONS AT VENICE, THERE SHOULD BE ADVANCE PREPARATIONS FOR THEM. HIS PRIME MINISTER WOULD THINK IT ODD IF THERE WERE NOT SUCH DISCUSSIONS, AND HE HIMSELF THOUGHT THAT IT WOULD BE UNFAIR TO ASK HIS PRIME MINISTER TO BRIEF HIMSELF FOR POLITICAL DISCUSSIONS ON A CONTINGENCY BASIS, IN CASE SUCH DISCUSSIONS WERE TO OCCUR.
4. THE GERMAN PERSONAL REPRESENTATIVE SAID THAT HE THOUGHT THAT IT WAS INCONCEIVABLE THAT THOSE SEVEN HEADS OF STATE OR GOVERNMENT GATHERED TOGETHER IN VENICE AT THAT TIME SHOULD NOT DISCUSS POLITICAL QUESTIONS, WHETHER OR NOT THERE WAS ADVANCE PREPARATION FOR THAT DISCUSSION. HE MIGHT HAVE BEEN UNAWARE OF THE STATE OF PLAY IN THE POLITICAL DISCUSSIONS A QUATRE.
5. THE ITALIAN PERSONAL REPRESENTATIVE SAID THAT HE WAS NOT RESPONSIBLE FOR POLITICAL ASPECTS OF THE SUMMIT, AND ANYBODY WHO WANTED TO PRESS FOR ADVANCE PREPARATION ON THE POLITICAL SIDE SHOULD ADDRESS HIMSELF TO AMBASSADOR GARDINI OR TO THE PRIME MINISTER'S CHIEF DIPLOMATIC ADVISER (PRESUMABLY HE MEANT BERLINGHER). HIS UNDERSTANDING WAS, HOWEVER, THAT NEITHER CASSIGA NOR GARDINI WAS EXPECTING PREPARATORY OFFICIAL MEETINGS ON POLITICAL MATTERS, AND IT WAS ASSUMED THAT THE HEADS OF STATE OR GOVERNMENT WOULD DECIDE IN VENICE

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AT BREAKFAST ON 22 JUNE WHETHER AND WHEN TO DISCUSS POLITICAL QUESTIONS. THE GERMAN PERSONAL REPRESENTATIVE QUESTIONED WHETHER DECISIONS COULD BE LEFT SO LATE, AND WHETHER IT MADE SENSE TO CONTEMPLATE POLITICAL DISCUSSIONS WITHOUT SOME ADVANCE PREPARATION.

6. THE JAPANESE PERSONAL REPRESENTATIVE CONFIRMED THAT HIS PRIME MINISTER EXPECTED TO LEAVE TOKYO AS SOON AS HIS ELECTION CAMPAIGN STOPPED AT ~~8000~~ HOURS JAPANESE TIME ON 21 JUNE, AND ARRIVE IN VENICE IN TIME FOR BREAKFAST ON 22 JUNE. HE WOULD BE IN VENICE WHEN THE ELECTION RESULTS WERE COMING THROUGH.

7. THERE WAS SOME DISCUSSION ABOUT ATTENDANCE OF ENERGY MINISTERS AS WELL AS FOREIGN AND FINANCE MINISTERS IN VENICE. IT WAS CLEAR THAT THE AMERICAN, FRENCH, ITALIAN AND JAPANESE ENERGY MINISTERS WERE LIKLY TO COME. LAMSDORFF WOULD COME FROM GERMANY. I SAID THAT IT HAD NOT YET BEEN DECIDED WHETHER THE SECRETARY OF STATE FOR ENERGY WOULD ACCOMPANY THE PRIME MINISTER, YOU AND THE CHANCELLOR OF THE EXCHEQUER.

JAMES

FILES
HD/PLANNING STAFF
PS/PUS
MR GULLAND

COPIES TO:

Sir R. ARMSTRONG.
CABINET OFFICE
MR A. WADE-GARY CABINET OFFICE
MR ALEXANDER.
NO 10 DOWNING ST

File No.

OUTWARD

Security Classification

Department

SECRET

Drafted by

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
Quadripartite consultations.

1. We gather from telecon Goodison/Gladstone that the Italians have got hold of a story that the French have proposed that a quadripartite meeting of Heads of Government and/or Foreign Ministers should be held in Venice during the Economic Summit.

2. If the Italians raise this here, ^{eg. during Colombo's visit tomorrow} we propose to ^{to the Prime Minister} recommend ^{reply as follows:-}

- They are aware of our views on the value of the long-standing quadripartite forum.
- As I told the Italian Ambassador at lunch today, we shall do our best to ensure that any future four-power meetings are ~~not repeat not~~ arranged in a way ^{such} ~~that exacerbates their effect~~ ^{as to minimise the embarrassment to} Italian opinion.
- No such ~~proposal~~ ^{meeting} has the Italians describe has been put to us, or by us to others, been arranged.

copies to:-

Mr Alexander 
No. 10Mr R. Armstrong
Cabinet Office

3. You should take the same line.

4. Bonn, Paris and Washington please inform appropriate local contacts.

DM
26/5

NOTHING TO BE WRITTEN IN THIS MARGIN

CONFIDENTIAL

Econ Pd.

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Pm

Cabinet Office,
Whitehall,
London, SW1.

27th May, 1980

PS(80) 11

Dear Private Secretary,

Venice Economic Summit: 22nd-23rd June 1980

This letter sets out the briefing arrangements for the Economic Summit in Venice.

The list of briefs to be prepared, with an indication of Departmental responsibility, is at Annex A. Further briefs will be needed on political issues; I will be commissioning them in due course. Instructions on format are at Annexes B and C. Those preparing briefs should note the Prime Minister's wishes on the structure of briefs, contained in (b) of Annex B.

75 copies of each brief should be sent to the Cabinet Office as soon as they are ready, and in any event to arrive no later than 12.00 noon on Friday, 12th June. They should be addressed to Mrs. M. Wagner in Committee Section, who should be consulted (tel. no. 233 7628) about any technical points arising.

I am sending copies of this letter to the Private Secretaries to Sir Michael Palliser, Sir Brian Cubbon, Sir Douglas Wass, Sir Peter Carey, Sir Kenneth Clucas, Sir Jack Rampton, Sir Kenneth Couzens, and Mr. Robin Ibbs and to Michael Alexander, No. 10.

Yours sincerely,

(Signed) D.J. WRIGHT

CONFIDENTIAL

ANNEX ALIST OF BRIEFS FOR VENICE ECONOMIC SUMMIT
22nd-23rd JUNE 1980

<u>PMVZ(80)</u>	<u>Lead</u> <u>Department</u>	<u>In consultation</u> <u>with</u>
1. Steering Brief	FCO	As appropriate
<u>Economic Subjects</u>		
2. World Economic Situation	Treasury	
3. Energy (including nuclear energy and United States proposals for an energy affiliate for the IBRD)	Energy	FCO, Treasury
4. Trade issues (including Trade Pledge, Export Credit and a Code of Business conduct)	Trade	FCO, Treasury
5. North/South Matters (including Brandt Commission and United States Proposals on Food)	FCO	As appropriate
6. Recycling and Related Issues concerning the International Financial Institutions	Treasury	FCO
7. Communique: Economic Subjects	FCO	As appropriate
<u>Political Subjects</u>		
8. Terrorism and Hostage Taking	FCO	As appropriate
9. Japan: Domestic Situation and Personality Note on Japanese Representative	FCO	

ANNEX B

INSTRUCTIONS ABOUT FORMAT

All briefs should be laid out in the same way with a top page in accordance with the specimen layout at Annex C. Those preparing briefs should note the following:-

- (a) Briefs should be concise. Each brief should if possible be no more than four sides long.
- (b) The main body of each brief should comprise two sections, a concise list of Points to Make, followed by a factual Background section which distinguishes clearly between information which can be freely used and information which should not be disclosed.
- (c) Briefs should be complete and self-contained with all the information required on that particular subject. Briefs should not be divided into separate self-contained sub-sections.
- (d) Briefs should be typed in double spacing, using both sides of the paper. Pages should be numbered at the foot of each page.
- (e) The top page only should bear the symbol and number of the brief in the top left-hand corner (e.g. PMVZ(80) 7) with the date of production below; a copy number in the top right-hand corner; and the visit heading, the title of the brief (in capitals) and the name of the Department responsible (as in Annex C).
- (f) Briefs should bear at the foot of the last page, on the left-hand side, the name of the originating Department and the date of origin.
- (g) If late developments require a brief to be amended or updated, an addendum should be prepared. It should be set out in the standard way with the brief number (e.g. PMVZ(80) 13 Addendum) and title to which it relates at the top of the front page. The Private Secretary to the Secretary of the Cabinet should be informed when an addendum is in preparation.
- (h) Additions to the list of briefs in Annex A require the authorisation of the Private Secretary to the Secretary of the Cabinet.

CLASSIFICATION

ANNEX C

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

PMVZ(80) Serial No.

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ECONOMIC SUMMIT, VENICE - 22nd-23rd JUNE 1980

SUBJECT Insert subject in capitals

Leave 1 1/2"
margin

Brief by name of originating Department, e. g. Foreign
and Commonwealth Office

At the foot of the last page:-

Department of origin e. g. Foreign and Commonwealth Office

Date of origin

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Mr. Altman

you may care to
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27/5

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GRS 325
SECRET
DESKBY 230945Z
FM PARIS 230910Z MAY 80
TO IMMEDIATE FCO
TELEGRAM NUMBER 472 OF 23 MAY 1980
AND TO IMMEDIATE (PERSONAL FOR AMBASSADORS) BONN ROME AND
UKREP BRUSSELS

FROM ARMSTRONG

IN THE MARGINS OF THE MEETING OF PERSONAL REPRESENTATIVES PREPARING FOR THE VENICE ECONOMIC SUMMIT YESTERDAY EVENING, RUGGIERO ASKED ME WHETHER I HAD ANY MESSAGE TO CONVEY ABOUT EUROPEAN COMMUNITY QUESTIONS.

2. I SAID THAT I HAD HAD TO LEAVE LONDON BEFORE DISCUSSIONS WHICH WERE EXPECTED TO DEFINE THE POSITION MORE CLEARLY SO FAR AS WE WERE CONCERNED. BASING MYSELF ON THE DISCUSSION IN CABINET YESTERDAY MORNING, HOWEVER, I SAID THAT WE SHARED THE WISH OF OTHER PARTNERS TO REACH A SETTLEMENT BEFORE THE VENICE EUROPEAN COUNCIL IF POSSIBLE, AND WOULD BE READY TO COME TO A MEETING OF THE COUNCIL OF FOREIGN MINISTERS NEXT WEEK, IF THE ITALIAN PRESIDENCY DECIDED TO CALL SUCH A MEETING.

3. RUGGIERO SAID THAT HE HAD ADVISED COLOMBO TO CALL OFF A VISIT TO SPAIN EARLY NEXT WEEK IN ORDER TO DEVOTE HIMSELF TO THESE PROBLEMS. HE HAD PROPOSED THAT COLOMBO SHOULD HAVE A ROUND OF BILATERALS WITH HIS BRITISH, FRENCH AND GERMAN COLLEAGUES IN PREPARATION FOR A MEETING OF THE COUNCIL. THESE BILATERAL MEETINGS COULD TAKE PLACE EITHER IN CAPITALS IN ADVANCE OF THE MEETING OR IN BRUSSELS WHEN MINISTERS ASSEMBLED FOR THE MEETING, WHICH SHOULD TAKE PLACE NEXT WEEK OR EARLY THE FOLLOWING WEEK.

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SECRET

S E C R E T

4. RUGGIERO WENT ON TO SAY THAT BOTH COSSIGA AND COLOMBO WERE INHIBITED FROM TAKING INITIATIVES BY THE APPARENT LACK OF PROGRESS ON SHEEPMEAT AND FISH. THE PRESIDENCY BELIEVED THAT, IF THOSE ISSUES WERE SEEN TO BE WELL ON THE WAY TO BEING RESOLVED, THE DOOR TO PROGRESS ON THE ISSUE OF OUR BUDGET CONTRIBUTION WOULD BE UNLOCKED. I SAID THAT I WAS NOT CLEAR ABOUT THE PRESENT STATE OF PLAY ON FISH, BUT THOUGHT THAT IT WAS POSSIBLE THAT WE MIGHT BE ABLE TO MAKE PROPOSALS WHICH COULD BE A BASIS FOR PROGRESS ON SHEEPMEAT.

5. RUGGIERO SAID THAT IT WAS IMPORTANT TO REPAIR THE DAMAGE DONE TO MUTUAL CONFIDENCE BETWEEN HEADS OF GOVERNMENT AT LUXEMBOURG. I ASKED WHETHER HE WAS SUGGESTING THAT THE PRIME MINISTER SHOULD SEND MESSAGES TO COSSIGA, GISCARD AND SCHMIDT. RUGGIERO SAID THAT HE ATTACHED MORE IMPORTANCE TO CLEAR SIGNS OF PROGRESS ON SHEEPMEAT AND FISH.

6. ADVANCE COPIES TO FRANKLIN, CABINET OFFICE, AND MAFF.
JAMES

[ADVANCED AS REQUESTED]

F I L E S

ECD (I)

FRD

PS

PS/LPS

PS/PUS

SIR D MAITLAND

LORD BRIDGES

MR BULLARD

MR HANNAY

MR EVANS

COPIES TO

MR FRANKLIN ~~CABINET OFFICE~~

MAFF

//

EWS Pd.

21 May 1980

Preparations for the Venice Summit

The Prime Minister has seen your letter to me of 19 May on this subject together with its enclosures. She has no special instructions at this stage.

I am sending a copy of this letter to Robert Wade-Gery (Cabinet Office).

M. O'D. B. ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office.

ABY



Econ Pol

10 DÖWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

I have shown your minute AO2197 of 19 May 1980 to the Prime Minister, and she is content for you to attend the meetings of Personal Representatives to be held on 22-23 May and 4-6 June. She has noted that on the second occasion you will have to miss the meetings of Cabinet and of E on 5 June.

tan.

20 May 1980



Foreign and Commonwealth Office

London SW1A 2AH

19 May 1980

Prime Minister

French objections to a political discussion
in Venice have largely collapsed. However
the preparations are especially complex.

AM,

Dear Michael,

Paul 19/5

Preparation for Venice Summit

The Americans called a Quadripartite meeting of officials in Vienna on 16 May to discuss preparation of the political side of the Seven-Power summit meeting to be held in Venice in late June. I enclose a summary of the meeting, together with a record of the discussion of this subject at the Quadripartite working breakfast given earlier by the Foreign and Commonwealth Secretary.

The next meeting of the official group will probably take place on 30-31 May. No doubt you will let me know if the Prime Minister has any special instructions.

I am copying this letter and enclosures to Robert Wade-Gery in the Cabinet Office.

Yours etc

(P Lever)

M O'D B Alexander Esq
10 Downing Street

SECRET BURNING BUSH

QUADRIPARTITE MEETING, VIENNA, 16 MAY

Present

Federal Republic of Germany

Hr Gunther van Well,
State Secretary, Foreign
Ministry

Hr Otto von der Gablentz
Federal Chancellor's Office

Hr Reinhard Schenk,
Head of West European Dept,
Foreign Ministry

France

M. Gabriel Robin, Political
Director, Foreign Ministry

M. Edouard Braine, Staff of
Political Director, Foreign
Ministry

United Kingdom

Mr Julian Bullard, Deputy Under-
Secretary, Foreign and Commonwealth
Office

Mr Roger Garside, Planning Staff,
Foreign and Commonwealth Office

United States of America

Present for part of
the time.

Mr David Aaron, National
Security Council Staff

Mr George Vest, Assistant
Secretary, for Europe,
State Department.

Mr Bob Blackwill, National
Security Council Staff

Mr Berl Bernhard, State
Department.

Mr Leon Billings, personal
staff of US Secretary of
State.

SECRET

BURNING BUSH

Treatment of Political Subjects at Venice

1. The meeting was reminded of the French attitude to the questions of (a) discussion of political subjects in Venice and (b) a communique on these subjects, as explained by M. Francois-Poncet to his 3 colleagues earlier in the day (see record attached). The others took note of this French view.
2. It was agreed that one way of arranging the political discussion would be to sandwich it between two slices of economic discussion. Those preparing the economic side envisaged that after some discussion of economic matters by Heads of Government, the Economic Ministers would be instructed to meet separately to draft language for the declaration. This would provide a natural gap during which the Heads of Government could discuss political matters. This might also be a smooth way of ensuring that the President of the European Commission was not present for the political discussions. He could leave the meeting when the Economic Ministers left it, and return only when they returned. The Germans noted that there had been support in some quarters for the ideas of devoting about half the Summit time to political matters, and of restricting the numbers of those taking part in the political discussion.

Detailed Preparation by the Four

3. It was agreed that the following papers should be prepared for consideration at the next meeting of the same officials on 30/31 May:-
 - a) The French would draft a paper on East/West Relations. This would analyse Soviet policy in the recent past and at present, and, subject to approval by M. Robin's superiors, make recommendations for Western policy towards the Soviet Union;
 - b) The Germans would draft a paper on consultation among the Allies; (Mr Aaron had expressed anxiety about the extent to which the United States was not "plugged in" to the very frequent consultations among the Nine);
 - c) The Americans would draft one paper on Afghanistan and another on arms control, focussing principally on SALT and TNF;
 - d) The UK would draft two papers on the West's relations with the Third World, the first covering security matters and the second political and economic relations, following the line of the UK paper circulated in advance of this meeting.

Preparation among the Seven.

4. It was agreed that the Americans should in due course suggest to the Italians that they call a Seven-Power meeting in about mid-June to prepare the political side of the Summit. This meeting could consider draft language on political questions, for the Summit declaration.

5. It was not envisaged that the papers to be drafted by the Four would be distributed unchanged to the Seven. Consideration would be given at the next meeting to the kind of preparation that the Seven might suitably undertake, if any, beyond considering language for the communique. A French suggestion that the Japanese might be asked to do a paper on China was well received and the Americans invited the others to think of questions on China that could be put to the Japanese.

Draft language on Political Subjects for Venice Communique.

6. The Americans distributed a one-page draft of language for the Venice Summit Declaration. This focused entirely on Afghanistan and the Persian Gulf, and on the threat to Western oil supplies. The other participants at the meeting suggested that other subjects might need to be mentioned, and that in any case the political section of the Declaration need not necessarily be so narrowly based. It was agreed to circulate proposals for amendment.

