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PREM 19/725

PART 9

239.

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CONFIDENTIAL FILING

VERSAILLES ECONOMIC SUMMIT

H-6 June Policy

ECONOMIC POLICY

PT 1: MAY 1982

PT 9: JUNE 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
6.6.82							
9.6.82							
11.6.82							
16.6.82							
18.6.82							
25.6.82							
30.6.82							
7.7.82							
12.7.82							

PREM 19/725



10 DOWNING STREET

THE PRIME MINISTER

12 July, 1982

Dear Sir Campbell,

Thank you for your letter of 28 May about the negotiations for the renewal of the OECD Export Credit Consensus. The negotiations took much longer than we had hoped, and I have delayed replying until the outcome was clear.

Your letter, on the eve of the Versailles Summit, underlined the importance of the Consensus agreement to British industry. British exporters should be able to compete fairly and effectively with their overseas competitors. Without an international arrangement of this sort there would have been a real risk of a costly credit war which would damage our trade. The avoidance of this was, therefore, the main objective throughout the negotiations.

I know that your officials are already aware of the precise details of the new arrangement. You made particular reference to interest rates. It is, of course, our hope and expectation that domestic market rates will fall. Nevertheless, there is still a gap between commercial market rates and minimum interest rates applied under the Consensus. Many overseas governments - not only the United States government - would like to see this gap narrowed. Thus in the negotiations leading to the recent renewal we sought to moderate the demands of those seeking significant increases in Consensus interest rates. Some progress was made at

/Versailles

FILE

Econ Fed

SW

Copies to: D Trade
FCO
HMT

D. Wright

SW

Versailles, and the talks there led ultimately to a revised compromise proposal being put forward by the Swedish Chairman of the OECD Negotiating Group. The compromise proposals did incorporate a modest shaving of the interest rate increases previously proposed, and embodied a degree of staging for markets now moving up to the intermediate, higher interest rate, category. I am sure you will welcome this, even if it is unfortunate that no further progress was made on the question of low interest rate countries, such as Japan.

The most important fact is that the Consensus has been maintained: at times during the very difficult negotiations its future seemed to be in real doubt. The revised arrangements which have now come into force are expected to apply until 1 May 1983. I know that ECGD are extremely grateful for all the help which they have received from the CBI during these negotiations, and hope that this co-operation can continue in both the operation and assessment of the new arrangement.

Yours sincerely
Margaret Thatcher

Sir Campbell Fraser

P.S. The "Peg" speech
was superb - Congratulations.

CF



10 DOWNING STREET

Prime Minister

This reply has been long delayed.
The explanation is that negotiations
have continued since Sir
Campbell Frazar wrote on 28 May
and it was felt better to wait
until they had ended before replying.

The C. S. I. have been
kept closely informed about
progress and I am assured that
no offence will be created by the
lateness of your reply.

A. J. C. ^{9.}/₇



Can Pd

From the Secretary of State

John Coles Esq
Private Secretary to the Prime Minister
10 Downing Street
London
SW1

9 July 1982

Re. type letter to

P.R.'s signature.

MRG

Dear John,

You wrote to me on 2 June enclosing a letter from Sir Campbell Fraser to the Prime Minister of 28 May about the Export Credit Consensus negotiations.

We provided a supplementary brief for the Prime Minister at the Versailles Summit following Sir Campbell's letter. We have, however, had to delay sending a reply for the Prime Minister. I apologise for this, but the negotiations have suffered innumerable twists and turns over the last month, and each draft has been overtaken by events. The negotiations were, however, completed this week, and a draft is now attached.

The draft does not attempt to go into the detail of what was agreed, and how it differs from the previous Consensus arrangement. This does not seem necessary, since ECGD has been in frequent contact with the CBI throughout the negotiations and they are now fully aware of what has been agreed. Although they, like us, do not consider the new arrangements to be perfect, they clearly recognise that the negotiations were very difficult and are relieved that they were ultimately successful in extending the arrangement. For your own information, I attach a sheet which compares the details of the previous and present arrangements.

Yours sincerely,

JOHN RHODES
Private Secretary

DRAFT

Addressed to:

Sir Campbell Fraser
President
Confederation of British Industry
Centre Point
103 New Oxford Street
London
WC1A 1DU

File No.