Distribution:

Mr Alexander, No 10
Private Secretary
PS/LFS
PS/PUS
Mr Bullard
Mr Braithwaite
Mr Garside

Sir R Armstrong Cabinet Office
Mr Wade-Gery

HM Ambassadors:
Washington
Paris
Bonn
Rome

SECRET

RECORD OF A MEETING AT THE HOUSE OF HM AMBASSADOR, VIENNA AT
BREAKFAST ON 16 MAY

Present:

US

Mr Muskie
Mr Vest
Mr Billings

FRG

Herr Genscher
Herr Droege
Herr Schenk

France

M. Francois-Poncet
M. Robin
another official

UK

Lord Carrington
Mr Bullard
Mr Walden

VENICE SUMMIT : POLITICAL ASPECTS

1. At the invitation of Lord Carrington, M. Francois-Poncet explained the French attitude. They thought that the quadripartite forum was the best group for genuine political consultations. Any larger framework was difficult, as experience in Tokyo and elsewhere had shown. The Group of Seven had been set up four years ago as an economic summit, and its members had been selected accordingly. Admittedly the world situation today was of a special kind, and it would be difficult for the Seven to meet in Venice without discussing political matters. But France was reluctant to see these discussions summarised in a political communique. Some general sentences might be acceptable. But it must be made clear that the Seven remained an economic forum. Moreover the European Council would be meeting immediately beforehand, and the NATO Foreign Ministers immediately afterwards. It was not good for the Western image to have too frequent declarations. Lastly, there was the risk that if a communique were decided upon, the Heads of Government would devote too much time to discussing its wording.
2. Mr Muskie said that intellectually he could not contest this statement. But there was a problem about excluding countries from groupings where they felt they belonged. Some cover was needed, and the cover was never adequate. Instinctively he preferred small groups to large, but there might be a case for exceptions. He hoped



SECRET

- 2 -

the question should be tackled case by case: first we should
organise Venice, and depending on how that turned out, we could
consider the future.

SECRET

Ref. A02197

MR. WHITMORE

Prime Minister

Agree to XI later?

Yes and

19th

On 25th April I sent you a record of the meeting of Personal Representatives of Heads of State or Government which I attended in Sardinia from 16th-18th April in preparation for the Venice Summit on 22nd and 23rd June.

2. In that record I said that I expected that the first draft of the Summit Communique would be discussed at a further meeting of Personal Representatives in Paris on 22nd-23rd May. This meeting will be for Personal Representatives only. There will be a further meeting again in Paris on 4th-6th June, for Personal Representatives together with their Foreign Affairs and Economic experts (in Britain's case, those are Sir Michael Palliser and Sir Kenneth Couzens).

X 3. I should therefore like to have the Prime Minister's authority to be absent for these two meetings. In the case of the 22nd-23rd May meeting, I shall be leaving after lunch, and shall not need to miss Thursday's Cabinet. But the early June meeting will, I am afraid, mean my being absent both from Cabinet on 5th June and from a meeting of E which is to be held later that day.

RAA

(Robert Armstrong)

19th May, 1980

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SECRET

FM CABINET OFFICE 071900Z MAY 80
TO IMMEDIATE THE WHITE HOUSE
TELEGRAM NUMBER MISC 68 OF 7 MAY
AND TO ELYSEE AND BUNDESKANZLERAMT.

FROM: JULIAN BULLARD
TO : MR AARON - WHITE HOUSE
MR LECLERCQ - ELYSEE
MR VON DER GABLENTZ - BUNDESKANZLERAMT

319 ROBERT ARMSTRONG'S TELEGRAM ON PREPARATION FOR POLITICAL
DISCUSSION AT THE VENICE SUMMIT

FOLLOWING IS THE TEXT OF THE PAPER ON WESTERN POLICY AFTER
AFGHANISTAN

1. THIS PAPER SETS OUT BROAD THEMES FOR DISCUSSION BY HEADS OF
GOVERNMENT. IT POSES QUESTIONS RATHER THAN MAKES RECOMMENDATIONS.
2. WESTERN FOREIGN POLICY IS CONCERNED WITH THE FOLLOWING MAIN
ISSUES:
 - A) THE MANAGEMENT OF EAST/WEST RELATIONS;
 - B) THE MANAGEMENT OF THE WORLD ECONOMY;
 - C) THE DEVELOPMENT OF COOPERATIVE RELATIONS WITH THE THIRD WORLD;
 - D) THE MAINTENANCE OF WESTERN INSTITUTIONS FOR REGIONAL ECONOMIC
AND SECURITY COOPERATION.

EAST-WEST RELATIONS

3. IN RECENT DECADES THE WEST HAS DEVELOPED ARRANGEMENTS FOR
MANAGING THE RELATIONSHIP WITH THE SOVIET UNION AND ITS ALLIES.
THESE ARRANGEMENTS ARE BASED ON THE MAINTENANCE OF ADEQUATE
DEFENCES, THE NEGOTIATION OF ARMS CONTROL, THE DEVELOPMENT OF
COMMERCIAL, POLITICAL AND OTHER RELATIONS AT ALL LEVELS BETWEEN
EAST AND WEST, AND THE DISPLAY OF REASONABLE SOVIET CONDUCT IN
THE INTERNATIONAL ENVIRONMENT. BETWEEN THE SUPER POWERS, AND IN
EUROPE AND THE FAR EAST, THESE ARRANGEMENTS HAVE SERVED THEIR
PURPOSE OF REDUCING TENSION, WHILE CONTAINING THE EXPANSION OF
SOVIET INFLUENCE. BUT IN THE LAST DECADE THE SOVIET UNION HAS
CLAIMED THE RIGHT, DESPITE "DETENTE", TO EXPAND ITS INFLUENCE
IN THE THIRD WORLD BY ALL MEANS. AFGHANISTAN DEMONSTRATES THAT
THESE INCLUDE MILITARY MEANS, AND THAT "DETENTE" HAS NOT BEEN
AN INHIBITION. IN ADDITION, THE SOVIET OCCUPATION OF AFGHANISTAN
OCCURS IN A REGION IN WHICH THE WEST'S STRATEGIC INTERESTS ARE
DEEPLY ENGAGED BECAUSE OF OUR CRITICAL DEPENDENCE ON OIL FROM
THE GULF.

4. WE ARE THEREFORE CONFRONTED IN SOUTHWEST ASIA IN PARTICULAR AND IN THE THIRD WORLD IN GENERAL WITH THE NECESSITY OF DEVIISING A WESTERN STRATEGY TO DEAL WITH THIS LACK OF SOVIET RESTRAINT, TO ADOPT ARRANGEMENTS FOR INHIBITING RUSSIAN EXPANSION IN THE THIRD WORLD TO MATCH THOSE THAT ALREADY WORK IN EUROPE AND EAST ASIA. THIS TASK IS COMPLICATED BY DIFFERENT PERCEPTIONS IN THE WEST CONCERNING THE ROLE OF BILATERAL RELATIONS WITH MOSCOW IN ENCOURAGING MORE RESPONSIBLE SOVIET BEHAVIOUR; BECAUSE THIRD WORLD COUNTRIES WISH TO AVOID BEING DRAGGED INTO THE EAST-WEST CONFLICT; AND BECAUSE MANY - DESPITE THEIR ECONOMIC AND OTHER LINKS - HAVE NO PARTICULAR SYMPATHY FOR THE WEST.

5. THE WEST'S OBJECTIVE CAN THEREFORE BE ACHIEVED AS MUCH BY TACKLING PROBLEMS IN THE THIRD WORLD WHERE THE WEST APPEARS TO BE ON THE "WRONG SIDE", AS BY DEVELOPING MEASURES TO COUNTER THE RUSSIANS DIRECTLY. THESE PROBLEMS INCLUDE THE ARAB-ISRAEL ISSUE; SOUTH AFRICA AND NAMIBIA; NORTH-SOUTH ECONOMIC ISSUES; ENERGY CONSERVATION AND ALTERNATIVE SOURCES. THESE PROBLEMS NEED TO BE TACKLED INDIVIDUALLY AND ON THEIR MERITS; THEY WILL NOT YIELD TO A SINGLE, ALL EMBRACING APPROACH.

6. ISSUES OF POLICY FOR THE WEST INCLUDE:

A) ALLIED RELATIONS

HOW CAN WE IMPROVE THE WEST'S EXISTING INSTITUTIONS FOR CONSULTATION, FOR CONSIDERING POLITICAL ISSUES OUTSIDE THE NATO AREA, AND FOR MANAGING OUR ECONOMIC AND OTHER RELATIONSHIPS WITH THE THIRD WORLD?

B) WESTERN RELATIONS WITH MOSCOW

WHAT SHOULD BE THE WEST'S OVERALL POSTURE TOWARD MOSCOW IN THE AFTERMATH OF AFGHANISTAN? IN WHAT WAYS SHOULD WESTERN BILATERAL RELATIONS WITH THE SOVIETS BE AFFECTED BY AFGHANISTAN? WHAT SORT OF CONTACTS SHOULD BE MAINTAINED WITH MOSCOW AND AT WHAT LEVEL? WHAT IS THE PROGNOSIS FOR ARMS CONTROL IN THE PRESENT EAST-WEST ENVIRONMENT? IN PARTICULAR WHAT ARE THE NEXT STEPS IN THE SALT PROCESS?

C) SECURITY ARRANGEMENTS AND THIRD WORLD CONTINGENCIES

THE UNITED STATES IS BUILDING UP ITS MILITARY CAPABILITIES IN SOUTH-WEST ASIA. SHOULD EUROPEAN COUNTRIES STRENGTHEN THEIR CAPACITY TO TAKE LIMITED MILITARY ACTION OUTSIDE THE NATO AREA? WHAT ARE THE PROSPECTS FOR A BROADER ROLE FOR THE INDUSTRIALIZED ASIAN COUNTRIES? WHAT ABOUT AUSTRALIA AND NEW ZEALAND?

D) RELATIONS WITH THE THIRD WORLD

WE NEED NOT ONLY TO BLOCK SOVIET ADVENTURES, BUT ALSO PRE-EMPT THEM BY DEVELOPING THE WEST'S RELATIONS WITH THE THIRD WORLD. CAN WE IMPROVE THE WEST'S AID PERFORMANCE? SHOULD IT BE MORE POLITICALLY DIRECTED? CAN WE BE MORE FORTHCOMING IN THE NORTH/SOUTH DIALOGUE? SHOULD WE IMPROVE THE WEST'S RELATIONS WITH THE NON-ALIGNED MOVEMENT, THE ISLAMIC CONFERENCE, AND OTHER THIRD WORLD ORGANIZATIONS? HOW CAN VULNERABLE COUNTRIES BE PREVENTED FROM DRIFTING INTO THE SOVIET ORBIT? ALL OF THIS IS BROUGHT SHARPLY INTO FOCUS BY THE NEED TO DEAL WITH THE CRISIS IN SOUTH-WEST ASIA.

7. NO WESTERN COUNTRY CAN ASSUME ALL THESE BURDENS. WE NEED TO DISTRIBUTE TASKS BOTH AMONGST THE COUNTRIES PRESENT IN VENICE, AND AMONGST THE WEST'S OTHER FRIENDS AND ALLIES, ESPECIALLY IN EUROPE AND AUSTRALASIA. CAN THE TASKS BE FURTHER DEFINED AND DISTRIBUTED? SHOULD THERE BE FOLLOW-UP ARRANGEMENTS AFTER THE VENICE MEETING?

SECRET

FROM : SIR ROBERT ARMSTRONG
TO : I/P DAVID AARON.

VENICE SUMMIT: POLITICAL DISCUSSIONS.

PROCEDURE.

INTRODUCTION.

1. THIS PAPER PROCEEDS FROM THE ASSUMPTION, WHICH HAS NOT YET BEEN CONFIRMED, THAT IT HAS BEEN AGREED THAT POLITICAL ISSUES SHOULD BE DISCUSSED AT VENICE ON 22 AND 23 JUNE. IT DEALS ONLY WITH PROCEDURAL MATTERS CONNECTED WITH THE PREPARATION AND CONDUCT OF THOSE DISCUSSIONS.

TIMETABLE FOR PREPARATORY MATTERS.

2. FORMAL RESPONSIBILITY FOR MANAGING THE VENICE SUMMIT RESTS WITH THE HOST COUNTRY, ITALY, BUT THERE IS SCOPE FOR DISCREET QUADRIPARTITE PREPARATION BY OFFICIALS. A POSSIBLE TIMETABLE WOULD THEREFORE BE:

MID-MAY: QUADRIPARTITE MEETING TO CONSIDER BRITISH PAPER ON "WESTERN POLICY AFTER AFGHANISTAN", AND PROCEDURAL MATTERS.

LATE-MAY: FIRST MEETING OF THE SEVEN TO PREPARE POLITICAL DISCUSSIONS.

EARLY JUNE: QUADRIPARTITE MEETING.

MID-JUNE: FINAL PREPARATORY MEETING OF THE SEVEN, IF NECESSARY TO CONSIDER DRAFT COMMUNIQUE (SEE PARAGRAPHS 8 AND 9 BELOW).

NO ARRANGEMENTS HAVE BEEN MADE FOR ANY SUCH MEETINGS, THOUGH THE POLITICAL DIRECTORS OF THE FOUR FOREIGN MINISTRIES HAVE TENTATIVE PLANS TO MEET IN MID-MAY.

3. IT WOULD SIMPLIFY QUADRIPARTITE CONSULTATION IF ONE OF THE FOUR WERE DESIGNATED AS RESPONSIBLE FOR MANAGING THE PREPARATION FOR POLITICAL DISCUSSIONS, CALLING MEETINGS ETC.

COMMUNICATIONS.

4. PAPERS SHOULD BE CIRCULATED AMONG THE FOUR BY SECURE TELEX TO HEADS OF GOVERNMENT OFFICES. THE LATTER WILL BE RESPONSIBLE FOR ENSURING THAT DESIGNATED OFFICIALS IN THE FOUR FOREIGN MINISTRIES ARE GIVEN DOCUMENTS AS NECESSARY.

5. IT WILL BE FOR THE ITALIANS TO CIRCULATE MESSAGES AND DOCUMENTS TO THE SEVEN. IN THIS CASE THE LINK SHOULD BE PRESUMABLY WITH DESIGNATED OFFICIALS IN ALL SEVEN FOREIGN MINISTRIES. IF THIS IS AGREED, WE SHALL NEED TO PUT THE IDEA TO THE ITALIANS SOON.

AGENDA.

6. IT WILL NOT BE POSSIBLE TO CONCEAL FROM PUBLIC OPINION THAT THERE HAVE BEEN POLITICAL DISCUSSIONS IN VENICE. THERE THEREFORE SEEMS NO REASON NOT TO ANNOUNCE IN ADVANCE THAT THESE WILL BE DISCUSSED.

7. BUT IT IS NOT DESIRABLE THAT THE POLITICAL AGENDA SHOULD BE LENGTHY OR COMPLICATED; HEADS OF GOVERNMENTS WILL WISH TO RANGE FREELY AROUND A CENTRAL SUBJECT. THE AGENDA ITEM MIGHT THEREFORE SIMPLY BE CALLED: "WESTERN FOREIGN POLICY AFTER AFGHANISTAN". THE FOUR HEADS OF GOVERNMENT COULD SEEK TO STRUCTURE THE DISCUSSION ON THE LINES OF THE AGREED PAPER. A VERSION OF THAT PAPER MIGHT BE GIVEN IN ADVANCE TO THE ITALIAN CHAIRMAN, PERHAPS FOR WIDER CIRCULATION IF THAT SEEMED USEFUL.

COMMUNIQUE.

8. WE NEED TO DECIDE WHETHER THE COMMUNIQUE ISSUED AFTER THE VENICE SUMMIT SHOULD SIMPLY STATE THAT POLITICAL MATTERS WERE DISCUSSED: OR TO GO INTO SOME DETAIL. IF THE LATTER, A DRAFT SHOULD BE PREPARED IN ADVANCE. THIS COULD BE DONE QUADRIPARTITELY EITHER AT THE SUGGESTED MEETING IN EARLY JUNE, OR IN THE MARGINS OF THE VENICE SUMMIT ITSELF. THE COMMUNIQUE SHOULD DEMONSTRATE THE EXTENT OF AGREEMENT BOTH ON THE MAJOR ISSUES, AND ON THE APPROPRIATE RESPONSE.

RELATIONS WITH NON-PARTICIPANTS.

9. WE NEED TO PRESERVE THE COOPERATION OF FRIENDS AND ALLIES WHO WILL NOT BE PRESENT AT VENICE, BOTH IN THE RUN-UP AND AFTERWARDS. NON-PARTICIPANTS MIGHT BE INVITED TO COMMENT ON THE POLITICAL ISSUES FOR DISCUSSION AT VENICE IN ADVANCE EITHER:

- A. IN THE NORTH ATLANTIC COUNCIL (FOREIGN AND DEFENCE MINISTERS ARE EXPECTED TO MEET ON 14 MAY, IN ADDITION TO THE REGULAR MEETINGS OF THE PERMANENT REPRESENTATIVES);
- B. IN THE POLITICAL COOPERATION MACHINERY OF THE NINE AT BOTH OFFICIAL AND MINISTERIAL LEVEL (THERE ARE CONVENIENT MEETINGS IN MAY AND JUNE).

WE SHOULD ALSO THINK HOW TO INVOLVE THE AUSTRALIANS (AND NEW ZEALANDERS) WHO HAVE A DIRECT PRACTICAL INTEREST IN THE ISSUES TO BE DISCUSSED IN VENICE; PERHAPS ONE OF THE FOUR COULD SOON BE NOMINATED (FORMALLY BY THE ITALIANS) TO ESTABLISH AND MAINTAIN CONTACT WITH THEM.

10. THE MEETING OF THE NATO FOREIGN MINISTERS IN ANKARA ON 24/25 JUNE WILL ENABLE THOSE PRESENT IN VENICE TO REPORT TO THEIR ALLIES. TO BRING IN THE IRISH, A SEPARATE REPORT WILL BE NEEDED THROUGH THE POLITICAL COOPERATION MACHINERY OF THE NINE. CONTACT WITH THE AUSTRALIANS AND NEW ZEALANDERS WOULD BE MAINTAINED BY THE MEMBER OF THE FOUR NOMINATED BEFORE THE SUMMIT. ANY OPERATIONAL CONSEQUENCES SHOULD BE STEERED FOLLOWING FURTHER QUADRIPARTITE DISCUSSION.

BT

NNNN

SENT AT 022259Z PCM

QRU KKK

PERFECTIMENTO MATEY

THANKS A LOT WE WILL BE TALKING TO YOU LATER

PIPI LAPAD

RECEIVED AT VENICE ON 11 JUNE 1961
THIS MESSAGE HAS BEEN RECORDED AND TRANSMITTED
TO THE APPROPRIATE AGENCIES FOR THEIR INFORMATION

KLL

8

Econ
Pol.

3 May 1980

Preparations for Political Discussion for
Venice

The Prime Minister has seen your letter to me of 2 May prior to the participants in the preparations for political discussion at the Economic Summit in Venice. She is content with what the Foreign and Commonwealth Secretary proposes I have informed David Wright (Cabinet Office) to whom I am sending a copy of this letter.

M. O'D. B. ALEXANDER

G G H Walden, Esq
Foreign and Commonwealth Office

G.



Foreign and Commonwealth Office

London SW1A 2AH

2 May 1980

Dear Michael,

PREPARATIONS FOR POLITICAL DISCUSSION FOR VENICE

In order to promote some substantial political discussion at the Economic Summit in Venice, we have already been in touch with the Cabinet Office about the mechanics of setting up some preparatory meetings with the Americans, French and Germans to establish the broad themes which should be addressed by the Heads of Government.

In view of your minute of 23 April to the Secretary of the Cabinet, the Foreign and Commonwealth Secretary proposes that, as the Prime Minister has already agreed, Sir Michael Palliser should be her Personal Representative for the discussions, with Mr Julian Bullard as his Alternate. Lord Carrington naturally hopes that the Cabinet Office will continue to be associated at the appropriate level with these quadripartite preparations for the political discussions in Venice.

Lord Carrington has approved certain papers which Sir Michael Palliser has discussed with Sir Robert Armstrong and which he proposes that Mr Bullard, who will be accompanying him to Washington this weekend, should now discuss with Mr David Aaron of the White House and his State Department associate.

I am copying this letter to David Wright (Cabinet Office).

7 - *see*
8-22

(G G H Walden)

M O'D B Alexander Esq
10 Downing Street

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22 MAY 1968



Ref. A02071

MR. ALEXANDER

*For
Pmt*

Mini-Summit

Thank you for your minute of 29th April.

2. I am afraid that I do not know whether the Mini-Summit communique was written before the participants assembled. I suspect not. I also suspect that the Prime Minister might have been less sceptical about its value if it had been!

RA

ROBERT ARMSTRONG

1st May, 1980



10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG
CABINET OFFICE

Mini-Summit

The Prime Minister has seen your minute to me of 24 April covering a report on issues for the Venice Summit prepared by the private sector Mini-Summit. The Prime Minister is, I fear, somewhat sceptical about the value of the Mini-Summit report. She has enquired whether this "communique" was also written before the participants assembled!

I am sending copies of this minute to George Walden (Foreign and Commonwealth Office), John Wiggins (HM Treasury), Stuart Hampson (Department of Trade) and Bill Burroughs (Department of Energy).

M. O'D. B. ALEXANDER

29 April 1980

RRY



WFO
WNG
HAT
Econ
P. J.

10 DOWNING STREET

From the Private Secretary

WJ

MR WRIGHT

The Prime Minister was grateful for Sir Robert Armstrong's minute of 25 April in which he reported on last week's meeting of Personal Representatives in preparation for the Venice Economic Summit.

Her one comment is that she hopes that the draft communique will be short. In her view, a long communique will only be needed if the Summit gets nowhere.

I am sending copies of this minute to George Walden (Foreign and Commonwealth Office), John Wiggins (HM Treasury) and Bill Burroughs (Department of Energy).

WESTER

28 April 1980

CONFIDENTIAL

CONFIDENTIAL

MR. WHITMORE

2. Prime Minister.

A waration!

A short Communique that
please. We only need a long one if we felt
25' it nowhere.

There was a meeting in Italy last week of Personal Representatives of Heads of State or Government of the "Economic Seven", in preparation for the Venice Economic Summit. I attended as the Prime Minister's Personal Representative, and was accompanied by Sir Michael Palliser and Sir Kenneth Couzens.

2. The purpose of the meeting was to discuss the possible basis of a communique on economic matters for the Venice Summit on 22nd and 23rd June. We did not discuss political matters. On the basis of our discussion the Italian Personal Representative, Signor Ruggiero, will prepare a first draft of a communique, which Personal Representatives will consider in Paris on 23rd May.

3. By way of general introduction to our discussion, Signor Ruggiero suggested (in a session with Personal Representatives only) that the main message from the Summit would need to be that the industrialised countries faced a difficult period ahead, and that there were no quick solutions. We should look for the right short term policies related to appropriate long term objectives. At the same time the Summit need not be pessimistic: democratic societies had shown that they could give their best against such challenges. The analysis was likely to be dominated by the problems of high inflation, high unemployment, low growth, falling productivity, and costly and precarious energy supply in all the industrialised countries. These problems would need to be looked at together. At the same time the Summit would need to look forward to a more positive relationship between the North and the South.

4. In discussion we suggested, with the support of the Germans, and others were inclined to agree, that we might think in terms of a communique which tried to set these problems in a framework of mutual advantage: the industrialised countries needed oil from the oil producing countries, on terms which did not wreck their economies by adding intolerably to their problems of inflation and recession; the oil producing countries needed the technologies and investment opportunities provided by the industrialised countries - and the

CONFIDENTIAL

CONFIDENTIAL

health of their own investments in the industrialised countries would not be served by action on energy supply and price which undermined the viability of those investments; and they also needed the intermediation of commercial financial institutions in the industrialised countries, which might need to be supported and supplemented by the international financial institutions if oil producing countries' surpluses persisted at present levels into future years. The less developed countries needed investment and aid from the industrialised countries and the oil producing countries. To them also the commercial banks in the industrialised countries and the international financial institutions were of critical importance. They also needed the trade opportunities which would only come to them if the markets of the industrialised countries were open to their exports; and the opening of those markets would depend at least in part upon the ability of the industrialised countries to bring about the structural changes which would diversify their industrial activity out of traditional industries with which the developing countries would compete into high technology industries. Thus there were two themes: that of satisfying common needs and that of the need for structural adjustment. An approach of this kind would bring out not only linkages between issues but also linkages between the various groups of countries involved in the world system.

5. The French representative said President Giscard would be mainly concerned with the problems of inflation and the North-South Dialogue. The German representative said that Chancellor Schmidt's interests would include not only inflation and the North-South Dialogue, where he would want to emphasise the needs for the efforts of the industrialised countries to be matched by those of the oil producing countries, but also a firm line on the need for developing nuclear energy, and a concern with the implications for international currency markets of the continuing large OPEC surpluses: he was concerned about the prudential aspects of this, and the ability of the commercial banks to carry the risks that would be involved.

6. The Italian representative said that Signor Cossiga would also be mainly interested in the need to fight inflation, and on the adaptation of industrialised economies to the energy situation and to an open trade system. For him too

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the North-South Dialogue would be a main theme. The American representative said that President Carter would want Venice to show that inflation and its remedies were a common problem; he would be looking, in this field as in the energy field, for the endorsement of commitments to specific measures. He would also be concerned with the North-South Dialogue.

7. There was some discussion whether the Venice Economic Summit should endorse proposals for wider Summits, either between oil producers and oil consumers or between North and South (including oil producers as well as non-oil producers). Most of those present doubted whether there was sufficient community of interest among oil producers to make possible a producer-consumer Summit; but they were inclined to favour German ideas for increasing contacts just below Summit level, on a multilateral as well as a bilateral basis. One or two of the representatives thought that a North-South Summit in which the developing countries were represented by reasonable leaders whose views and commitments would carry weight in the developing world would be useful; others thought that it might be difficult to confine such a Summit Conference to moderate and reasonable leaders from the developing countries; and, once less moderate and reasonable leaders came into the picture, the value of a Conference would be greatly diminished.

8. There was general agreement that a Summit could not avoid addressing itself to North-South problems, in view of the forthcoming global negotiations and of the Brandt Commission report. The American representative suggested that the Venice Summit ought to commission some kind of follow up to the Brandt report; we (supported by others) thought that the Venice Summit should not follow up or tag along behind Brandt, but we agreed that it would need to demonstrate that Heads of State or Government were aware of the perspectives to which the Brandt Commission had drawn attention; and we suggested that, where the discussions in the Venice Summit pointed to conclusions which coincided with those of Brandt, there should be suitable cross-references.

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9. The meeting then turned, from now on in full session, to the five "chapters" which had provided the framework for all Summit meetings so far: macro-economic matters, energy, the North-South Dialogue, international monetary questions and trade. We re-emphasised the need to look at these issues together and to avoid over-compartmentalising them; and we suggested that the Venice Summit need not feel bound by the past framework: if changing circumstances required the Summit to concentrate on different or fewer issues, the discussions at the Summit should respond to that need.

Macro-economic Questions

10. The meeting had before it an analysis prepared by Mr. Charles Schultze of the short term problems of inflation and the medium term requirements for structural adjustment. We suggested that any treatment of these subjects in the Venice communique might be prefaced with a reaffirmation of the belief of Heads of State or Government in the capacity of the Western market system to stand up to the shocks caused by energy price increases and shortages, inflation, monetary instability and threats of protectionism; and of the determination of its leaders to defend the system against these threats. The main commitment, as indicated in the Schultze paper, would need to be to the reduction of inflation, and it would be necessary to emphasise the need for appropriate policies of monetary and fiscal restraint. There was general agreement with the view that no major alteration in policies was to be looked for at present; but there were large uncertainties in the prospects and the industrialised countries would need to maintain close consultation, and to be prepared to adjust policies in response to events. As to the supply side of the economy, there was general agreement on the need for action on the structural adjustments required, though it might not be appropriate for the Venice communique to be quite as specific and detailed as Mr. Schultze had suggested.

Energy

11. We had before us a paper by a working group, but it was generally accepted that it would be difficult to take discussion of this a lot further until after the IEA Ministerial meeting on 22nd May. We had no discussion about oil import targets in the short term; but a good deal of discussion about how far the Summit should go on quantifying targets for 1990. The extreme

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positions were taken on the one hand by the Germans and on the other by the Americans. The Germans took the view that forecasts for 1990 were so uncertain as to be hardly worth making, and were very conscious of the danger that forecasts would come to be treated as goals, so that the deficit foreseen and the measures to be taken to deal with it had to be attributed not just to groups of countries but to individual countries. They would not wish to go much further than talking in broad terms about the need to weaken the link between the relation between GNP and energy demand on the one hand and oil on the other, by conservation measures and the development of non-oil energy sources (chiefly coal and nuclear). The Americans thought that without some degree of quantification anything that the Summit might say about long term energy problems and requirements would lack credibility. They did not insist on talking about targets; they were prepared to think in terms of illustrative figures, or figures as a basis for monitoring progress; but they thought that, without some quantification, the Summit would fail to establish the gravity of the energy prospect and its implications for the whole economic system of the industrialised countries, and would fail to bring home the scale of the requirements for energy conservation and development of alternative sources and technologies. The majority of the representatives agreed that the main need was to demonstrate the link between energy and growth, and the determination to act together to develop alternative sources and technologies, but the Americans kept coming back to the point that, without figures, American public opinion at least would be sceptical. The question of quantification was left over for further study by an energy working group, which would report to the next meeting of Personal Representatives.

12. There was a brief discussion of the effects of energy generation by fossil fuel burning upon the level of carbon dioxide in the atmosphere, on the basis of a paper by Mr. Tickell of the European Commission. The general feeling was that our knowledge on these matters was still inadequate, and the possible implications were the subject of considerable differences among experts; but that the Summit ought to note this as a potential problem, and as one reason for developing as rapidly and as far as possible energy technologies which did not contribute to the build-up of carbon dioxide, including nuclear power as well as renewable sources of energy.

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North-South Dialogue

13. We had a stimulating and incisive paper from the German representative on North-South issues. It suggested that energy was the key to the solution of many of the problems which the non-oil developing countries would be facing in the medium term; it drew attention to the recycling problem and the need to increase the role of the international financial institutions in dealing with it; and it also drew attention to the fact that what would benefit the developing countries most would be access for their exports to markets in industrialised countries. It contained a balanced reference to the contents of the Brandt report but called for no specific follow-up to that report as a whole. The discussion broadened out, however, mainly at the instigation of the American representatives, who had tabled a staff paper on international action to overcome hunger, together with draft communique language which most of the rest of us found unacceptable. We pointed out that North-South issues had not featured very largely in previous meetings of the Economic Summit Heads of State or Government, and should not be allowed at Venice to divert too much attention from the problems which the industrialised countries themselves faced, and which they needed to resolve if they were able to maintain, let alone increase, their help to the LDCs. Eventually the United States paper on action to overcome hunger was tucked away for further discussion by experts, and we came back to the issues raised in the German paper of the importance of concentrating on the improvement of the energy situation of the non-oil developing countries (both conservation measures and development of non-conventional forms of energy), the importance of the IBRD and other international financial institutions, the difficulties of accepting quantitative commitments on official development aid, and the need for wider participation by LDCs in world trade.

14. There was a brief discussion of the Brandt proposal for some form of automatic taxes or levies to finance official development aid, with the object of making aid "less visible" and therefore less politically difficult. We suggested that making taxation automatic, in this sense, did not alter the fact that it represented a transfer of resources and we doubted whether in present circumstances national Governments would wish to forgo national sovereignty

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over taxation. The Americans pointed out that for the less developed countries "automaticity" would mean "non-conditional". In the light of these observations there was not much enthusiasm for pursuing the idea of automatic levies.

International Monetary Questions

15. There were no signs of the promised French initiative relating to the international monetary system. The French representatives made it clear that they had nothing to say on this matter, and implied that there was unlikely to be anything before Venice. We had before us a report of a working group on recycling which was generally welcomed as providing a basis for discussion at the Venice Summit. It was suggested that the Summit should renew the commitment to maintain the stability of the international monetary system, endorse the approach outlined in the report, and give political support to the strengthening of the surveillance powers of the International Monetary Fund. The Summit might also need to consider the United States suggestion for a new affiliate of the IBRD which would borrow from OPEC to invest in energy development in LDC's. But we should have to wait and see how this idea, essentially an additional fund raising scheme for the World Bank, develops.

Trade

16. It was agreed that this would not need to loom large in discussions at Venice. The two points that emerged from discussion of a short paper by Mr. Tickell were:-

- (a) The successful conclusion of the Tokyo round of multilateral trade negotiations and agreement on non-tariff barrier codes should be chalked up as an achievement; but, with the development of recession, there remained the threat of growing protectionism in international trade. The Summit communique would need to stress the importance of resisting that tendency.
- (b) One argument for developing the open trade system was that of enabling developing countries to compete in industrialised markets; but, if that was to happen, those countries would themselves have to reduce their own protectionism. The communique should approve

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the action of those LDCs who had taken steps to open their markets, and express the hope that others would follow suit.

17. It would be for consideration whether anything was said in the Summit communique about reducing undesirable competition on export credits.

18. The American representatives raised two other issues for consideration: illicit payments and terrorism.

Illicit Payments

19. It was recalled that the London Summit had agreed on the need for legislation to ban illicit payments (i. e. corruption in international trade). Negotiations had started but had run into the sand. The Americans suggested that the Venice Summit should make a commitment to resume negotiations on this subject. We suggested that there was a danger that any reference to this subject in the Venice communique would lack credibility in the light of previous experience. It would be better not to include anything in the communique unless there was some reason to think that there was a real prospect of some outcome. The meeting agreed that we should each find out what our Heads of State or Government thought about this.

Terrorism

20. The American representative said that the United States Government would like to include in the Venice communique a draft declaration on international terrorism, with particular reference to terrorist crimes against diplomatic personnel or premises. The British representatives said that they were content in principle - it was obvious that the Americans were under strong instructions - but that the wording would need careful attention from experts: some of the wording proposed might present legal difficulties for the United Kingdom Government. It was agreed in principle to propose a draft declaration for inclusion in the Venice communique: it is to be looked at by a meeting of experts which has already been arranged in the middle of May, and will come back for consideration by Personal Representatives and then by Heads of Government thereafter.



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21. As I said at the outset of this note, the Personal Representatives expect to consider a first draft of a communique at a meeting in Paris on 23rd May. It was clear to me from what Signor Ruggiero said about the form in which he proposed to draft that the first draft would be a very long way from final. I would therefore propose to consult the Prime Minister on the second draft of the communique - that is to say on the draft which emerges after the meeting on 23rd May - which will, I hope, be in more nearly final form for her consideration.

22. I am sending copies of this minute to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Energy.

RA

25th April 1980

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Ref. A02021

MR. ALEXANDER

Prime Minister
Weekend Box

Print 24/4

I think
was
likely
was very

As you probably know, it has been the custom for a group of business leaders from the Summit countries and the European Community to meet in advance of each Economic Summit meeting, in order to agree upon a statement of their views which can be made available to the Heads of State or Government before the Summit meeting.

2. This "Mini-Summit" has agreed on a statement of its views in preparation for the Venice Summit. I enclose a copy of their statement herewith.

3. The Chairman of the group was Mr. Robert V. Roosa; and the British members of it were Lord Roll, Lord Shackleton and Sir David Steel.

4. I am sending copies of this minute and of the statement to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and the Secretary of State for Energy.

RA

ROBERT ARMSTRONG

24th April, 1980

Was that committee
written in advance
too?
- not

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24 APR 1960



ROBERT V. ROOSA
59 WALL STREET
NEW YORK, N. Y. 10005

April 9, 1980

To The Mini-Summit Participants:

As of yesterday's deadline, comments had been received from nearly all mini-Summit participants. As you can well imagine, the various comments required a good deal of reconciliation. Specific suggestions had to be altered in light of others' comments. Furthermore, in an effort to avoid the necessity of another round of clearances from you, I have attempted to make the revisions without major, substantive changes. The final draft hopefully represents the best possible compromise.

I would be most interested in hearing from you any reactions which your Head of Government and Summit planning staff may have to the memorandum. With such an exchange, we can, perhaps, both bring the issues into yet sharper focus and enhance the usefulness of any future private sector mini-Summits.

You should be aware that the planning staffs of the seven governments are to meet in Rome on Wednesday, April 16. In case you encounter delays in directly contacting your Head of Government, you might want to hand copies, at least informally, to your country's representative on the planning group. Remember, too, that the Ministers of Finance and of Foreign Affairs usually also attend these Summit meetings. Direct handing of this report to one or both of them may be a practicable alternative in the event you have difficulty arranging an appointment with your Head of Government.

With warm regards,



Enclosure.

Issues for the Venice Summit

At an informal two-day meeting held in London on March 26-27, 1980, a group of twenty business, financial and economic leaders from the seven Summit countries and the European Community* reviewed issues relevant to the discussions to be held among the seven Heads of State and Government in Venice on June 23-24. The consensus which follows may not represent fully the views of any one participant on each of the suggestions presented, but there is unanimity on the broad thrust of the conclusions. Because there are fundamental differences in structure among the seven countries, not all of the statements apply to all countries. However, the participants hope that these views may be of assistance in the process of evolving agreement among the Governmental leaders on the most significant economic issues confronting them in 1980, at the beginning of a new decade.

In the group's judgment, the major issues are:

- The urgency of curbing inflation and arresting its present destructive effects on social stability, growth and employment;
- The annual need for recycling \$100 billion or more of the payments surpluses of oil-producing countries;
- The necessity to balance energy requirements and supplies while reducing dependence on OPEC sources;
- The vital importance of maintaining and developing an open and dynamic world trading system with due regard to the increasing participation of LDCs (i.e., the "South"); and
- The longer term necessity of adapting to the changing patterns of growth and technological development in the world economy.

Summary

The overriding concern of the Venice Summit must be the escalating inflation which is spreading throughout the world. Since any lasting correction of its diverse causes will require action over a long period, it is urgent to make a convincing start now on essential longer term programs.

In order to create the economic environment within which longer term measures to eliminate inflation can effectively be initiated, shorter run policies will be required to check the inflationary momentum. In some countries a powerful and concerted effort to slow inflation must be expected to bring about a slackening of economic growth or even a recession. This risk must be accepted in

*A list of participants is attached.

order to create the basis for a later resumption of stable growth.

Longer term solutions to the inflation problem must include measures that will encourage renewal and expansion of the stock of productive capital -- which inflation is now eroding -- as well as more effective utilization of existing capacity. Among the measures to enlarge the capital base, emphasis should be placed not only on the production and conservation of energy, but also on increasing the capacity of both the less developed and the industrialized countries for extraction and processing of those basic raw materials which may otherwise become scarce within the next decade.

The tax and regulatory systems of many countries impede such capital formation. These restraints should be reduced or removed and investment actively encouraged. For some countries this may involve a shift in the balance of income distribution from consumption toward savings and investment.