Copies to:

Originated by:
(Initials and date)

Seen by:
(Initials and date)

Enclosures:

Type for signature of

PRIME MINISTER
.....
(Initials and date)

DEPARTMENT OF TRADE

Thank you for your letter of 28 May about the negotiations for the renewal of the OECD Export Credit Consensus. ~~I know that ECGD officials have~~ been in very close contact with yours throughout the negotiations, which have been protracted, but have finally resulted in ^{agreement} revised arrangements _h being agreed.

The negotiations took much longer than we had hoped, and I have delayed replying until the outcome was clear. Your letter, on the eve of the Versailles Summit, ~~very usefully~~ underlined the importance of the Consensus agreement to British industry. British exporters should be able to compete fairly and effectively with their overseas competitors, and ~~without~~ ^W without an international arrangement of this sort there would have been a real risk of a costly credit war which would damage our trade.

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File No.

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I know that your officials are already aware of the precise details of the new arrangement. You made particular reference to interest rates. It is, of course, our hope and expectation that domestic market rates will fall. Nevertheless, there is still a gap between commercial market rates and minimum interest rates applied under the Consensus. Many overseas governments - not only the United States government - would like to see this gap narrowed. Thus in the negotiations leading to the recent renewal we sought to moderate the demands of those seeking significant increases in Consensus interest rates. Some progress was made at Versailles, and the talks there led ultimately to a revised compromise proposal being put forward by the Swedish Chairman of the OECD Negotiating Group. The compromise proposals did incorporate a modest shaving of the interest rate increases previously proposed, and embodied a degree of staging for markets now moving up to the intermediate, higher interest rate, category. I am sure you will welcome this, even if it is unfortunate that no further progress was made on the question of low interest rate countries, such as Japan.

(CONTINUE TYPING HERE)

File No.

The most important fact is that the Consensus has been maintained: at times during the very difficult negotiations its future seemed to be in real doubt. The revised arrangements which have now come into force are expected to apply until 1 May 1983. I know that ECGD are extremely grateful for all the help which they have received from the CBI during these negotiations, and hope that this co-operation can continue in both the operation and assessment of the new arrangement.

M 2/7

OECD EXPORT CREDIT ARRANGEMENT ("CONSENSUS") - SUMMARY

EXISTING GUIDELINES

(Valid until 5.7.82)

Maximum Credit Terms

I	'Rich' countries	- 5 yrs (exceptly 8½)
II	Intermediate "	- 8½ yrs
III	'Poor' "	- 10 yrs

OECD CHAIRMAN'S REVISED COMPROMISE PROPOSAL

(for the period 6.7.82 - 1.5.83)

I	as before
II	old list - 8½ yrs a.b., NICs etc transferred from Cat III - 10 yrs
III	as before

Discipline

Provision for prior notification of intention to break guidelines

No derogations after 15.10.82

Minimum Interest Rates (where official financing support is given)

		<u>2-5 yrs</u>	<u>Over 5 yrs</u>		<u>2-5 yrs</u>	<u>Over 5 yrs</u>	
I	'Rich'	11%	11¼%	I	+ 1.15%	12.15%	12.4%
II	Intermediate	10½%	11%	II	+ 0.35%	10.85%	11.35%
III	'Poor'	10%	10%	III	as before	10%	10%

Classification of Categories

- I Relatively Rich Countries -
having a GNP per capita in excess of
\$3000 in 1974
- II Intermediate countries -
having a GNP per capita of between
\$1000-3000 in 1974
- III Relatively Poor countries -
having a GNP per capita under
\$1000 in 1974

- 1 Basis of reclassification
- Relatively Rich: GNP per capita of
US\$4000 in 1979
- Relatively Poor: GNP per capita of less
than US\$625 in 1979
- Intermediate: All other markets
- 2 As a transitional arrangement for NICs
etc moving into Cat II the increase in
interest rates will be staged as follows:

		<u>2-5 yrs</u>	<u>Over 5 yrs</u>
i	immediately	10.5%	10.75%
ii	after 1.1.83	10.85%	11.35%

Low Interest Rate Currencies (eg Japanese yen)

Official financing support may be offered at rates below the Consensus guidelines provided that the rate for the official portion of the finance is not less than 9¼% (ie for Japan a blended rate of about 9%)

When official financing support is given the final blended interest rate should not be less than current market rate plus a margin of 0.3% (ie for Japan, LTPR of 8.4% plus 0.3% = 8.7%)

Prior commitments

Inadequately controlled
IRD: 5.7.82

Maximum commitment period of 6 months



10 DOWNING STREET

THE PRIME MINISTER

30 June 1982

DM

c. ODA

Gen Rd

Dear Mr. Deakins,

Thank you for your letter of 17 June.