The Governments of the seven countries have mainly followed defensive policies thus far in coping with the energy crisis. Yet even under the best conditions, oil and gas cannot long continue as the primary source of the energy needed to support growth over the decades ahead. The Governments should agree now on aggressive common efforts to develop alternative sources of energy; to promote massive increases in research and investment on an international scale.

The huge transfer of resources to the OPEC countries, following the second wave of staggering price increases that has occurred over recent months, is creating serious imbalances within the payments flows of the world. A recycling of some part of the OPEC balance of payments surpluses should be devoted, directly or indirectly, to financing the deficits of many of the oil importing countries. During the first round of oil price shocks, direct investment by the OPEC countries routed a part of the surpluses back into productive employment, but the capital markets of the private sector, including the Euromarkets, played an even larger role in the recycling process. We expect these markets to play an important role again. However, their capacity to do so is not indefinitely extensible. The international financial institutions will need to play an increasing role in the current recycling effort, beyond anything that the OPEC countries themselves may do directly.

For this reason, we urge the Heads of State and Government to encourage the use and expansion of the facilities of the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), and other international lending and financing institutions. We further suggest that the financial authorities explore the development of appropriate investment instruments to attract some of the available funds of the surplus countries. The deficit countries should be encouraged to look to the IMF for advice and assistance in working out the longer term structural adjustments which they must make in order to be able to service their debts and maintain their creditworthiness.

I. Inflation

Inflation has become a disintegrating force throughout the world economy; combating it must have immediate priority. That involves the risk of economic slowdown for all countries; recession for some. But such risks must be accepted in order to lay the groundwork for sustained growth in the longer run. Indeed, the credibility of policy depends on pursuing anti-inflation programs firmly and consistently until the grip of inflation is broken.

The causes of the present inflation are deepseated. Superimposed on those, the rise in energy prices has triggered off and accentuated a further escalation of other prices. It is, nevertheless, essential for energy prices to remain high relative to other prices, regardless of their apparent inflationary impact, in order to promote necessary adjustment among the sources and uses of energy. Achieving the necessary level of prices in some oil-importing countries may require additional direct taxation of petroleum products, such as the United States has just initiated. The proceeds of such taxes should be directed toward reducing or correcting other causes of inflation.

Inflation in most western economies has been aggravated as various forms of consumption, both government and private, have become larger at the expense of investment. It is essential to check or reverse that process, over the long run, by designing public policy to encourage investment -- if necessary by means of tax cuts, other incentives, or the reduction of disincentives.

Both fiscal and monetary measures are required in the fight against inflation, the main requirement in common among all countries being that they be mutually reinforcing and used consistently. Reliance on monetary and credit restraint unavoidably tends to cause higher interest rates. To the extent that Summit countries can bring their public sector borrowing requirements under tighter control, in order to reduce pressures on their capital markets, the rise in interest rates will be moderated. At least in some Summit countries, long term interest rates have reached a point where they exert a disincentive effect on investment in productive assets and if long continued would contribute to perpetuation of an inflationary climate. Paradoxically, high rates now are a prerequisite to reduction over the coming months.

Some of the Summit countries have institutional arrangements in which wage and price guidelines can be helpful, within a framework provided by monetary and fiscal policy. But a raising of the guidelines during a period of accelerating inflation risks building a high cost floor that would impede eventual downward price adjustments. In other countries, existing institutional arrangements make Governmentally suggested guidelines inappropriate. Still other countries might usefully consider whether guidelines could assist in their effort to control inflation.

The burden of excessive government regulations, and the procedures for their application, exacerbate inflation, accentuate the energy problem, and inhibit world trade. While the spread of regulation is a long term issue, it does impinge on the immediate problems. Thorough review of the cost-benefit aspects, in this wider context, should be undertaken or stepped-up as a matter of urgency.

A considerable amount of indexation is built into western economies. Continuation of inflation at high levels is encouraging the expansion of such measures through legislation and wage contracts. That builds in resistance to any slackening in the upward movement of costs and prices even at times when other causes of inflation may be receding. In present conditions, energy prices should be excluded from the formulas used for indexation because adjustment to the new relative level of energy costs is essential; they must not be offset by indexation.

II. Recycling

The recycling of OPEC surpluses did not prove as much of a problem as had been expected in 1974 to 1978 for various reasons, including the expertise of commercial banks as intermediaries and the remarkably rapid rise in OPEC imports. This time the problem is more difficult because the amounts involved are much greater and many of the earlier circumstances have changed. The equity ratios of the commercial banks have declined with some concomitant decline in their readiness to add sizable new loans on the previous scale. Moreover, a number of the oil-importing countries have already added so much to their external borrowings as to alter their standing in terms of country or credit risk.

Nonetheless, some of the developing countries have built up their reserves over the past few years and also still have unused credit lines. For them, the commercial banks can probably handle much of the 1980 recycling requirements. But the problems magnify from 1981 onwards, particularly as the LDCs will face competition for funds from more creditworthy industrial countries.

However, even allowing for considerable direct investment by the OPEC countries, their purchase of government bonds in several of the Summit countries, and their possible transfers of liquid assets to the IMF through an expanded Witten facility, major problems will remain to be met through more extensive use of the facilities of all the international lending institutions. Even so, the IMF must continue to link its lending criteria to responsible policy responses in the debtor countries. One serious weakness of the first recycling round was that too little attention was devoted to the adjustment problems of the oil deficit countries. Increasing reliance on the IMF will assure increasing attention to adjustment problems in the light of IMF advice and guidance.

Prudential surveillance of commercial banks' consolidated balance sheets by their central banks will help to guard against any potential breakdowns in the recycling process. No need is perceived, however, for specific controls on the Eurocurrency markets. Those markets will continue to have a major part to play

in the recycling process, and their capacity should not be impaired by misguided attempts at regulation.

As more experience is acquired in putting OPEC funds to work, and in bridging the oil-induced deficits of many importing countries, further appraisal may point to the need for even larger official facilities in 1981 and beyond. The Heads of State and Government should be prepared to support such recommendations if they should emerge by the time of the Annual Meetings of the IMF and IBRD early in October.

III. Energy

The need to develop new sources of energy, to economize on the use of available energy, and to adapt the productive processes of the world to a higher real cost of energy, will dominate much of the longer term performance of the Summit countries for the next decade and beyond. One major aim must also be to reduce the relative dependence upon OPEC oil, but that cannot be done rapidly. This fact has wide implications for defense and foreign policy -- reinforcing other reasons for a unified approach by the Summit countries to their common energy problems.

In present circumstances, it would be both divisive and self-defeating to engage in bilateral arrangements between individual Summit countries and individual OPEC countries that had the effect of impairing the adequacy of energy resources for other Summit countries. Correspondingly, no one among the Summit countries can afford, in its own or in the general interest, to reject any opportunity or method for conserving the use of energy, and particularly for reducing imports from the OPEC group. The import targets agreed upon at the Tokyo Summit should be reviewed to determine whether they can appropriately be reduced further. Consideration should also be given to the feasibility of establishing, on a mutually agreed basis, overall targets for the demand and supply of energy for each of the Summit countries -- with particular attention to alternative sources of supply and the ways in which those could be increased through the work of the IEA or the IETG.

The full recognition of the price of energy, as already noted, will not only promote conservation on the part of consumers as well as the industrial users of energy, it will also bring into the range of economic viability other sources of oil and gas as well as additional uses of coal and nuclear power. These, and the other energy sources that can be developed for use in decades beyond, including nuclear fusion, will require massive commitments of capital. It is important to clear the way for major energy or industrial companies to devote all of the earnings they can be allowed to retain to the capital requirements for greater recovery of hydrocarbons in known and new geographical areas, as well as for the development of coal, uranium or other energy materials. A first claim on the growing Government revenues deriving from the taxation of oil and gas properties, notably the recent increases in the United States, should be for the support of research and

investment in promising energy fields. Beyond that, ways should be found for directing more of the surplus OPEC revenues toward such investment, perhaps through enlarged OPEC contributions to the IBRD which is initiating a new program for oil exploration and production in some of the LDCs.

The Heads of State and Government should energetically support present and prospective increases in the capital and resources of the IBRD and other international programs devoted to energy problems. There must also be greater mobilization of private resources in all the Summit countries. To that end, governments and groups of governments should promote R&D and expedite flows through the capital markets into major energy projects. The sheer magnitude of the investment needed to produce meaningful quantities of coal liquification or gasification, or even to build new pipelines for energy transmission, is so enormous that it requires new and creative methods for the pooling of capital and the joining of efforts among firms that are already large. The Heads of State and Government should promote such efforts through all means at the disposal of their Governments, including the encouragement of international consortia.

IV. World Trade

World trade has been a powerful dynamic force in recent years. Even in 1979, despite the dislocations from a renewal of the oil price escalation, overall trade rose in volume terms by 7 per cent compared with a 3 1/2 per cent rise in the real GNP of the OECD area.

The successful conclusion of the GATT Tokyo Round will help preserve this dynamism although a new threat of protectionism looms as countries consider restrictive measures to avert a rise in domestic unemployment. Some understandable though regrettable restraints also continue to arise as Summit countries attempt to ease their adjustment to imports from newly industrializing countries. As a counterweight, it is important to extend the work of the Tokyo Round. The Heads of State and Government should provide for a periodic review of the practical operation of the new GATT codes. The GATT's work on a safeguards code should be expedited to counter pressures for increased protection against specific imports.

Those Summit countries which are members of the European Economic Community should strongly reaffirm their commitment to the fundamental principle of keeping the EEC an open trading system. And all of the Summit countries should cooperate, particularly through the influence of their central banks, to promote a climate for the free flow of capital among their markets, to reduce or remove obstacles to such flows, and to moderate any disequilibrating moves in their exchange rates or interest rates which aggravate adjustment problems.

The continued growth of world trade will provide opportunities for the developing countries which depend upon oil imports to increase their exports,

and thereby not only ease their recycling problem but also improve their adjustment prospects. The industrial countries need to recognize the net beneficial effects to themselves of imports from the developing countries, and of exports to them, even when specific sectors of production within the industrial countries suffer initially from import competition. The overall North-South relationship should have renewed and increasing attention by the seven Governments, particularly in the light of the issues addressed by the Brandt Commission. The disappointing outcome of the last UNIDO conference should prompt the seven countries to take the initiative in new efforts to combine concessions to the LDC's with acceptance by the "Group of 77" of obligations to encourage private investment in their countries.

V. The Longer Term

In most Summit countries the priority need now is to arrest the upward momentum of inflation, but underneath there is also a long term inflationary trend among all Summit countries that will seriously threaten social, cultural, and economic values through the next decade unless Governments begin consideration now of the validity or relevance of several possible underlying causes. These causes include:

The increasing costs of raw materials as needs for them expand;

The tendency for the combined defense and welfare costs of modern government to outrun the productive base or capacity;

The downward inflexibility of many costs, including wages and forms of indexation; and

A general slowing in the growth of productivity as developed economies "mature," with services becoming a larger proportion of total GNP.

To be sure, most of these may call for adaptation within individual countries rather than common action among them, but the problem of possible raw material shortages in the decades ahead is clearly one that deserves international appraisal, possibly within the OECD.

In addition, stability in economic performance among Summit countries, and in their relations with the rest of the world, may be jeopardized over the longer run by the procedures followed in adapting the international monetary system to the increasing use of several other reserve currencies, alongside the dollar and the SDR. The machinery for recognition of these problems and for cooperative resolution of them is well developed. The need is for vigilance in the relations among the financial authorities of the seven countries, and for joint support by their Governments of the introduction of a "Substitution Account" within the IMF as promptly as possible.

Moreover, structural adaptation to the growing role of manufacturing in the developing countries will create continuing strains, as will the further broadening of East-West economic relations. The Heads of State and Government should initiate further exploration of the suggestion in the Brandt Report for a "Summit" meeting among representative developed and developing countries (as in the Council of Governors of the IBRD) to consider changing relations within and among the developing countries, and between them and the leading industrialized countries. Perhaps North-South as well as East-West relations could be the subject of special arrangements for further concentrated evaluation by representatives of the Summit countries.

VI. Modalities

The group considered the role of the Summit in the process of economic policy formation, and its potential for minimizing contradictions among the Summit countries. Clearly, contacts among all seven Heads of State and Government, sitting together, can contribute to a fuller understanding of joint interests and needs. Such meetings also afford an opportunity to consider methods of improving current consultation on major issues, in the light of experience in the intervals between Summit meetings.

While recognizing the inevitable interrelations between economic issues and all other aspects of international relations, the group felt that continued concentration of agreed Summit agendas on matters of political economy provided a useful focusing of attention on those economic questions which do, from time to time, require the decision and action of Heads of State and Government in the context of related common concerns for defense and other strategic objectives.

Consideration was also given to the matter of relations with countries outside the Seven, and the risk of creating an impression of a super-directorate for dealing with world economic affairs. Nonetheless, while mindful of the perception of other governments and international institutions, and of the need to maintain full contact with them, the Heads of State and Government should not be deterred by such concerns from dealing with global economic problems and providing leadership toward implementing internationally agreed solutions.

April 8, 1980

Note: A first draft of this report was outlined during the closing session on March 27 and when completed was sent to all participants on March 28. Comments received from them by April 8 have been included in this final version. Responsibility for resolving all differences in approach rests with the Chairman.

Participants in the
Pre-Venice Mini-Summit*
London, England
March 26/27, 1980
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Mr. Guido Carli
President, Confindustria
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Mr. Phillip Crowson
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Mr. Alan B. Hockin
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Mr. Yusuke Kashiwagi
President, The Bank of Tokyo
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Mr. Andre de Lattre
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Mr. R. Gerald Livingston
President, German Marshall Fund of the U.S.
Washington

Mr. Bruce K. MacLaury
President, The Brookings Institution
Washington

Mr. W. Darcy McKeough
President, Union Gas, Ltd.
Chatham, Ontario

Mr. Manfred Meier-Preschany
Executive Committee, Dresdner Bank A.G.
Frankfurt am Main

Mr. Cesare Merlini
President, Istituto Affari Internazionali
Rome

Mr. David Rockefeller
Chairman, The Chase Manhattan Bank
New York

The Rt. Hon. The Lord Roll
Chairman, S. G. Warburg & Co., Ltd.
London

Mr. Robert V. Roosa
Partner, Brown Brothers Harriman & Co.
New York

The Rt. Hon. The Lord Shackleton
Deputy Chairman, Rio Tinto-Zinc Corp., Ltd.
London

Mr. Roger B. Smith
Executive Vice President, General Motors Corp.
Detroit

Mr. Hans Günther Sohl
Chairman of the Board, Thyssen A.G.
Düsseldorf

Sir David Steel
Chairman, British Petroleum Company, Ltd.
London

Mr. Edmund Wellenstein
E.E.C.
The Hague

* Invitations were extended to at least three persons from each of the seven countries. Several who were unable to attend did send helpful comments in response to an initial outline of an agenda. However, since they did not participate in the give-and-take of actual discussion, their contributions are reflected here only to the extent that concurrence emerged during the meetings.



10 DOWNING STREET

From the Private Secretary

For (P)
Original filed
Foreign Pol ~~File~~
July 79: East/West
Relations, etc.

SIR ROBERT ARMSTRONG

The Prime Minister has seen your minute of 21 April about the establishment of some form of continuing machinery for consultation between Summits of the Seven. She has also discussed the matter with the Foreign and Commonwealth Secretary.

The Prime Minister is not enthusiastic about the development foreseen in your minute. She is concerned about the possibility of a new diplomatic network being established. She believes that foreign policy must remain, under her direction, the exclusive responsibility of the Foreign and Commonwealth Secretary and that our partners should be under no illusion about this.

The Prime Minister would therefore wish the emergence of the sort of group described in your minute to be discouraged. If, because of the wishes of our other partners, the establishment of the group were to prove unavoidable, the Prime Minister would wish her representative to be a senior member of the Foreign and Commonwealth Office. She would however have no objection to his being accompanied to meetings of the group by a member of the Cabinet Office if this should seem desirable.

I am sending a copy of this minute to George Walden (Foreign and Commonwealth Office).

23 April 1980

CONFIDENTIAL

JS

CONFIDENTIAL

MR. ALEXANDER

Subject file
 For PS- ~~F 17~~ - US/Euro
 July 79 consult
 East/West
 Relations

In the margins of last week's meetings of Personal Representatives preparing for the Venice Economic Summit, there was some discussion of the problems which had arisen between the United States and her allies in Europe and elsewhere about Iran and Afghanistan. In the course of these discussions it was made clear to the American representatives that, though the Europeans, the Canadians and the Japanese understood the problems which President Carter faced with his domestic public opinion because of the continued detention of the American hostages in Iran, and though America's allies wanted in principle to support her in her time of trouble, there was considerable feeling both that the crisis was not being handled in the best possible way and that the Americans were failing to consult their allies in advance in the way and extent they should if they wanted to carry their allies with them and have their support. The allies had received a series of communications from the White House, often announcing measures on which there had been no prior consultation and demanding support from the allies; and it was not always clear by what process of reasoning particular measures had been decided upon or policy had changed over time.

2. All concerned felt that there was a need for some machinery of consultation in advance, of a kind which might prevent this sort of situation developing as it had on this occasion. Meetings among Ambassadors in Washington did not meet the requirement. Meetings of Foreign Ministers could not be held without attracting a great deal of publicity. What was needed, it was suggested, was some machinery of consultation on political matters among Personal Representatives, parallel with that which had now been established for the Economic Summits. The Personal Representatives for this purpose would, at any rate in some countries (including the United States and France), be different from the Personal Representatives for the Economic Summits. They should not meet just in times of crisis; it would

CONFIDENTIAL

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be advantageous for them to meet regularly - the frequency was left open - so that the habit developed and the Heads of State or Government came to regard them as a valuable and dependable form of contact. It would be for each Head of State or Government to decide by whom he should be represented, just as it is for the purpose of the Economic Summits.

3. Clearly this was not a matter which could be decided, or even taken any further, among the Personal Representatives in Italy last week. But we agreed that each of us should report the discussion which we had had on this matter to our own Principal.

4. I am sending a copy of this minute to Mr. Walden, FCO.

ROBERT ARMSTRONG

(Robert Armstrong)

21st April 1980

SECRET



Sent by the Home Minister

1A.

file 6

16.11

Econ P.O.

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

15th April, 1980

Ref. A01939

subject copy filed on: Foreign Policy;
East/West Relations July 79.

Quadripartite Meeting

The enclosed minute records the main points of yesterday's quadripartite meeting here between representatives of the White House, Elysee, Bundeskanzleramt, Cabinet Office and the four Foreign Ministries; and of the dinner which Robert Wade-Gery and I had with David Aaron the night before.

It also, I think, updates your and my brief for Sardinia on the idea of a political day at the Venice Summit a 7. No collective discussion of this subject will be possible in Sardinia because the American, French and German Sherpas will not be briefed or qualified to handle it. Since you and I are (by contrast) so qualified, it will fall naturally to us to explain this privately to the Canadian, Italian and Japanese Sherpas. If you agree, we might add that the question of whether there should be a political day and how to stage-manage it will no doubt need to be pursued on a very discreet basis between the right people in the seven Governments nearer the time; and we could ask who would be the right contact for this purpose in Ottawa, Rome and Tokyo.

I am sending a copy of this letter and its enclosure to Clive Whitmore at No. 10.

ROBERT ARMSTRONG

Home Minister.

Sir Michael Palliser, GCMG

The attachment is interesting and well worth reading once you are past the bureaucratic stuff of the first few paragraphs.

SECRET

KBJ
15.11.80

SIR ROBERT ARMSTRONG

Four-Power Consultations

Mr Braithwaite is preparing a record of this morning's quadripartite meeting here. As you know, it was set up at White House instigation and was attended by Mr Aaron, Mr Vest, M Leleq, M Dupont, Herr von der Gablenz, Herr Schenk, Mr Braithwaite and myself. The following main points emerged.

2. Political discussion at Venice Summit a 7

a. The French made clear that they had not agreed to this (page paragraph 2e of Mr Bullard's minute of 12th March recording the quadripartite meeting of Political Directors on 10th/11th March); that they did not know what President Giscard's views on it might be; and that they were without instructions. Herr von de Gablenz told me afterwards, however, that President Giscard had recently intimated to Chancellor Schmidt that he was in fact in favour of a political day at Venice.

b. The Americans, supported by the Germans and French, made clear that the Sardinia meeting of "Economic Sherpas" on 16th April would not be the right forum in which to consider the idea of a political element in the Venice Summit. In all three cases, their representatives would not be qualified to go beyond consideration of the normal economic agenda. The French representative would simply refuse to discuss anything else.

c. I explained that our position was simpler in that you and Sir Michael Palliser were (jointly) both our representatives on the Economic Sherpa group and the right people on our side to consider political discussion at Venice. There was general agreement that embarrassment might be spared if, in view of your dual role, you were able and willing privately to warn the Italians, Japanese and Canadians against trying to raise the political discussion issue in Sardinia.

d. I then said that you had previously been intending to float in Sardinia the idea of the political discussion focussing on "Western foreign policy following Afghanistan"; and that we would be willing to prepare a paper on this, covering both substance in outline and procedure, which we would wish to discuss quadripartitely before circulating it to the Seven. It was agreed

that we should now do this (the Foreign Office are preparing a draft). We were asked to circulate it only on the direct link between the four Heads of Governments' offices and specifically to Mr Aaron, M Wahl and Herr von Staden, who would show it on a very restricted basis to their Foreign Ministries.

e. It was agreed that views on this draft should be exchanged on the same network. A further quadripartite meeting could be arranged to consider it if that proved necessary, which everyone hoped would not be the case. Assuming the French had by then agreed to the principle of a political discussion, our paper might be circulated to the full Seven in mid-May (which would involve first identifying appropriate "Political Sherpas" in Rome, Tokyo and Ottawa). Everyone stressed the need to restrict to an absolute minimum the number of people who knew that the idea of a political discussion was even being considered.

f. It was recognised that there would be a problem over the lesser allies, who would resent exclusion from political discussion even more than from a purely economic Summit. Mr Aaron thought that something might be done for them by previous consultation in NATO (eg if there was a meeting of Foreign Ministers in May as well as one of Defence Ministers) and in the EC (eg at the Luxembourg European Council on 27th-29th April). But he and Mr Vest argued strongly that the political discussion at Venice should be openly reflected in the communiqué. No one would believe that the leaders of the Seven could in fact meet in mid-1980 and avoid political discussion. So the suspicions of non-participants would simply be exacerbated if the communiqué referred only to economic subjects.

g. It was agreed that it would not be appropriate for President Jenkins to participate in any political discussion at Venice.

3. The Arc of Crisis. As planned, this part of the meeting resumed discussion of topics broached at the Paris quadripartite meeting on 8th February. It was largely a monologue by Mr Aaron. The French hardly spoke at all. Mr Aaron avoided sensitive operational issues arising out of the 8th February meeting (which he had told me privately he was content should be followed up bilaterally when Mr Carlucci came to London later this month). His main points were as follows.

a. Afghanistan. Guerilla resistance would continue at a satisfactory level. The Russians could quell it only if they doubled the number of their troops, which seemed inconceivable. The guerillas were being adequately supplied with arms, mainly from internal sources eg defecting Afghan Army units. More could be done to publicise Russian atrocities and other events in Afghanistan, particularly in the Third World. The Americans would contact the other three Governments bilaterally about this. Britain's neutrality idea was welcome as an instrument of political warfare.

b. Iran. The Russians were building up their forces on the Caucasus frontier, presumably in case disintegration in Iran offered them scope for intervention eg in support of a pro-Soviet separatist government which might emerge in Azerbaijan. Such intervention would be easier for the Russians if the Western response to Afghanistan had been less robust than the Americans wanted. Khomeini was very ill. The hostages had now become a major political factor in President Bani-Sadr's struggles both with the left and with the clerics. Iran was ~~essentially~~ drifting leftwards. United Western sanctions might ~~actually~~ halt this by playing on the moderates' fears of being left friendless apart from the Russians. The moderates had been signalling to Washington that tough measures against Iran would actually strengthen their own hand.

c. N. Yemen and Saudi Arabia. In both cases the Americans seemed somewhat less worried than before, at least about the immediate future.

d. US facilities. Negotiations with Oman and Kenya were going well. Those with Somalia were trickier. The Americans were willing to provide the Somalis with an air defence system, but not to support operations against the Ogaden.

4. General. At no point did the Americans ask what had passed between President Bani-Sadr and the European Ambassadors on 12th April. Nor during the meeting itself did they call for more allied support over Afghanistan or over Iran. But as you know Sir Aaron repaired this omission at the subsequent working lunch over which you and Sir M Palliser presided. He was sharply counter-attacked by Herr von de Gablenz, who said that Germany had done much more than the Americans recognised, would do more still (eg coming out for an Olympic boycott) but inevitably disliked economic measures against the Soviet Union and Eastern Europe, where she had much more at stake than any of her allies.

5. After lunch I asked Mr Vest privately about Mr Vance's dislike of this particular quadripartite forum, about which he had spoken to Mr Bullard on 1st April. I made clear that we had no wish to champion it but had merely responded to White House prompting. Mr Vest said that Mr Vance was now quite relaxed on the subject and he himself was no longer worried about wire-crossing. But our exchange was a hurried one, and he may only have been being polite.

6. Dinner with Mr Aaron As a tail piece it may be convenient if I record the main points which Mr Aaron made when he dined privately with you last night.

i. Germany Chancellor Schmidt's visit to Washington had been "a disaster". The Chancellor had spoken to the President with apparent sympathy and friendliness but had then told the American press representatives that the President was an impossible idiot. Worse, the Chancellor's obsession with "mini-detente" in Central Europe seemed to take priority over his loyalty to the Alliance, from which he was perhaps preparing to distance himself. That way lay Finlandisation. The Germans always claimed to be doing their best to lessen France's reservations about Alliance solidarity and American leadership; but it was beginning to look as though the Germans were actually more hostile than the French and egging them on.

ii. Detente was not working as intended. It was meant to inhibit ~~the~~ Russian misbehaviour. All it was actually inhibiting was a robust reaction by the Allies, particularly the Germans.

iii. NATO Summit President Carter had disliked getting identical replies from the Chancellor and Mrs Thatcher to his original proposal. The White House were also annoyed that the Chancellor's office had told the German Foreign Ministry about the proposal (by implication, the White House had not told the State Department, at least at that stage); and that either the Germans or the British appeared to have told the Italians (we have since established that it was not us). As regards the current proposal for a NATO Foreign Ministers' meeting in May, Mr Aaron favoured the British idea that they should meet without Defence Ministers present, in order to make it possible for the French to be there.

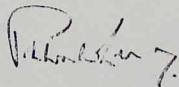
iv. Quadripartite consultation. Mr Aaron was unimpressed with my suggestion that there was particular value in the quadripartite forum now established in Washington between Mr Christopher and the three Ambassadors. Inside the State Department, circles of knowledge widened too quickly, leading to leaks. No one in Washington had much confidence in the German Ambassador. In any case, it was not Ambassadors the Americans needed to consult about policy matters but those, who were directly involved in national decision-taking. US policy-makers would need to travel more in search of such consultation. They should learn from the growing frequency and intensity of consultation meetings within the EC framework.

v. US-EC relations. Mr Aaron had come to the Ditchley Conference on 11th-13th April under instructions to complain about the difficulty the US found in consulting EC members, who would not express any views until they had consulted their Community partners, and were thereafter unwilling to alter a comma of whatever formula they had managed to hammer out a 9. This was a real problem. But he had not meant to provoke Sir M Palliser into believing that the Americans were now hostile to the development of the Community.

vi. Political discussion at Venice. Dr Brzezinski was determined to keep preparations for this under his own control. He would not want Mr Owen involved and would not be willing to hand the subject over to the State Department.

vii. Iran. President Carter's television reference (on 13th April) to a date by which united action by the allies against Iran would be needed had referred only to the view set out in his message of 25th March that there was little time left and would be none at all by about mid-May.

14th April 1980



R L WADE-GERY

Ref: A01888



Eca Pst.

CONFIDENTIAL

~~MR. ALEXANDER~~

Paul

Venice Summit: Political Aspects

Thank you for your minute of 2nd April.

I share the Prime Minister's concern that the arrangements for the Summit risk becoming excessively cumbersome. Her views, as conveyed in your minute, will strengthen my hand in my continuing attempts to prevent the bureaucratic infrastructure for the preparatory discussions from getting out of hand.

RA

(Robert Armstrong)

3rd April 1980

PRIME MINISTER'S

From Paul (5)

IMMEDIATE

PERSONAL MESSAGE

021540Z APR 80

SERIAL No. T.74/80A

TO PRESIDENT CARTER, THE WHITE HOUSE.
FROM MRS THATCHER, 10, DOWNING STREET.

Subject: filed Afghanistan
sit. Pt. 4

SECRET

DEAR MR PRESIDENT,

YOUR MESSAGE OF 27 MARCH ARRIVED VERY OPPORTUNELY ON THE EVE OF MY MEETING WITH HELMUT SCHMIDT, AND WE WERE ABLE TO HAVE A VERY GOOD TALK ABOUT IT. HE WILL BE REPLYING SEPARATELY BUT I THINK WE FOUND OURSELVES IN AGREEMENT ON THE SUBSTANCE OF THE PROBLEM.

FIRST OF ALL, IT IS CLEARLY VERY IMPORTANT FOR THE ATLANTIC ALLIANCE THIS YEAR TO SHOW THE UNITY AND RESOLVE WHICH THE SITUATION REQUIRES. IT MUST BE RIGHT TO BEGIN NOW TO CONSIDER THE BEST WAY OF ACHIEVING THIS.

YOUR SUGGESTION FOR AN ALLIANCE SUMMIT IN MAY OR JUNE IS VERY ATTRACTIVE. BOTH THE LONDON SUMMIT MEETING IN MAY 1977 AND THE WASHINGTON SUMMIT IN MAY 1978 DID AN ENORMOUS AMOUNT OF GOOD FOR THE ALLIANCE AT THE TIME. BUT IN THE PRESENT SITUATION THE IDEA SEEMS TO HELMUT SCHMIDT AND ME TO RAISE THREE DIFFICULTIES.

FIRST, AS YOU YOURSELF POINT OUT, THERE IS THE PROBLEM OF THE FRENCH. YOU KNOW THEIR TRADITIONAL ATTITUDE TO THESE SUMMITS, AND HOW THEY HAVE HANDLED THE DISCUSSION OF AFGHAN-ISTAN IN THE ALLIANCE SO FAR. WE ARE VERY DOUBTFUL WHETHER PRESIDENT GISCARD WOULD BE WILLING TO ATTEND A SUMMIT IN WASHINGTON OR IN BRUSSELS, OR EVEN AN UP-GRADED MEETING IN ANKARA, WHICH IS ANOTHER POSSIBILITY, AS IS A MEETING IN PARIS ITSELF. HE IS ALWAYS CONCERNED TO AVOID FOCUSING TOO MUCH PUBLIC ATTENTION ON FRANCE'S ROLE IN THE ALLIANCE. YET TO HOLD A MEETING OF OTHER HEADS OF GOVERNMENT WITHOUT THE PRESIDENT OF FRANCE WOULD, WE BOTH THINK, BE A GREAT PITY.

THE SECOND PROBLEM IS THAT OF THE TURKS. THEY ATTACH GREAT IMPORTANCE TO THE CHOICE OF ANKARA FOR THE FOREIGN MINISTERS' MEETING IN JUNE AND WOULD BE GREATLY DISTURBED IF THIS WERE IN ANY WAY DAMAGED OR DOWNGRADED THROUGH A SUMMIT HELD IN ANOTHER PLACE. BUT A NATO SUMMIT IN ANKARA WOULD CREATE VERY SERIOUS SECURITY PROBLEMS FOR THE TURKISH GOVERNMENT.

THIRD, THERE IS THE QUESTION WHAT WILL BE THE RIGHT MOVE IN THE EAST/WEST CONTEXT. OUR INFORMATION IS THAT THE EAST EUROPEANS ARE FAR FROM SOLIDLY BEHIND MOSCOW. WE SHOULD NOT GIVE THE RUSSIANS AN EXCUSE FOR A WARSAW PACT COUNTER-SUMMIT WHICH COULD ENABLE MOSCOW TO TIGHTEN DISCIPLINE IN THE OPPOSITION CAMP.

FOR ALL THESE REASONS WE ARE INCLINED TO SUGGEST AN ALTERNATIVE APPROACH IN TWO STAGES. THE FIRST WOULD BE THE VENICE SUMMIT ON 22/23 JUNE WHERE WE HAVE ALL AGREED THAT THE FIRST DAY SHOULD BE DEVOTED TO POLITICAL QUESTIONS. GHRA HAS SINCE WRITTEN TO ALL OF US EXPRESSING HIS INTEREST IN CLOSE CO-ORDINATION OF HIS POSITION WITH OURS. PRESIDENT GISCARD WILL DEFINITELY BE PRESENT. THUS WE HAVE THE MAKINGS OF A REALLY CLOSE AND INTIMATE DISCUSSION CONCENTRATING ON THE ESSENTIALS.

THE SECOND STAGE WOULD BE THE REGULAR MEETING OF FOREIGN MINISTERS OF THE NORTH ATLANTIC TREATY POWERS WHICH IS ALREADY ON THE CALENDAR FOR 25/26 JUNE. WE ENVISAGE THAT THE FOREIGN MINISTERS OF THE ALLIANCE PRESENT IN VENICE WOULD GO ON FROM THERE TO ANKARA AND GIVE AN ACCOUNT OF THE VENICE TALKS WHICH COULD THEN BE REFLECTED FULLY IN AN UPGRADED COMMUNIQUE. THIS WOULD GIVE GREAT SATISFACTION TO THE TURKS AND MAKE POSSIBLE ANY NECESSARY ADJUSTMENT OF THE SIGNAL WHICH THESE MEETINGS SEND TO THE EAST.

HELMUT SCHMIDT AND I ABSOLUTELY AGREE WITH YOU ABOUT THE NEED TO GIVE A TANGIBLE DEMONSTRATION OF WESTERN SOLIDARITY. IT IS ONLY A QUESTION OF WHAT IS THE BEST WAY TO ACHIEVE IT.

YOURS SINCERELY

MARGARET THATCHER

UNNN

CONFIDENTIAL

Evon ^{vb} Pol

SIR ROBERT ARMSTRONG

Venice Summit+ Political Aspects

The Prime Minister has seen your minute to me of 1 April proposing that Sir Michael Palliser should take on responsibility for the political side of the Venice Summit and that the UK should offer to circulate a paper, covering both substance and procedure, to the other participants.

The Prime Minister has approved your proposals. However, she has asked me to stress her concern that the arrangements for the Summit risk becoming excessively cumbersome. She hopes that the bureaucratic infrastructure for the preparatory discussions, as for the Summit itself, can be kept to the absolute minimum.

M O'D B A

KRR

2 April 1980

CONFIDENTIAL

Econ Pol.
(Summit) PT 3

JS

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 72/80



10 DOWNING STREET

c. FCO
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T 72/80

Copy

THE PRIME MINISTER

Subject on

1 April 1980

Japan: Internal Situation: NOV 1979.

Thank you for your messages of 18 and 19 March, setting out your view of Soviet actions in Afghanistan, and explaining your recent economic measures. I found these most helpful.

I agree with you about the significance of the Soviet invasion of Afghanistan which has deeply disturbing consequences not only in an East-West context but also for other neighbouring countries, other Islamic countries and for all non-aligned nations.

The Soviet leaders must be brought to realise that they cannot continue to enjoy detente in East-West relations while flouting it in the Third World. This must be the principal objective of our response to their intervention. Otherwise they will be tempted to try again elsewhere with even graver risks for world peace.

There can be no satisfactory outcome without the withdrawal of Soviet troops. I am encouraged by your welcome for the concept of a neutral and non-aligned Afghanistan and by your intention to maintain close contacts with us on this matter.

We have put the proposal to the Soviet Union who have not rejected it. We have deliberately not presented cut-and-dried ideas. This has made it more difficult for the Soviet

/Union

Union to reject the proposal. But, if they are to be brought to consider it seriously, we shall need to attract the declared support of as many other countries as possible, especially among the non-aligned. You will have seen that the EC/ASEAN Political Statement of 8 March supported our concept. We would much welcome Japanese support in commending the concept to non-aligned countries.

We see this initiative as an accompaniment and not an alternative to the robust line which we have taken with the Soviet Union in East-West relations. I agree with you about economic and trade relations with the USSR, particularly the need for us all to consult closely. We also hope that agreement will soon be reached among COCOM partners on tightening export controls. In the meantime, we have decided, in respect of the Soviet Union, not to submit general exceptions cases to COCOM.

The British Government consider that the Olympic Games should not take place in Moscow following the Soviet invasion of Afghanistan and that, if they do, British athletes should not participate. We regret the decision of the British Olympic Association to accept the invitation to the summer games, but there is still time for second thoughts. It is for the governing bodies of individual sports to decide in the light of events nearer the time whether or not they will nominate teams to participate in Moscow.

In South Asia it is in all of our interests to encourage better relations between India and Pakistan. I think that both countries are themselves seriously considering how to make progress over their bilateral relations. We must also do what we can to bring about improved relations between India and China, and we ourselves have stressed to the two countries the importance of a more harmonious relationship.

/Like you,

Like you, we are committed to doubling our economic assistance to Pakistan in the next financial year. We hope that this will encourage their confidence.

I understand that a very helpful report on Mr. Sonoda's tour of the Middle East and South West Asia has now been delivered to the Foreign and Commonwealth Secretary.

It is vital that we and other industrialised democracies concert our response to events in Afghanistan. We shall certainly keep in touch with you as our ideas develop. I consider it important that we should have ample opportunity to discuss these matters at the Venice Summit.

As to your message of 19 March about your Government's recent economic measures, I very much agree that it is imperative, not only for Japan but for us all, to bring inflation under control. By doing so, we can make a contribution to the health of the world economy. As you know, the control of inflation is also our own primary objective in the formulation of economic policies. The reduction of inflation inevitably involves difficult decisions. We believe that the price mechanism has a crucial role to play in reducing demand for oil; and that consumer prices should adequately reflect the full cost of world oil supplies. This would help to deal with the difficult energy situation which the world is now facing. Your determination to promote energy conservation is most welcome and your measures are a valuable contribution to our common efforts to reduce energy consumption.

The Chancellor of the Exchequer, Sir Geoffrey Howe, will shortly be writing to your Minister of Finance about our own Budget.

I look forward to meeting you again in Venice.