No paper on the implications of the population explosion was circulated before the Versailles Summit. During Summit discussions the implications of population growth, increased food and energy production were identified as three areas of special concern in the context of economic and social development in developing countries. We did not attempt to identify any specific new mechanisms, but I am sure that the Summit participants will do what they can, when they can, to reflect the emphasis of the Declaration in their individual policies.

Yours sincerely
Margaret Thatcher

Eric Deakins, Esq, MP.,

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Versailles



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10 DOWNING STREET

From the Private Secretary

25 June 1982

Versailles Summit: Global Negotiations

Thank you for your letter of 24 June. Its contents were discussed at the Prime Minister's briefing meeting on 24 June for the European Council. It was agreed that a telegram on the lines you suggest should be despatched to Washington.

A. J. COLES

John Holmes, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL



OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SW1E 5DH

Telephone 01-213 5409

From the Minister

25 June 1982

Dear Mr Rickett,

*Myre
WW
26/6*

Further to your letter of 18 June to Mike Power, I attach a draft reply for the Prime Minister to send to Eric Deakins MP.

Yours Sincerely

Pamela Hilton

(Pamela Hilton)
Private Secretary

W Rickett Esq
10 Downing Street

DSR 11 (Revised)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM: Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO: Mr Eric Deakins MP
House of Commons
London SW1

Your Reference

Top Secret

Secret

Confidential

Restricted

Unclassified

Copies to:

PRIVACY MARKING

SUBJECT: VERSAILLES ECONOMIC SUMMIT: POPULATION

.....In Confidence

CAVEAT.....

Thank you for your letter of 17 June.

No paper on the implications of the population explosion was circulated before the Versailles Summit. During Summit discussions, the implications of population growth, increased food and energy production were identified as three areas of special concern in the context of economic and social development in developing countries. We did not attempt to identify any specific new mechanisms, but I am sure that the Summit participants will do what they can, when they can, to reflect the emphasis of the Declaration in their individual policies.

Enclosures—flag(s).....



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Foreign and Commonwealth Office

London SW1A 2AH

24 June 1982

Dear John,

Versailles Summit: Global Negotiations

As Rodric Braithwaite mentioned to you in Washington yesterday, the Americans are seeking urgent confirmation from the other Versailles Summit participants on what was agreed at the Summit on Global Negotiations.

Henry Nau of the US National Security Council has told the French that the Americans can only give their formal agreement to the Bedjaoui text as amended at Versailles, including the lifting of their reserve on the word 'recalling' to refer to Resolution 34/138 in the preamble, if they have a solid assurance that no further amendments would be accepted unless they were agreed by all Heads of State and Government present at Versailles. To be certain of this, the Americans are insisting that all leaders present at Versailles should confirm their acceptance of the paper by officials worked out at Versailles on this subject and should agree that it should have the same status as the Summit Declaration.

The French have given this assurance to the Americans and have asked all other Summit participants if they can do the same. I attach a copy of a message from M Paye to Lord Bridges, as well as a copy of the officials' paper in question.

In the Prime Minister's absence yesterday, we told Henry Nau that we accepted the Bedjaoui text with the four agreed amendments and agreed that any further changes must be endorsed by the Summit participants at Heads of Government level. But, although we had no difficulties with the officials' paper, we did not think that it had been given the same status as the formal published Declaration. The Americans were not satisfied with this and are pressing for the full assurance. They are threatening to represent us as the sole obstacle to the lifting of their reserves.

I should be grateful to know urgently if the Prime Minister agrees that we can give the Americans the assurance they seek. It is, in fact, to our advantage to confirm, without any doubt, that further amendments to the Bedjaoui text could not be accepted

/unless

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unless all Summit Heads of Government are agreed on them. This will reduce the risk that we will be asked to accept further changes which would weaken the references to respecting the competence and functions of the specialised fora, which is so important for us.

If you are able to give me your agreement by telephone, we propose to send to Washington and New York the draft telegram enclosed.


I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer and Sir Robert Armstrong.

Yours ever
J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL



PERSONAL MESSAGE FROM M. PAYE (FRENCH FOREIGN MINISTRY)
TO LORD BRIDGES

(TRANSLATION)

After the circulation of the Report of the Group on North/South Questions, which I chaired at Versailles on 5 June to the participants, there was an exchange of communications between Mr Nau and myself. Mr Nau hoped that it could be confirmed that the text of this Report had been approved by the Heads of State and Government and that the Report should be considered as having the same status as the Summit Communiqué. Mr Nau also wished that the words 'the participants in the Summit' should be replaced by the expression 'Summit leaders' in paragraph 1(c) of the Report as in paragraph 1(a).

After checking with M. Attali who was present in the Summit meeting room when this matter was discussed, I indicated to Mr Nau that our interpretation was the same. I thus confirmed to him that, in the eyes of the French Presidency, the text of the Report should be considered as accepted by the Heads of State and Government. The Commitments which it contains have in consequence the same force as those reflected in the final Declaration. Furthermore, I was convinced that there would be no objection to have the expression 'Summit leaders' appear in paragraph 1(c).

I should be grateful if you would inform me as soon as possible if this interpretation has your agreement as well.

I would also be obliged if you would communicate your agreement directly to Henry Nau. Larry Smith insists strongly that everything should be done in order to obtain the lifting of the American reserves before this meeting. Henry Hau has just confirmed to me by telephone that these reserves will be lifted as soon as he is certain that all the Versailles participants were agreed on the status of the Report, in the precise terms set out above, and on the amendment to paragraph 1(c) also noted above.

DEBUT DE CITATION :

"1. The working assumptions retained by the group were the following :

A) The summit leaders would agree on a series of amendments to the 77 group's draft resolution (Bedjaoui draft); these amendments would be drafted in such a way as to have a fair chance to be acceptable to the 77 group.

B) The Canadian Government would be asked to assume responsibility, after due consultation with OECD partners, of putting these amendments forward in New-York in a suitable way.

C) It would be agreed, among the participants in the summit that if some flexibility on wording appeared necessary later, their delegations would not depart from the so amended text except by unanimous agreement.

2. The group proposes the following amendments :

A) In the preamble, replace :

"in accordance with resolution 34/138"

by "recalling its resolution 34/138" (1)

Commentary : the US delegation cannot accept that resolution 34/138 be considered as the sole basis for the global negotiations. Given the strong 77 request for a confirmation of this resolution, the proposal is to resort to the word "recalling", which is very often used in UNO (for instance in the preamble of resolution 34/138 itself).

B) Add a new sentence at the end of paragraphe 3 :

"As soon as a consensus is reached, the conference will enter the substantive phase".

Commentary : this phrase means acceptance of the convening of the conference, which would itself decide, in a preliminary phase, upon its agenda and procedures. As a consequence the necessity of a consensus being reached before moving from the procedural phase to the substantive one should be recalled.

(1) US delegate has reserved his position, in the absence of relevant instruction.

C) Add to the end paragraphe 4.

"... Will be respected by the conference"

Commentary : This amendment should not raise difficulties with the 77, because it is obvious that the obligation of respecting the competences of the specialized institutions applies above all to the conference itself.

D) Insert in the middle of the first sentence of paragraphe 5 :

"... The ad hoc groups it may create without duplication of existing appropriate fora ..."

Commentary : In order to prevent the creation of ad hoc groups, as envisaged in paragraphe 5, from infringing on the principle established by paragraphe 4 (ie independance of the specialised fora), this phrase should be added.

3. The groupe mentioned the desirability of modifying the North South part of the draft declaration of the summit, in the case the heads of state and Government could reach a consensus on the points mentioned hereabove". FIN DE CITATION.

OUT TELEGRAM

Classification and Caveats

Precedence/Deskby

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ZCZC	1	ZCZC
GRS	2	GRS
CLASS	3	CONFIDENTIAL
CAVEATS	4	
DESKBY	5	
FM FCO	6	FM FCO JUNE 1982
PRE/ADD	7	TO FLASH WASHINGTON
TEL NO	8	TELEGRAM NUMBER
	9	AND TO FLASH UKMIS NEW YORK
	10	REPEATED FOR INFO PRIORITY TO BONN, PARIS, TOKYO, OTTAWA AND
	11	ROME
	12	YOUR TELNO 2222: GLOBAL NEGOTIATIONS
	13	1. We have consulted No 10. You can now confirm to the
	14	Americans that we regard ^{consider} the text of the officials' report to
	15	have been approved by the Heads of State and Government at
	16	Versailles and ^{that it} can be regarded as having the same status as
	17	the final Declaration. We also agree that ^{any} possible later
	18	changes in wording ^{in the Bedjaoui text} require common agreement among the
	19	Summit leaders and that para 1(c) of the report should be
	20	amended accordingly ^{as the Americans wish.}
	21	
///	22	PYM
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/	24	
	25	