(SGD) MARGARE THATCHER

His Excellency Mr. Masayoshi Ohira

CONFIDENTIAL

Prime Minister

Apr A?

Print 1/4

Ref. A01865

MR. ALEXANDER

Venice Summit: Political Aspects

I agreed with Herr Schulmann, of the Federal Chancellery, during Chancellor Schmidt's visit to Chequers last week that, when Personal Representatives next meet, on 16th April, to carry forward the preparations for the Venice Summit of the Seven, we should consider how to organise the political side of the Venice Summit.

A

2. If the Prime Minister agrees, I should like to propose that responsibility for the political side of the Venice Summit should be assumed by Foreign Ministries. I would suggest that each Foreign Minister should designate a representative for this purpose, who would be at Permanent Under-Secretary or Political Director level. Our representative would be Sir Michael Palliser. The Italians, as the hosts, will be formally in charge of the preparations; but we would offer to circulate a paper, covering both substance and procedure, (which would be drawn up in consultation with the United States, France and Germany, though we should not disclose this to be others).

Why - it is Italian responsibility

3. This method of proceeding is acceptable to the Foreign and Commonwealth Office, and would be acceptable to our German colleagues. I shall be glad to know whether the Prime Minister is content that we should proceed in this way.

4. The arrangements for preparing the economic aspects of the Summit would continue as they are now.

RA

(Robert Armstrong)

1st April, 1980

No - the proposed arrangement is better for both members. It is not necessary to have more than one person.



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Foreign and Commonwealth Office

London SW1A 2AH

27 March 1980

Sir Robert Armstrong KCB CVO
CABINET OFFICE

1. Mr. Nixon

2. P.A.

hw
27.iii

Dear Robert,

VENICE SUMMIT: POLITICAL ASPECTS

1. Since seeing David Wright's letter to Clive Whitmore of 10 March we have been giving some thought to the question how to organise the political side of the Venice Summit. I enclose a note setting out the problem as we see it and suggesting a solution. If this is acceptable to you, perhaps you might speak to Schulmann when we meet him at dinner tonight. So far as the United Kingdom is concerned, I think it would be best for the "Political Coordinator" to be myself, in order to preserve the link established with the Sherpas themselves.

2. We could have a word about the whole subject in the car this evening.

3. I am copying this letter to Clive Whitmore.

Yours,

Michael Palliser

Michael Palliser

VENICE SUMMIT: POLITICAL ASPECTS

Present Situation

1. Schmidt and the Prime Minister agreed that "Heads of State or Government and Foreign Ministers should meet in restricted session on the first day of the Summit to discuss world political questions. ..This should be a very restricted affair, with only one note-taker and no running in and out".
2. President Carter has agreed with this.
3. Schulmann was to inform the personal representatives of the Canadian, Italian and Japanese Prime Ministers of these intentions (and French?).
4. Japan: Ohira hopes "to maintain full communication and understanding with you through continuous dialogue not only on the Afghan problem but on the world situation in general" (letter to Heads of Government, 18 March). Chief Cabinet Secretary implied on 18 March that political matters should be discussed at the Venice Summit (Tokyo tel Nos 182 and 187). Donowaki said on 24 March that it would be better for Afghanistan to be discussed in the margins of the Summit, and that the Chief Cabinet Secretary would rather than the MFA wished (Tokyo tel No 193).

Action Required

5. Define the theme(s) eg "Western foreign policy following Afghanistan", with suitable sub-headings.
6. Clarify attitudes of Japan, Canada, France, Italy.
7. Decide whether political questions should be formally on the agenda for Venice or discussed in the margin.
8. Decide how political aspects of Venice should be prepared (see below).

Preparations

9. Should "political Sherpas" be appointed? Representatives of the Venice Seven have met twice in Washington and will continue to do so.
10. Forthcoming meetings at Political Director level: the Three expect to meet on or about 10 April, and could meet ad hoc after that. The Four have provisionally arranged to meet in mid-May. Nothing planned for groups larger than four at present.
11. At Foreign Minister level, Mr Vance's diary is being examined to see whether he could meet the other three in Europe during the next few weeks, and Genscher is investigating the possibility of a meeting of the four Foreign Ministers round about the time of the Austrian anniversary on 15 May. The Canadians want a meeting of the seven Foreign Ministers some time in late April or May (Ottawa tel No 175).

Suggested Procedure

12. Agree with the Germans at the Anglo-German Summit to suggest at the meeting in Sardinia that responsibility for the political side of the Venice Summit should be assumed by Foreign Ministries. Each Foreign Ministry should designate a representative for this purpose (PUS or Political Director level) and inform partners who it is to be. Italy to be formally in charge. UK, as originators of the move to add political items to the Venice agenda, to offer to circulate a paper covering both substance (headings only) and procedure.
13. UK papers to be drawn up in consultation with FRG, France and the United States, using the Quadripartite machinery being established in Washington, and Political Directors as necessary.
14. Italians meanwhile to explore through Ministers' Private Offices whether there are any dates when all seven Foreign Ministers could meet as suggested by the Canadians.

27 MAR 1963
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*Subject filed as Afghanistan bit
pc 4 (unpd)*

TEXT **PRIME MINISTER'S**
PERSONAL MESSAGE
SERIAL No. T 60/80

Tokyo,
March 18, 1980

Dear Prime Minister,

With the pleasure of meeting you at the Summit Meeting in Tokyo last June still fresh in my memory, I am now looking forward to seeing you again at the next Meeting in Venice.

The situation in Afghanistan continues to be serious. I believe it is necessary and useful for me to inform you of Japan's view on this problem, in order to maintain and promote mutual understanding and co-operative relations among the industrialized democracies as well as close relations between our two countries.

The military intervention into Afghanistan by the Soviet Union since last December is not simply a violation of the independence and sovereignty of that non-aligned Islamic country, but also a serious threat to the peace and security of the world, menacing as it is the peace and security of the region around the country and jeopardizing East-West relations. With this recognition, Japan is calling for a prompt withdrawal of the Soviet forces from the country and the realization of a situation in which the people of Afghanistan can freely determine their internal affairs for themselves. It is essentially important that we, the industrialized democracies, while maintaining their respective positions, should continue their efforts to achieve such purpose in the spirit of harmony.

/ The ...

The thrust of Japan's efforts is as follows :

The Government of Japan believes that the concept of a neutral Afghanistan, which, I understand, was proposed by your Government at the European Political Co-operation, deserves a serious deliberation, as a measure to realize an early withdrawal of the Soviet forces and to help the people of Afghanistan to exercise self-determination without outside interference in their internal affairs and bring about a solution to their problems. We hope to maintain close contacts and continue full exchange of views with you on this matter.

On the economic and trade relations with the Soviet Union in general, we are making a continued study as to how best we can deal with the question. In this regard, the overall solidarity of the West is of primary importance. Measures taken by one country alone will have only a limited effect, and it will be difficult to obtain an adequate support at home. I believe it essential, therefore, that the major industrialized democracies of the West, including yours, maintain close contacts and consultations to co-ordinate their positions. We would spare no efforts to obtain a consensus through such consultations. In the meantime, I wish to make it clear that we will do nothing that may undermine or take advantage of the measures taken by your country and other friendly countries. I am confident that it is the position taken also by your country. With respect to the export of high-technology items to the Soviet Union, we have decided to co-operate towards tightening of the export controls in COCOM.

As regards the Moscow Olympic Games, the Japanese Government communicated its view to the

/ Japanese ...

Japanese Olympic Committee on February 1 that it had to pay a serious attention to the Soviet military invasion of Afghanistan and the severe international public opinion against it and that therefore it was desirable that the Japanese Olympic Committee duly consider this situation and take appropriate measures by maintaining close contacts with the Olympic Committees of other countries.

With respect to the policy for the region around Afghanistan, I dispatched from late February to mid-March former Foreign Minister Mr. Sunao Sonoda as my Special Envoy to the countries in the Middle-East and in South-West Asia. This was to explore, through exchanges of views with the leaders of these countries, how best Japan could contribute to maintaining stability in these regions.

In order to maintain stability in South-West Asia, it is vital that the mutual suspicion between India and Pakistan should be minimized and recurrence of tensions between China and India avoided. Through Mr. Sonoda, I stressed these points to the leaders of the Governments of India and Pakistan. India is an important non-aligned country, and we will continue to promote a close dialogue with her.

We will inform you of our assessment of Mr. Sonoda's trip through diplomatic channels in due course.

As for our aid to Pakistan, in light of the vulnerable position in which she now finds herself, we have decided to increase our economic aid to her, particularly for the enhancement of her welfare, to 32,000 Million Yen, more than double the current amount, and informed the Government of

/ Pakistan ...

Pakistan of this decision.

We fully recognize the importance of economic aid to Turkey on a governmental basis. The extent of our contributions (Yen Credits) to Turkish Aid Programme, however, must take into account the present circumstances under which we have to give more emphasis in our aid efforts on Pakistan and Thailand.

As we look into the international relations of 1980's, including the Afghan problem, I have further strengthened my confirmed conviction that the concerted efforts among the industrialized democracies, Western Europe, the United States and Japan, are now increasingly important to ensure the peace and stability of the world. I hope to maintain full communication and understanding with you through continuous dialogue not only on the Afghan problem but on the world situation in general.

Looking forward to seeing you again,

Yours sincerely,

MASAYOSHI OHIRA

Prime Minister

The Right Honourable Margaret Thatcher, MP,
Prime Minister and First Lord of the Treasury,
London.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 59/80

THE WHITE HOUSE
WASHINGTON

March 13, 1980

Subject filed.

4

~~From Pt. Summits Aff.~~
Afghanistan: sit
Pt. 4.

Dear Madame Prime Minister:

I appreciate your thoughtful and informative letter of March 3 concerning the critical issues confronting both our countries. I am pleased to see that by and large we agree about what steps should be taken next. As you know, Helmut Schmidt and I discussed these same subjects at length during his visit here last week. In the hope that you will find them helpful, I want to share with you some further thoughts directly related to the situation in Southwest Asia.

On the question of aid to Pakistan, I fully agree with you on the importance of encouraging the Pakistanis to concentrate on the Soviet threat, and I am certain that your efforts to this end will effectively promote overall Western interests.

The Government of Pakistan appears to be engaged in making fundamental decisions about its external orientation in light of the new situation created by the Soviet invasion of Afghanistan and the return to power of Mrs. Gandhi. You have probably read the speech of General Zia's Foreign Affairs Adviser who stated that my offers of support were insufficient in scale and duration and too restrictive in their conditions. Evidently General Zia has concluded that the disadvantages of a close security relationship with the United States outweigh the advantages of the aid that I was prepared to offer. This is probably not the final word on the matter of United States aid.

Prime responsibility for financing military aid for Pakistan by other, primarily Moslem, nations is not an unsatisfactory prospect for us.

In his speech of March 5, Agha Shahi appeared to suggest an approach which would entail dropping any military assistance, which Pakistan would seek elsewhere, and emphasizing economic aid along with a Congressional reaffirmation of our 1959 Bilateral Agreement. We are currently exploring an approach along these lines with the Pakistan Government. In that context, it continues to remain of utmost importance that the Western and Islamic nations strengthen their relations with Pakistan, particularly with regard to economic aid and provision of defense equipment.

On a matter of more direct interest to the Alliance, Helmut Schmidt and his associates made a persuasive case during their visit here for accelerated and increased aid to Turkey. Demirel's economic reform program certainly deserves our admiration and support. I have agreed, therefore, to supplement our planned \$200 million cash loan to Turkey with substantial aid in the form of export credits and food. The Export-Import Bank also is expediting use of the credit line it extended to Turkey last year. I mention these details in the hope that you will find similar action to be feasible.

As to the question of high-technology transfers, I much appreciate your support for tightening COCOM rules on exports to the Soviet Union. A strong allied effort in this area will make it more difficult for the Soviets to acquire the technology and equipment they need to support their military establishment. I agree completely that the allies must act together for maximum impact. I recognize that some of our partners are reluctant to ban new official export credits or guarantees. From a strictly commercial point of view, this is understandable. Yet we must not lose sight of the overall objective of our economic sanctions: to force the Soviets to pay a concrete price for their aggression. The Soviets need export credits to purchase the

Western goods and technologies essential to their economic development. By borrowing abroad -- almost always on exceptionally favorable terms -- the Soviets have been able to modernize their industrial plant while still devoting enormous resources to the military sector. At the very least, we should strive to increase the USSR's costs by raising interest rates and shortening repayment terms. It is difficult to understand why Western governments should subsidize Soviet industry, especially under the present circumstances.

I look forward to discussing these and related issues with you in person when we meet later this year in Venice. In the meantime, of course, I continue to attach great importance to our personal correspondence; the breadth and candor of this exchange is very helpful to me.

Sincerely,

Jimmy Carter

The Right Honorable
Margaret R. Thatcher, M.P.
Prime Minister
London

p.s. Our efforts to convince the Soviets that they have made a serious mistake in Afghanistan and should withdraw will be continued as a firm and constant policy. We need all the help we can get, and allied unity is crucial. Your efforts to achieve the same goals are beneficial. Let us stay close & stand together. J.

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PM Tans Abroad.

10 DOWNING STREET

From the Principal Private Secretary

12 March 1980

Dear David

Venice Summit, June 1980

Thank you for your letter of 10 March, 1980 reporting Sir Robert Armstrong's conversation with Herr Schulmann about the arrangements for the Venice Summit in June.

The Prime Minister is content for Sir Robert Armstrong to send a message to Signor Ruggiero on the lines he proposes.

I am sending copies of this letter to George Walden, John Wiggins and Bill Burroughs.

Yours etc,

Alan White.

D. Wright, Esq.

CONFIDENTIAL

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H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000
Direct Dialling 01-233 - 4355

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PS/ Sir Kenneth Couzens KCB
Second Permanent Secretary
Overseas Finance

11 March 1980

Dear David,

VENICE SUMMIT

Mr Kikuchi told Sir Robert Armstrong that "Clappier had implied that the French might wish to hold up the dollar substitution account which the IMF had proposed". Sir Robert Armstrong asked whether, to our knowledge, there was anything in this. Your letter of 7 March refers.

At the last G5 Finance Ministers meeting in January M. Monory expressly reserved the position of President Giscard on the use of IMF gold to back the Substitution Account, saying this was for France an important political issue which might need to be considered at the Venice Summit. It was subsequently pointed out to us that "gold for the Americans" would be seen as politically contentious in France. This reservation did not stop the French agreeing to the reconnaissance on the Substitution Account undertaken by Signor Pandolfi as Chairman of the IMF Interim Committee. But the availability of IMF gold to support it is critical to the Substitution Account, and Clappier's remarks to Kikuchi are consistent with M. Monory's reservation.

There could also be a link between this reservation and the initiative on international monetary reform which President Giscard may have in mind. One possibility is that he may be thinking of an enhanced role for gold in the system. Perhaps he would rather see the use of IMF gold to back the Substitution Account set in that kind of context than regarded simply as a pragmatic expedient to get the Account into motion without imposing much obligation on the Americans.

I am copying this letter to Michael Alexander (No 10) and Andrew Burns in Sir Michael Palliser's office.

Yours sincerely

Joseph M. Halligan.

J M HALLIGAN

D J Wright Esq
PS/Sir Robert Armstrong
Cabinet Office
Whitehall, SW1

CONFIDENTIAL

12 MAR 1960



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CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

From: Minister
Agree to XI? when?

Yes
no
HHS
HHS

Ref. A01644

10th March, 1980

Dear Aive,

Venice Summit, June 1980

Herr Horst Schulmann, of the Federal Chancellor's Office in Bonn, rang Sir Robert Armstrong this morning to report the outcome of a conversation between the Federal Chancellor and President Carter about arrangements for the Venice Summit in June.

The President agreed with the proposition which the Federal Chancellor and the Prime Minister had agreed earlier, that the Heads of State or Government and Foreign Ministers should meet in restricted session on the first day of the Summit to discuss world political questions, and to revert to the normal economic Summit issues on the second day. The President and the Chancellor further agreed that on the first day, while Heads of State or Government were discussing political matters, Finance and/or Energy Ministers of the Summit countries should meet to prepare the ground for the second day's discussion on economic issues. They also agreed that the meeting of Heads of State or Government and Foreign Ministers on the first day should be a very restricted affair, with only one note-taker and no running in and out. It was hoped that it might be possible to avoid simultaneous interpretation, though Signor Cossiga and Mr. Ohira would no doubt need "whisperers".

No thought had been given to preparations for the political day, beyond the idea that the Foreign Ministers of the four - the United States, the United Kingdom, France and Germany - should meet in advance of the Summit. Sir Robert agreed with Herr Schulmann that they would have a chance to discuss these matters when the Federal Chancellor came to this country at the end of March and again in the margins of the European Council.

Herr Schulmann said that he would be informing the Personal Representatives of the Canadian, Italian and Japanese Prime Ministers of these intentions. Sir Robert Armstrong thinks that, if the Prime Minister is content, it would be at any rate a matter of courtesy for him to send a message to Signor Ruggiero, President Cossiga's Personal Representative, to the effect that he understands that Ruggiero will have heard from Schulmann of the proposals for restructuring the arrangements for the Venice Summit, and that these proposals have the Prime Minister's blessing.

I am sending copies of this letter to George Walden, John Wiggins and Bill Burroughs.

Yours ever, David

(D. J. Wright)
Private Secretary

C.A. Whitmore, Esq.



CABINET OFFICE

With the compliments of
The Private Secretary to the
Secretary of the Cabinet

M. O'D. B. Alexander, Esq.

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CABINET OFFICE

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From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

7th March, 1980

Ref. A01622

The Venice Summit

As you know, the Japanese Personal Representative, Mr. Kikuchi, called on Sir Robert Armstrong on Tuesday, 4th March at 5.15 pm. He was accompanied by Mr. Kadota, the Minister in the Japanese Embassy.

Mr. Kikuchi explained that he had been making a round of calls on Personal Representatives since taking over from Mr. Miyazaki. He was interested in having from Sir Robert an account of the British Government's views on what we hoped might emerge from the Venice Summit.

Sir Robert Armstrong went over similar points to those he had made to the Canadian Personal Representative Mr. Johnstone, and which were recorded in my letter to you of ~~29th~~ February. He emphasised the importance of work on inflation and the world recession in advance of the Summit; the relevance of the Brandt Report to discussion of North-South problems; the likelihood that it might not be appropriate on this occasion to spend much time on energy questions other than in their wider macro-economic context; and his view that it would not be surprising if Heads of Government decided to deal at this meeting with political as well as economic questions.

On these points, Mr. Kikuchi commented as follows. He agreed that inflation would inevitably take on a high priority in discussions: for this reason the paper being prepared by Schultze would be particularly important. In addition, the steady growth of the inflation rate in the United States would inevitably be a preoccupation for Heads of Government. He agreed that the Tokyo Summit had been obsessed with energy issues and with finding ways of reducing world demand. If energy was to be tackled at Venice, he wondered whether it might be possible to look at new energy sources, e.g. synthetic fuels. But Mr. Kikuchi added that this might be too technical an issue for Heads of Government. Mr. Kikuchi agreed that there would probably need to be a discussion of North-South relations. He recalled that Japan had always advocated this as an item for discussion at Summits and that Mr. Ohira had particularly pressed for it at Tokyo last year. He accepted that with the state of the world economy and the growing trade deficits of OECD members,

/it might

R.A. Burns, Esq.