NNNN ends telegram		BLANK		Catchword	
File number		Dept ERD		Distribution NORTH/SOUTH ADDITIONAL DISTRIBUTION: NORTH/SOUTH	
Drafted by (Block capitals) N P BAYNE					
Telephone number 233 4114					
Authorised for despatch					
Comcen reference		Time of despatch			



Monsieur Jacques Chérèque
Secrétaire Général Adjoint
Confédération Française Démocratique
du Travail
5 rue Cadet
75439 Paris CEDEX 09

Votre référence

Notre référence

Date le 22 juin 1982

Monsieur le Secrétaire général adjoint,

Vous avez sans doute reçu une lettre du Chef de cabinet du Premier ministre, vous disant que votre lettre du 21 mai était bien parvenue à Mrs Thatcher. On me charge maintenant de vous répondre de la part du Premier ministre.

Vous énumérez dans votre lettre les préoccupations de la CFDT à la veille du Sommet des pays industrialisés de Versailles. Vous avez sans doute déjà lu la déclaration publiée à l'issue du Sommet. Je vous adresse ci-joint un exemplaire de celle qu'a faite le Premier ministre le 8 juin à la chambre des Communes. Vous conviendrez, je pense, de ce que la déclaration commune du Sommet fait apparaître une communauté de vues de la part de tous les pays participants et une reconnaissance de l'interdépendance des actions en matière de reprise économique.

Je vous prie de croire, Monsieur le Secrétaire général adjoint, à l'assurance de ma considération très distinguée.

H J Arbuthnott

cc: T P Holloway Esq, Economic Relations Dept, FCO

1. cc Mr Suter, Private Office

2. pa

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A J Coles Esq

Versailles



CABINET OFFICE

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

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



A.S.C. 21
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h-a.

CABINET OFFICE

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

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

Ref. A08749

21 June 1982

Versailles Economic Summit

--- I enclose a full record of the plenary sessions of the Summit. I am also sending copies of the record to Nigel Springthorpe (Treasury), Ian Fitzpatrick (Energy), Peter Lawrence (Trade), Vi Read (ODA), Peter Bunn (Industry), Peter McCarthy-Ward (Employment), Robin Nicholson (CPRS), and of course to John Coles (No 10).

D. J. WRIGHT

(D J Wright)
Private Secretary

R A Burns Esq

Note for the Record

Versailles Economic Summit, 4-6 June 1982

FIRST PLENARY SESSION 9.45 am SATURDAY 5 JUNE 1982

President Mitterrand (France) welcomed the other Heads of State and Government to the 1982 Economic Summit. The previous evening he and his colleagues had discussed a number of political questions. Today they would concentrate on economic matters which influenced political choices. He did not accept that the individual views of the members of the Summit were too divergent to be harmonised. It was a common aim to facilitate trade between the countries represented at the Summit and to try to ensure that one or two of those countries did not prevent the rest making progress. But this meeting was not a court of judgement: for example, we all took protectionist actions in one way or another.

The first major problem was the world economy. Everybody was responsible for attacking the problem of the crisis together. The Summit leaders had to get their priorities right and look at things correctly. They must base themselves on the facts and have no pre-conceived ideas or prejudices. One aspect of the crisis was relations between East and West. This was not just a question of military matters, for no country could pursue a defence policy with its economy in ruins. East/West relations were equally a matter of economic relations, and the Summit should tackle the question of trade and credit. And since the economic crisis was a world phenomenon, the meeting would also need to discuss North/South relations.

Technology

President Mitterrand went on to say that he had produced an introductory document which was about technology and its effects on employment, both in the seven major industrialised countries and in the third world. If we could get to grips with the third industrial revolution, we should be organising our own future. He was not suggesting a kind of super-general staff for ourselves and for the world. Nor was he suggesting that technology was only at the service of the State. But we had to help encourage research and the industrial development of technology. His report ran to 32 pages and so he would only summarise it. Since Ottawa five million people had lost their jobs. The world economy and world trade were sluggish. Currencies were unstable. In the third world conditions had deteriorated: large numbers of people had died of

starvation since the Ottawa Summit. Yet there were some successes. Inflation was down in a number of countries, and some were showing some growth. France had not been successful in bringing inflation down, but her growth of unemployment was flattening out. All had to learn from each other. It would be impossible for the leaders to leave Versailles without showing that they could do something. We had to produce something to inspire young people. We had to regenerate our spiritual values and give our peoples a taste for life. The first part of his report sought to show what new technologies such as bio-technology, information technology and oceanic research could achieve. The means of taking advantage of these technologies existed: there was an immense reservoir of intelligence to propel us forward. We needed to get bold policies going again. We had to adapt our industries to new technology. We must agree to fight together to reduce the divergencies between North and South.

His report then went on to propose a number of measures which would enable us to set ourselves goals and programmes. A specific suggestion was that a Committee should be set up to carry these tasks forward. We needed to discuss together such matters as working conditions, employment, education and communications. Why should we not have a United Nations university? Why not a world network linking different languages? Why not a world encyclopaedia? It might be asked what all this had to do with the matters which were traditionally discussed at the Economic Summit. The answer was everything, for all these issues were about democracy.

Mr Suzuki (Japan) said that what they were discussing was how to revitalise their economies. This was something to tackle in co-operation and not by confrontation. We must look to the future and not to the past. We had to work together to deal with the world crisis. In particular we had to tackle the mounting tide of protectionism. We must join forces and develop the encouraging aspects of the present situation. Though since Ottawa the general position remained serious, there were some good things. There had, for example, been an improvement in inflation since Ottawa. With respect to trade, while Japan believed that her market was as open as anybody else's, she had taken further measures, such as tariff reductions, to open up her market even more. He would try to make the measures work. At the

same time he looked for co-operation from other countries. We had to work together in the GATT Ministerial Meeting on such things as trade in services, investment and high technology. Japan was continuing to try to achieve growth led by domestic demand. They were expanding their programme of public works. While seeking to maintain an appropriate value for the yen, Japan was working for a correct balance in her economy. He agreed that new technology should make possible a return to growth, a strengthening of economic equilibrium and an improvement in economic conditions generally. For example, micro-processors had improved both industrial productivity and the working conditions of employees. Japan's thinking on the promotion of science and technology rested on a number of bases. First, research and development should depend primarily on the private sector, with the Government coming in where the risks and lead times were too great for the private sector to cope with unaided. Second, the principles of free exchange should apply, and efforts should be made to remove barriers. Third, there should be transfers of technology, not least between North and South. Finally, Japan believed in working for a consensus between management and labour, for example on the introduction of robots, which could create more jobs than they saved.

The Summit should give a new boost to co-operation in the field of science and technology. He agreed that a working group should be set up. There would be many matters for it to consider, and Japan would contribute actively. We should not, however, overlook the effects of technology on national customs and on traditions of international development. We should respect differences of national cultures. But nothing must deflect us from tackling our present problems. We needed a message of hope for the future and a focus for developing unity.

Chancellor Schmidt (Germany) said that he welcomed President Mitterrand's report and what Mr Suzuki had said. The great problem facing us was the growth in world population. When he had been born the world population had been two billion: by the end of the century it would be six billion. He was over-awed by this rate of growth. His fear was that we should not be able to feed all these people or give them all jobs. So technological development was vital. We had to take a positive attitude to the growth of world population and to what technology could offer. At the 1983

Summit we should look in more detail at the problems of over-population and of the exhaustion of national resources. More aid to the Third World would be needed. The churches should also be involved. He had twice talked to the Pope about the problem of over-population, though without much success. He agreed that a working group on technology should be set up, made up either of the OECD countries or all those attending the Economic Summit. Its mandate should be confined to precise matters, though he repeated that next year's Economic Summit should have a report on over-population and the depletion of natural resources.

Signor Spadolini (Italy) welcomed President Mitterrand's initiative which offered a new aspect to Summit meetings. We needed to define the dimensions of the third industrial revolution. We should also define the possibilities and limits of action. We should not stop or slow down industrial development. Rather, we must guide it and control it, since it determined the future of our countries. Technology must be a tool to promote the development of democracy. The control of inflation was essential. Private initiative and the free forces of the market must be the driving force. But our economic future would depend also on what governments did. Governments had to guide and control spontaneous trends. We needed a clear frame of reference for the development of national effort and international co-operation. He agreed with the proposal for a working group to consider the issues that had been raised and to identify the possibilities for taking action. He also accepted that the work which this group would undertake would have to respect cultural diversities.