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it might be difficult for them to take any positive action on increasing aid for the Third World. But this should not prevent their turning their minds to it. Mr. Kikuchi agreed that it could well be difficult for Heads of Government not to address themselves to political as well as economic issues; but he referred to the problems which would be faced with the French, and Sir Robert got the impression that he himself did not regard the prospect with any enthusiasm. He enquired whether Sir Robert envisaged such a discussion spilling over into military or security issues, implying that this would create problems for the Japanese. Sir Robert thought that such a discussion would be exclusively political.

Mr. Kikuchi made two new points which are not specifically related to the Summit but of which you may wish to be aware:

- (a) In mentioning President Carter's letters to Western allies after the Russian invasion of Afghanistan, Mr. Kikuchi emphasised the surprise which the Japanese had felt in receiving a suggestion in their letter that they should increase their defence expenditure. This was the first occasion on which the Americans had ever made such a proposal to the Japanese: he saw Henry Owen's hand behind this drafting.
- (b) When he had been in Paris, Mr. Kikuchi had discussed the Summit with M. Clappier. M. Clappier had said that he still had no guidance from President Giscard over the question of international monetary reform. Clappier had however implied that the French might wish to hold up the dollar substitution account which the IMF had proposed. (Sir Robert Armstrong commented that this was the first time he had heard this. Sir Kenneth Couzens will no doubt know whether there is anything in it.)

Finally, I should record that Sir Robert Armstrong made the same comments to Mr. Kikuchi as he made to Mr. Johnstone about the Prime Minister's views on the communique. Mr. Kikuchi indicated that he agreed with these.

I am copying this letter to Michael Alexander at No. 10 and Joseph Halligan in the Treasury.

D. J. WRIGHT

(D. J. Wright)

CONFIDENTIAL

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Dor
Econ. R. (min)
Pt. 3
Subject filed in
Afghanistan
Pt. 4. 00



PRIME MINISTER'S

10 DOWNING STREET PERSONAL MESSAGE

SERIAL No. T 46/80

THE PRIME MINISTER

3 March 1980

Dear Mr. President

Thank you for your letter of 10 February about the Western response to the Soviet invasion of Afghanistan. I have delayed this reply in order to take into account Peter Carrington's discussions with his European colleagues in Rome on 19 February and with Cy Vance in London on 21 February. He found Cy Vance's exposition of the next steps particularly constructive. The Alliance is drawing closer together both on the analysis and on the action which should flow from it. We shall do all we can to push this process still further.

I believe that, first of all we should make it clear that we do not accept the Soviet invasion of Afghanistan as an accomplished fact. The idea for Afghan neutrality which we put to our colleagues in Rome was designed both to maintain pressure on the Russians to withdraw and to allow them a way out. We are now studying the proposal in detail with our European partners and as you know, have made it clear to the Russians that we hope they will consider it seriously. Cy Vance thought this was an appropriate initiative. Our people will keep in close touch with yours about the next steps.

I too hope that the Afghan crisis will serve as a catalyst in meeting some of the most urgent challenges which face us. On the need to improve the Western defensive capability inside and outside Europe we are at one. I agree, too, that we should seek to reduce the industrialised world's dependence on Middle East oil,

/and that

and that measures to reduce consumption are the key to this. We shall continue to work closely with you and other major Western consumers. The oil crisis, and indeed the wider implications of the Afghanistan crisis, would, I suggest, be a suitable subject for discussion when the seven of us meet in Venice in the Spring.

I now turn to the particular points you raised.

Aid to Pakistan

We are, as you know, considering increased economic assistance to Pakistan in our next financial year (1980-81) when economic aid and debt relief will be worth about £30m. (For subsequent years forecasting is less easy, partly because the 1980-81 total includes special aid for ships). Any aid to Afghan refugees would be additional. Apart from our initial consignment of emergency aid, we are providing our share, amounting to £1.1m, of the European Community response to the appeal by the UN High Commissioner for Refugees.

The Pakistanis do not often look to us for major items of military equipment. If they should now turn our way (and they may be interested in some items, e.g. radar, artillery, communications equipment, and military engineering equipment) we would do our best to help. But since we, like you, do not have a military hardware grant aid programme, much will depend on funds being made available to Pakistan by her Moslem friends. Meanwhile, I am glad that your military survey team has been counselling the Pakistanis. It is important that the Pakistanis concentrate on the Soviet threat - military on the NW Frontier, and subversive - and equip themselves appropriately. To purchase arms beyond their limited needs would waste scarce resources and alarm the Indians, who would move closer to the Russians.

Of paramount importance, it seems to me, is the scope of the military guarantee you have given to Pakistan, and whether it is properly understood in Moscow. I was glad to hear that Cy Vance told Peter Carrington that the extent of your commitment has been made clear to the Russians. Political anxieties on the Sub-Continent should lessen in consequence and the practical problems of supporting the countries of the area, militarily and economically, should become more manageable.

/Aid to Turkey

Aid to Turkey

I shall naturally consider what kind of contribution to the exercise being led by the Germans we can make within our own financial constraints. I certainly agree with you about the importance for us all of Turkey's position in the region.

Defence Policy Outside NATO

We are as you know reviewing our defence role outside the NATO area in order to see how the UK can best contribute. I think it should be possible to use our resources more flexibly and thus to help out a little more in other areas without any major diversion from our efforts in NATO. Your suggestion that we could draw on US logistical assistance for deployments in the Indian Ocean and the Gulf area is an attractive one which we shall certainly want to explore fully. We, for our part, will be as helpful as we can over the use of our facilities by your forces. My people have already told yours of our agreement to the first stage improvements for Diego Garcia. They will be getting together again early in March to take matters further.

Export Credits and Transfer of Technology to the Soviet Union

A decision by the Alliance to restrict further the supply of equipment and technology to the Soviet Union and to toughen the terms on which it is exported would, I am sure, be the right kind of signal. But if the West's measures to this end are to have a substantial impact, they must be closely co-ordinated and rigorously applied by all the COCOM partners. The European countries have a proportionately larger commercial stake than the United States in trade with the Soviet Union, much of it in long term projects and tougher controls will cause added problems at a time when economic conditions are already difficult. Some COCOM partners may not be willing to go as far along the road as you would wish. In the export credit field for example not all our partners in the Community have agreed to move as far as we have and our discussions in the Foreign Affairs Council do not suggest that there would be sufficient support for a ban on new official export credits.

On high technology, several countries have expressed willingness

/to tighten

to tighten COCOM's rules for exports to the Soviet Union. Restrictions on the submission of general exceptions cases to COCOM - while allowing for cases such as hardship or security interest, as you propose - would seem the most profitable area in which to seek collective agreement. Cy Vance and Peter Carrington agreed that we should push ahead on this. As an interim measure, we are not submitting applications to COCOM under the General Exceptions Procedure, and in the particular case of computers which you mention we shall continue to operate on the basis of the 1976 lists.

I have noted with interest what you say about widening the scope of the COCOM embargo. We will consider this carefully. We have since received through your Embassy further proposals which we are now studying. My officials will be in touch with yours to seek some clarifications.

Similarly we shall need to look at the implications of your decision that ALCOA and ARMCO should withdraw from major projects in the Soviet Union. I think it unlikely that in these cases British companies would be taking part in competing bids.

Yours sincerely
Raymond Thatcher

RB

The President of the United States of America



CABINET OFFICE

With the compliments of
The Private Secretary to the
Secretary of the Cabinet

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Evans PD.

CABINET OFFICE

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From the Secretary of the Cabinet: Sir Robert Armstrong KCB CVO

Ref: A01560

29th February 1980

*R. Whittington 3/11
H.A. Paul 3/13*

The Venice Summit

Mr. Bob Johnstone, the Canadian Personal Representative for the Economic Summit, called on Sir Robert Armstrong yesterday afternoon. He was accompanied by Mr. Richardson of the Canadian High Commission.

Sir Robert Armstrong and Mr. Johnstone discussed the agenda for the Venice Summit. They agreed that one major item to which Heads of Government would certainly want to address themselves would be a macro-economic discussion on inflation and the world recession. Energy would of course be a major element in this discussion. It was not yet clear what other energy issues might call for discussion. Mr. Johnstone thought that there might be grounds for examining the value of oil import quotas, but he agreed with Sir Robert Armstrong's view that it was as important to examine countries' consumption rates as their imports, and recalled that some of the international agencies were now turning their attention to questions of consumption rather than imports. In response to a suggestion from Sir Robert that there might be something to be said about the North-South dialogue in the light of the Brandt Report, Mr. Johnstone said that there was a possibility that Saudi Arabia might be prepared to make a major step towards helping non-oil producing LDCs.

Mr. Johnstone agreed with Sir Robert Armstrong's view that it might well be difficult for the Venice Summit not to deal with political issues and indeed that this was probably desirable. There would, however, be problems with some participants, such as the French, who traditionally disliked political issues being injected into an economic forum. On the other hand it would provide an opportunity for bringing the Japanese into the discussion of current world political problems: they had so far been left on the sidelines. Mr. Johnstone thought that Mr. Trudeau would welcome discussion of political subjects but he emphasised the need both for adequate preparation on the political side and for giving the meeting an appropriate structure in which political questions could be discussed.

/On the

R. A. Burns, Esq

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On the organisation of the Summit, Mr. Johnstone thought it essential that Heads of Government should reach Venice in time for a relaxed and restricted discussion session before the formal meeting started. The dinner on the first evening had not taken place either at Bonn or at Tokyo: Mr. Johnstone thought that this had been regrettable. He feared that it might happen again: with the Presidential election approaching, there was a risk that President Carter would want to combine his attendance with a visit in Italy, and the dinner on the first evening could be one of the casualties.

Finally, Sir Robert Armstrong said that the Prime Minister would want the communique to be short and confined to subjects discussed at the meeting. This need not prevent preparation in advance, but it was important to avoid a discursive communique which had little relevance to the subjects which participants had been discussing. Mr. Johnstone said that this view was shared by the Canadians.

Sir Robert and Mr. Johnstone thought that the cancellation of the IEA meeting at the end of March, and with it the planned dinner of Personal Representatives, need not create too many difficulties. It should be possible to wait until the meeting planned for 16th-18th April. They agreed to leave it to Signor Ruggiero to propose a replacement for the dinner after the IEA meeting if he thought an early meeting necessary.

I am sending a copy of this letter to Michael Alexander in No. 10 and Joseph Halligan in Sir Kenneth Couzens's Office.

D. J. WRIGHT

(D. J. Wright)

Message filed on _____
Afghanistan Pt 3 *W*
Situation. Soviet Military
Intervention.

cc Econ P07 Pt 2
Venice Economic Summit

12 February 1980

MESSAGE FROM PRESIDENT CARTER

You are preparing a draft reply from the Prime Minister to President Carter's message to her of 10 February. You will wish to take into account in your text the following minute by the Prime Minister on her copy of President Carter's message: "Can we put forward the idea of an 'in the wake of Afghanistan' debate at the Venice Summit?"

M. O'D. B. ALEXANDER

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

TCR

SECRET

cc Mawc
Dy

3

SUBJECT

Subject filed in Afghanistan
Lt. P-3

February 10, 1980

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T 24/80.

Dear Margaret:

I want to express to you my deep personal appreciation for your words in the Commons on January 28, condemning the Soviet invasion of Afghanistan and pledging your support for a firm Allied response to that outrage. I agree with you that our actions should make it clear to Soviet leaders that they must pay a price for invading Afghanistan. We can do much to help deter them from further aggression, to contribute to the security and stability of Southwest Asia and the Persian Gulf, and to improve Western relations with the crucial states in that area. It is also very important to remove from Soviet expectations any hope that they can drive a wedge between the Western Allies with a so-called "Peace Offensive" aimed at any of us.

Our response to the Afghan crisis can also serve as a catalyst for making progress on some of the West's most pressing problems. One such problem is our defensive capability, which should be enhanced both inside and outside Europe. Another lesson of the current crisis is the need to reduce the industrial world's dependence on Mideast oil. I know that our two countries will work closely with others at the planned meeting next month to reduce oil consumption and, through the International Energy Technology Group, to devise means for increasing alternative energy sources.

Each of us in the West has different assets -- economic, military, and political -- as well as different constraints on our ability to act. We need a thorough exploration of how we can assure that our policies are complementary and of how we can share the necessary tasks. In this message, I want to give you my thoughts on what steps should be taken next. I am also writing to the leaders of the other countries that participate in the Economic Summit.

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
London SW1.

SECRET

I have been pleased to learn that your Government is giving serious thought to increased economic assistance to Pakistan. In reviewing possible responses to the present crisis, we consider this effort a matter of the highest priority. General Zia has told us that he wants to know what others will contribute in the way of increased aid through the present consortium before making important decisions. Dr. Brzezinski and Warren Christopher have returned from extensive discussions with the Pakistanis. Our military survey team will be returning shortly with its recommendations. We hope you will make specific contributions in financing and equipment in accordance with our joint determination of Pakistan's security needs.

I also assume that the U.K. will again be contributing generously to the Turkey consortium that the Federal Republic is organizing, and I hope you will work to disburse last year's pledge as soon as possible. I believe, as you do, that Turkey remains a keystone of European defense and Mideast stability. In the case of both Turkey and Pakistan, it is important that the aid be untied, in order to increase its usefulness.

With regard to the situation in the Persian Gulf, we have already briefed members of your government about our desire to expand facilities on Diego Garcia. I understand that your people are studying our plans, which include increased facilities for aircraft, fuel storage, ship-docking and an improved water supply, as well as arrangements to ensure maximum flexibility of use. We will be in close touch on the details of these proposals in the coming weeks and I hope we can count on your support.

Also, I very much hope that your Government will increase its presence in the Indian Ocean and the Persian Gulf and provide staging areas to facilitate transit of U.S. forces from the continental United States to that region. I assume you will not want to draw down your ground forces committed to NATO, and, therefore, that your emphasis will be on Naval and Air commitments. In this regard, we would be pleased to coordinate the use of facilities in the area with you and to assist your deployments there with logistic support. This, too, is an area that needs to be discussed in detail by our experts over the coming weeks.

The decisions you have taken thus far not to renew your official credit line with the Soviets is a positive step, and one we appreciate. We continue to believe that a severe restriction of such credits by the United Kingdom and other major lenders would send a powerful signal of Allied solidarity to the Soviets. As you know, Japan has recently taken action to restrict credits. We continue to urge that you not provide any new official export credits or guarantees to the USSR.

With respect to exports of high-technology items to the Soviet Union, I ask that your authorities not request exceptions in the Coordinating Committee (COCOM) to the embargo on strategic goods and technology destined for the USSR, except in hardship cases or where Western security interests dictate. This "no exceptions" policy to the COCOM list as negotiated in 1979 will mark an important and prudent shift in the Allied approach. As to computers -- where I understand that 1976 standards are still in effect -- I urge that no exceptions be made to those standards until new standards are negotiated.

In addition, I believe the list of items covered by the COCOM embargo should be expanded to include technology critical to the modernization and expansion of the Soviet industrial base. Submissions to COCOM for approval of these items would be reviewed case by case, with a presumption against approval. What I have in mind here is limited in scope, but in my judgment important. We believe that the introduction of Western technology to the Soviet industrial modernization program will lead to a significant improvement in the productivity of those industries, which would directly affect both the quantity and quality of military equipment produced in the Soviet Union.

In the industrial area, neither ALCOA nor ARMOCO will go forward with proposed major projects in the Soviet Union. To preserve the impact of this withdrawal, it is essential that the place of the American companies not be taken by industrial firms elsewhere. I hope we can count on British cooperation in this area. We are looking into the possible existence of similar situations where we should discourage Western and Japanese companies from bidding on large-scale projects in the Soviet Union for the time being. We will keep you informed. We hope that restraint will be evidenced until we mutually agree that circumstances have changed.

SECRET

-4-

Let me reaffirm the deep appreciation we feel for the numerous actions your Government has already taken to demonstrate your condemnation of recent Soviet actions. In particular, we applaud your leadership in launching the Olympic boycott, which seems now to be gaining strength. Americans admire the leadership that the United Kingdom and you personally are displaying.

Finally, I believe it is important that we move quickly to adopt firm agreement on a coordinated plan of action. You know that, as always, I would welcome any thoughts of yours on these subjects.

Sincerely,

/s/

Jimmy Carter

SECRET



CABINET OFFICE

With the compliments of
Sir Robert Armstrong KCB, CVO
Secretary of the Cabinet

M. O. B. Alexander, Esq

70 Whitehall, London SW1A 2AS
Telephone: 01-233 8319



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref: A01320

4th February 1980

I ought to amplify something to which I referred in a minute of 28th January to Michael Alexander (a copy of which I sent you), in case Signor Cossiga raised with the Prime Minister the question of the Venice Economic Summit.

On 25th January I was invited to lunch with the United States Ambassador at Grosvenor Square. He had with him Ed Streeter and Bob Morris.

They asked about the present state of preparations for the Venice Economic Summit. I said that we had had a first meeting of officials in Washington before Christmas. That meeting had commissioned work on the five standard topics for Summit meetings - the macro-economic conjuncture, international monetary affairs, energy, trade, and the North-South Dialogue. We were due to review the results of this work and documents for the Summit itself at a further meeting in April; the documents would be cleared at a final meeting early in June. For at least three of the participants the Summit would be overshadowed by the prospect of imminent elections, and this seemed likely to lead to concentration above all on the problems of inflation and recession and the problem of energy which, of course, dovetailed into one another.

The United States Ambassador and his colleagues clearly took the view that it would be neither possible nor desirable to exclude from the Summit discussion of the geo-political implications of the Soviet invasion of Afghanistan. They went on from that to say they doubted whether consultation among the seven participants in the Summit could, in present circumstances, be as infrequent as once a year. There were difficulties in arranging meetings of Foreign Ministers, which were bound to attract publicity. On the other hand it should be possible for Personal Representatives to meet a good deal more frequently without publicity and without giving rise to expectations or speculation. They appeared to envisage meetings as often as once a month. They emphasised that they were not flying this kite on instructions from Washington; it was just an idea they had dreamed up among themselves.

/Commenting

Sir Michael Palliser, GCMG

From Paul.
Paul
R. Whitehall
4/2

Commenting on their idea, I endorsed the need for close consultation among the Western Allies (including Japan) in present circumstances. I said that I thought their ideas were one of a number of proposals that could be considered: I could see the advantages in terms of avoiding publicity and speculation, but there were other possibilities also which ought equally to be considered.

The discussion did not go any further than that. I was left wondering whether it was indeed a private venture by the United States Embassy in London, or whether the State Department was (either with or without the knowledge of the White House) on some sort of fishing expedition.

I am sending a copy of this letter to Michael Alexander.

ROBERT ARMSTRONG

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-4 FEB 1960

MR. ALEXANDER

Top copy filed on Italy (Jan 80)
'Visit of Cossiga'

Signor Cossiga's Visit
Venice Economic Summit

The Prime Minister will no doubt want to tell Signor Cossiga that she is looking forward to visiting Venice for the European Council and the Economic Summit in June.

2. As to the state of play for the Economic Summit, I believe that the Prime Minister saw my letter of 4th January (copied to Mr. Whitmore) recording the outcome of the Sherpas' meeting in Washington before Christmas. The five standard topics for Summit meetings - the macro-economic conjuncture, international monetary affairs, energy, trade, and the North-South Dialogue - provided a framework on the basis of which further work was put in hand. The Sherpas meet to review that work, and to prepare material for the Summit itself, in April and again in early June.

3. The Summit will no doubt be overshadowed by the fact that three of the participants - President Carter, Chancellor Schmidt and President Giscard d'Estaing - will be facing elections within a few months (whether Signor Cossiga will still be in charge of the Italian Government in June no one would care to predict). This seems likely to lead to concentration on immediate issues: particularly, I think, the problems of inflation and recession bedevilling all the industrialised countries, and the problems of energy. The Prime Minister might like to ask Signor Cossiga if he shares that view of the emphasis which the Summit is likely to have.

4. There are signs - from a talk I had with Dr. Brzezinski in Washington before Christmas, and more recently from the United States Ambassador in London - that the Americans are wondering whether the range of affairs to be discussed at the Summit should be widened to include the geo-political implications of the Soviet invasion of Afghanistan. These issues are being discussed quadripartitely (United States, United Kingdom, France and Germany), as well as in NATO and the EEC. The Summit would bring

in Italy, which has an interest in Middle East oil, and Canada; and above all Japan, which should be brought into Western discussion of these issues. One suggestion made to me recently is that in these difficult times, since Heads of Government can hardly meet more frequently than they do, personal representatives should do so. One of the advantages adduced for this is that meetings of personal representatives can be held without publicity and without giving rise to expectations or speculation. This is no doubt true, so long as they do not happen very often and are confined to preparations for Summits; I doubt whether it would continue to be true if they became more regular and frequent and were covering a much wider range of affairs. Nor do I think that we should be in any hurry to encourage excessive development of para-diplomatic channels of international relations. But the Prime Minister may like to sound Signor Cossiga for Italian reactions to this extension of the Summit's range of business.

5. Clearly there needs to be some preparations for these Summit meetings. However much they are billed as occasions for full and frank exchange of views rather than for decisions, the world Press looks for differences of view and expects outcomes, and unnecessary differences can be avoided and possible outcomes foreshadowed by the right kind of preparation. But my impression is that the preparation is becoming more formalised and elaborate than it was for earlier meetings in the series, and is perhaps in danger of diverting the Summit itself too much to the consideration and ratification of pre-prepared material and away from the sort of unfettered and wide-ranging discussions that the occasions might otherwise provide. Signor Ruggiero - Signor Cossiga's personal representative - is a very nice and very able man; but he is taking his duties as the convener of the personal representatives very seriously, and it would do no harm if the Prime Minister were to stress to Signor Cossiga her desire not to lose sight of the opportunity that the Summit provides for informed, spontaneous and direct exchange of views among Heads of Government, her preference for short and businesslike communiquees, and her fear that these aims may get lost if the preparation is too thorough and systematic.

ROBERT ARMSTRONG

(Robert Armstrong)

28th January, 1980



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Foreign and Commonwealth Office

London SW1A 2AH

11 January 1980

Sir Robert Armstrong KCB CVO
CABINET OFFICE

Dear Robert,

*In Whitehall NW, 11/1
H's [unclear] 13/1*

SOUTH WEST ASIA

1. We spoke on the evening of 9 January about your letter (A 01037) of 3 January to George Walden, which dealt with your meeting with Dr Brzezinski in Washington and the subsequent arrangements for a 4-power meeting in Paris on Tuesday.

2. I think you will find that, whereas Brzezinski spoke to you in Washington in general terms, and against a timetable which included the Venice Summit in June, the pace of events (in Afghanistan particularly, but also in Iran) has been such that it may be difficult to divorce the immediate questions from the issues that have longer lasting importance. Venice is some way off and I think you can fairly leave open at this stage the question of whether discussion of this subject should be added to the Venice agenda. What you will need to bear in mind however is a parallel initiative from the State Department for an early meeting on Pakistan of representatives of the four Foreign Ministries. The enclosed telegrams spell out the details and reactions.

3. You may find that events in Afghanistan are best treated under two heads. First, measures which the West can take to demonstrate to the Russians that such actions inevitably bring countermeasures. Your own meeting in Paris will coincide with the three scheduled in Brussels where much the same subjects will come up; that of the Foreign Affairs Council of the Nine (which the Lord Privy Seal will attend), the parallel or concurrent meeting of the 9 Foreign Ministers in political cooperation (which again the Lord Privy Seal will attend), and that of the NATO Council (which Mr Hurd will attend). By the time you meet, Mr Hurd should have made one Parliamentary statement (Monday, 14 January) and promised another. Robert Wade-Gery is chairing the Whitehall Committee on Counter Measures and will be able to brief you on the details. Perhaps more important in the context of your meeting are the difficulties we are having in securing a reasonably coordinated Western response. The "Statecraft" that Brzezinski generously attributes to us as a result of our experience in South West Asia may have to be exercised nearer home.

4. The second aspect is regional. We are pressing for action with our NATO allies and Community partners, but it really is important, if the political costs of the invasion are to be brought home to Moscow, that the Third World countries should themselves react to the Soviet threat. Nothing is better calculated to frighten them back into passivity than the fear

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/that



that they may be accused of following the West in a Cold War exercise. This is why Lord Carrington decided to tour the area to seek the views of the leaders, and why in New York, although Tony Parsons was a prime mover behind the scenes, whenever possible the Non-Aligned were left to take the lime-light.

5. By the time of your meeting, Lord Carrington will have completed the first, Middle Eastern, leg of his journey and will be due in Islamabad. George Walden hopes to send you a telegram summarising the Middle East visits, on which you may draw. You may also wish to draw as appropriate on the briefs prepared for Lord Carrington; a set is enclosed. I should perhaps mention in particular the General Brief No 4 - US Military Planning in the Indian Ocean. Brzezinski is associated with the phrase "the arc of crisis", by which is generally meant the effect of Russian ambitions upon the Middle East, Afghanistan and Pakistan. For some time the Americans have been thinking seriously about an increased military presence in the Indian Ocean, and events in Afghanistan will concentrate their minds even more. Brzezinski may well develop this theme. A telegram amplifying the brief will shortly go to Lord Carrington, and a copy is being sent across to you.

6. Brzezinski referred to our experience "particularly perhaps in Pakistan". India over the past few years is probably a better example than Pakistan, and, though we will I suspect find Mrs Gandhi much less easy to deal with than Morarji Desai, I think it likely that we will continue to be more welcome there than the Americans. On the other hand we have often thought the Americans better placed than we were in Pakistan. For the future, much depends on whether the Americans and Pakistanis can agree on an aid package given and received ungrudgingly; but it will be essential that this should be presented in a way which the Indians will not find provocative. For instance talk of an American/Chinese/Pakistani tie up will arouse all the Indian anti-American, anti-Chinese suspicions and emotions. The Russians may discount the Pakistanis, but they would worry if their Afghan adventure left the Indians ranged against them.

7. Finally, by "South West Asia" we assume that Brzezinski is thinking primarily of Afghanistan, Pakistan, and Iran. He may however be ranging further afield, to include perhaps the Gulf and other countries of the Middle East, and even East Africa, where our connections are historically strong. The briefs provided for Lord Carrington should I think adequately deal with those countries for the purposes of your meeting. There is however a real sense in which the ramifications of events in South West Asia may be felt nearer home in Europe. I am writing separately about this.

SECRET



8. I am sending copies of this letter to Clive Whitmore and Brian Norbury.

Tom. W.,

Michael

~~Michael Palliser~~

SECRET

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CABINET OFFICE

A handwritten signature in blue ink, appearing to be 'C.A. Whitmore', is written to the right of the central text.

With the compliments of
Sir Robert Armstrong KCB, CVO
Secretary of the Cabinet

C. A. Whitmore, Esq

70 Whitehall, London SW1A 2AS
Telephone: 01-233 8319

Prime Minister.



To glance at so that you can see how the Economic Summit is beginning to shape up.

CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01 233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB CVO

Ref: A01050

NOTE

4th January 1980

The Prime Minister gave me his comment to Sir Robert Armstrong in discussion with him. (A. J.A.G.)

Paragraph 13 was cause for delegation by former team most. Own figure for Ministers, Senior Ministers and Tokyo was 11.

There's a bit of meeting of P.R.'s in intention. 2 should be the norm.

Summit Preparatory Meeting, Washington

The first of the preparatory meetings for the Venice Economic Summit in June was held in Washington on 20th and 21st December 1979. Our representatives were you, Ken Couzens and I. The conclusions provisionally reached at the opening session of personal representatives only, as described in the note attached to this letter, were considered and revised in the subsequent plenary session. This letter records the final conclusions of the meeting, as confirmed by a concluding session of personal representatives only, on the work to be put in hand and the arrangements for further preparatory meetings.

2. There was general agreement that the main issues at Venice would be the world economy and energy.

3. On the world economy, it was agreed to commission Charles Schultze to prepare a paper which would deal with short-term macro-economic issues - in particular, the problems of inflation and recession but with reference to other problems, especially energy - and would also follow up paragraph 5 of the Tokyo Communique on medium-term issues of productivity and investment, endeavouring to identify specific measures which might be adopted in pursuance of the objectives identified at Tokyo. For the purposes of the second part of the paper, Mr. Schultze was to be invited to send a questionnaire to the personal representatives, so that he had the necessary base of information about existing national situations and measures. We may need to nominate someone here whom Mr. Schultze can contact directly at a later stage of this work.

4. On energy, it was noted that questions of consumption and imports were to be discussed at a meeting of the IEA in March; that a report on alternative sources would be considered by IETG towards the end of March; that a report was expected shortly on INFCE; and that work was in hand in the IAEA. The meeting thought that the Summit might need to address itself to the possibilities for stimulating the production and use of coal (including the development of liquefaction and gasification of coal). It was agreed that it

/was premature

Sir Michael Palliser, GCMG

premature to commission any preparatory work for the Summit on this nexus of issues at present, but that Dr. Engelmann (FRG) should be invited to chair a working group which could meet in the second half of March to prepare a report which could be before the April Summit preparatory meeting. We shall need to nominate a representative to serve on this working group.

5. Crispin Tickell (European Commission) undertook to prepare a paper on the environmental problems of energy.

6. The meeting agreed that the Summit might want to consider the possibility of an initiative directed towards the possibility of instituting an oil producer-consumer dialogue. This issue was to be covered in a paper to be prepared by Dr. Horst Schulmann (FRG) (consulting others, and in particular the French, as appropriate) on the North-South Dialogue, which would suggest a line which might be proposed to the Summit Heads of Government, taking into account the Brandt Commission's Report, the special session of the United Nations in September on the new International Development Strategy for the 1980s, and the initiative of the G77 for a "global negotiation".

7. There was some discussion of the issues comprised under the heading "Global 2000". Signor Ruggiero (Italy) said that he would make further proposals on the preparatory work to be put in hand, in case the Summit needed to address itself to these issues.

8. The meeting thought it unlikely that trade would be a major topic for Venice 1980, though world developments now and then could change this outlook, if they generated a further lurch towards protectionism. Crispin Tickell agreed to prepare a short paper on the state of play on international trade negotiations.

9. On the international monetary system, the meeting invited Monsieur Clappier (France) to enlarge upon President Giscard d'Estaing's initiative for reform. It became clear that neither President Giscard nor Monsieur Clappier had any definite proposals or ideas to offer on this subject, at any rate at this stage; but Monsieur Clappier accepted an obligation to produce a paper at an appropriate time. On the problem of recycling oil funds, the meeting agreed to commission a report from a group of experts from each country represented, under the chairmanship of Signor Dini (Italy). We shall need to nominate a representative on this group.

10. All the papers and reports commissioned by this meeting are to be completed and circulated by 15th March 1980, except that of the Engelmann group on energy (paragraph 4 above), which is to be completed in time for the April preparatory meeting.

11. The following programme of future meetings was agreed:-

- (i) A meeting of personal representatives only for dinner at the Banque de France in Paris on the evening of the date of the March IEA meeting, generally to take stock and report progress.

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(ii) A meeting of personal representatives and two senior officials from each country in Sardinia, beginning in the afternoon (personal representatives only) of 16th April, and extending through 17th April into 18th April as necessary, to receive and consider the papers and reports commissioned and to institute preparations for a draft communique for the Summit meeting.

(iii) A meeting of personal representatives and two senior officials from each country in Paris, beginning on the evening of the second day of the OECD Ministerial Meeting at the beginning of June (possibly 4th June) with a working dinner for personal representatives only, and extending through the next into the following day as necessary. This meeting would seek to agree the draft of a communique for submission to Heads of Government.

Make it short

12. We also agreed to keep open the possibility of an additional meeting on 5th and 6th May, probably in Ottawa, in case it proved impossible to make sufficient progress at the April meeting. I hope that we shall be able to do without this additional meeting.

13. There was a strong feeling that, in order to emphasise the personal character of Summit meetings, it was essential to avoid over-large delegations. It was agreed to recommend that the total number of delegates to the Venice meeting should be limited to 15, including accompanying Ministers, senior officials and private secretaries; this number would not include Press officers and security personnel, numbers of which were to be left at the discretion of Heads of Government.

14. I am sending copies of this letter and of the annex to Jack Rampton, Ken Clucas, Ken Couzens and Clive Whitmore.

ROBERT ARMSTRONG

PREPARATION OF THE VENICE SUMMIT

Conclusions agreed upon at the first Preparatory Meeting of the Personal Representatives

-- There will be two Preparatory Meetings. The first one will be held, if possible, in Taormina on the 10, 11, and 12 April, 1980. The second one will take place in Ottawa on the 4, 5, 6, and 7 of June.

Mr. Ruggiero will ascertain if logistic arrangements are possible in Taormina for April. If it is not possible, the first meeting will take place in Ottawa and the second one in Taormina.

If necessary the possibility has been planned of a third meeting which will take place on the 5 and 6 of May. The place of this third meeting will be decided at an appropriate moment.

-- All the meetings will begin and end with the meeting of the Personal Representatives alone. In the enlarged meetings the Personal Representatives will be accompanied by two high officials. It is possible that for some specific subjects one of the high officials will be replaced by another high-ranking official.

-- The total number of official delegates which will be allowed to stay in the main building of the conference in Venice will be limited to a number of 15, including private secretaries of the heads of state or government and ministers. This number does not include press officials and security personnel.

-- While it is difficult now to foresee the scenario of the most important and urgent decisions which could be taken in Venice by the heads of state and government, it has been agreed that some preparatory work should be initiated immediately on the following subjects. Papers concerning the following subjects should be available by March 15, 1980. Each paper should be sent by the Personal Representative concerned to every other Personal Representative.

a. Macro-Economics. We will request Mr. Schultze to prepare a paper on short-term issues, on a concerted supply strategy identifying specific steps that might be taken by each individual country within a common policy framework. This paper should take into account inter-relations between macro-economic policies and other policies, notably with energy problems. Mr. Schultze could avail himself of contributions of national officials. It has been suggested that it might be useful if Mr. Schultze would send a questionnaire to every Personal Representative in order that he will receive, in due time, the necessary information from the national experts and, in the case of the concerted supply strategy, to identify the national experts who will be in charge of the suggested contribution.

b. North-South. The Personal Representatives have agreed to ask Mr. Schulmann to prepare a paper on the main aspects of the North-South dialogue, taking also into account the special session of the United Nations which will take place at the end of August for the new International Development Strategy of the 1980s and the initiative of the Group of the 77 for a Global Negotiation. This paper should contain also considerations for some specific important issues as food, energy and water.

c. Energy. Many aspects of the problem have been raised notably demand restraint, alternative sources, difficulties in supplies, acceleration of coal production, consumption and trade, INFCE conclusions, disposal of nuclear waste, problems related to the dialogue with the oil-producing countries, and environmental problems related to the use of some energy sources.

It has been agreed that preparatory work for many of these aspects should be postponed to the first preparatory meeting while waiting for the results of the IEA Ministerial Meeting in March, the report of the IETG at the end of March. On the conclusions of these two meetings a brief report outlining the main issues and questions will be prepared by Mr. Schulmann ^{and} and Mr. Johnstone, + Mr. Egelman.

As regards the dialogue with the oil-producing countries, it has been agreed that this issue will be included in the North-South strategy paper and that the French Government will provide to Mr. Schulmann its cooperation on this specific issue. As regards the environment problem arising from the use of energy sources, Mr. Tickell will prepare a short paper.

d. International Monetary System. As regards the International Monetary System, three main points have been identified:

1. The announced initiative of President Giscard d'Estaing. Mr. Clappier will produce a paper at the appropriate time.

2. The creation of a substitution account. It is necessary to wait for the results of the next meeting of the Interim Committee of the IMF which will take place on the 24th and 25th of April in Hamburg.

3. Questions related to the recycling process. It has been envisaged the possibility of creating a group composed of highly qualified experts of each participant to the Summit.

e. Trade. Mr. Tickell has been asked to produce a progress report on trade problems.



CABINET OFFICE

With the compliments of
Sir Robert Armstrong KCB, CVO
Secretary of the Cabinet

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2.
Prime Minister
To see.
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CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet Sir Robert Armstrong KCB CVO

Ref: A01037

3rd January 1980

South West Asia

When I went to see Dr. Brzezinski at the White House on 20th December, he reverted to the problems that we all face in South West Asia, in the light of recent developments in Iran and Afghanistan, and said that it was clear that the Western Alliance were going to have to take a closer interest in that region and to improve their capacity to exercise influence in it. He said that this was something that the United States could not tackle alone: they had neither the resources nor (as he put it) the intelligence - and by that he meant not just intelligence in the technical sense but also something broader: something like Statecraft. He thought that this was a subject which the President would be likely to want to raise with other Heads of Government in the course of the Summit meeting in Venice next June.

He made it clear that he thought Britain should be able to make a significant contribution, by virtue of its historic connections in that part of the world, and particularly perhaps in Pakistan.

I was of course in Washington for the first of the preparatory meetings for the Venice Summit; and I expressed to Dr. Brzezinski some doubt whether the Seven of the Venice Summit was the right group of Heads of Government for the purpose of a discussion on South West Asia. He acknowledged that the Prime Ministers of Canada and Italy might have a smaller part to play than the other countries represented, but he said that the restoration of stability in that region was of interest to those two countries as well as to the other five represented; and he saw Venice as a suitable opportunity for discussing the subject at Heads of Government level without having a special meeting for the purpose. He agreed with me that the Seven personal representatives and their colleagues then gathered together in Washington were not the right group in which to undertake preparations for the discussion of this subject at the Summit. He said that he was planning to come to London in the third week of January, to deliver a lecture (Chatham House ?); and he suggested that we

/might

G. G. H. Walden, Esq

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might take advantage of his being in Europe to get to London for a preliminary discussion of this subject, Wahl from the Elysee and the appropriate equivalent from the Bundeskanzleramt. If I hear nothing from him by the end of this week, I think that I should be in touch with him early next week, to see whether he still has something like this in mind and to concert arrangements with him.

I should welcome your comments and your advice on the handling of these developments.

I am sending copies of this letter to Clive Whitmore and Brian Norbury.

ROBERT ARMSTRONG



- 4 JAN 1980

PART 2 ends:-

PM to President Carter 18.10.79

PART 3 begins:-

~~RTA~~ to FCO 3.1.80.