Mr Trudeau (Canada) said that it was obviously right to look to the future. The working group should either include in its membership or have associated with it people who could define and analyse what was emerging from the third industrial revolution and its social and cultural implications. Hitherto we had not always thought enough about the implications of technological development, for example, its effects on the environment. We needed a philosophy of technology.

He agreed with Chancellor Schmidt about the problem of over-population, We needed a new system of moral values which included the concept of inter-dependence.

President Mitterrand (France) said that one of the problems which France was facing was that expenditure on her health and social services was increasing exponentially. It was not properly controlled. Bio-technology, if wisely applied, could help to reduce health expenditure. Bio-technology could also enable agricultural production to be increased by factors of four or five or even 10. This would be an immense help to developing countries, very few of which were self-sufficient in food.

He was grateful to the meeting for supporting the idea of the working group which would report back to the 1983 Economic Summit. He had visited all his colleagues before the Summit. He had found this very helpful, and he had learned a great deal about where they agreed and where they diverged. There had to be greater co-operation between them, and the working group which they had decided to set up would be a step in that direction.

The session was adjourned for a break of 30 minutes.

When the meeting resumed, M Martens (Belgium - European Community Presidency) said that he had one or two points to make on the Report on behalf of the European Community. We did not have to bow our heads to the world economic crisis and simply accept it. Technology gave us the means to combat it and to establish growth. The Community saw the Report as a message of hope. It was also a back-drop to the Summit's discussions on the world economy, for no other reason than because of the massive investment which technology required. Moreover, there was a link between the Technology Report and unemployment, since unemployment required an increase in vocational training for the young and new technology generated its own demand for training. We must all learn to use technology more efficiently. The European Community had already set itself a programme on the lines of President Mitterrand's Report; that Report would now help the Community to focus its work. The question was what part the Community could play in the working group proposed by President Mitterrand.

President Reagan (United States) said that he welcomed President Mitterrand's Report as an antidote to the view (advanced particularly in his own country) that there were limits to growth. He supported the proposal to establish a working group. Technological dynamism was a characteristic of the West, as opposed to the East, but it took different forms in different countries.

In the United States 50 per cent of the stimulus to technological development came from the private sector. His tax programme included incentives for technological development. He believed that the Seven Summit countries should co-operate to remove barriers to the flow of technology, particularly in areas of high cost and high risk. The potential of technological development was enormous and, as history showed, often unpredictable in its fulfilment. More than two thirds of the world's population was engaged in agriculture in its most primitive forms, but it was within the realms technological possibility for us to feed the population of the world from 10 per cent the acreage now farmed. Nonetheless, it was important that Governments did only what was appropriate to them and left open full scope for individual effort and initiative.

The Prime Minister said that there had been a number of references to the third industrial revolution. In fact there was nothing new about new technology. Technology had not destroyed jobs but had created them. But the problem about new technology was that it tended to come in spurts, and that made it difficult to deal with the consequences for employment. This was why the present spurt had led to some resistance, and we had to overcome this opposition. New technology meant putting more money into investment, and that could only be found from consumption and programmes like social security. Frequently - and particularly where unionisation was strongly developed - it was possible to get new technology accepted only where there was superb management: this was part of Japan's secret of success. We also had to ensure that our tax systems helped risk-taking.

Looking at the meeting more generally, we had to ask ourselves what we would do differently as a result of the Summit. Thanks to previous Summits, member countries were coming out of their economic difficulties in a much sounder way than had been the case with previous recessions. Earlier Summits had also helped us to keep a more open world trading system. We all had some protectionism, but if we were to get more growth and employment, we had to have an open trading system.

She welcomed the idea of a working group which would consider the general aspects of President Mitterrand's Report and make practical proposals. It would be particularly valuable if the working group could make suggestions as to how public opinion could be influenced to welcome and not fear the arrival of new technology.

Chancellor Schmidt added that he thought that what the Prime Minister had said about influencing public opinion was so important that it should be reflected in the declaration at the end of the meeting.

President Mitterand said that the primary reason why he had prepared his Report was that technology created jobs and generated growth. In the first two industrial revolutions too long a time had elapsed between the revolution itself and the consequent creation of jobs. This time we must reduce the interval. Perhaps we had already lost 10 years; we must not lose another 10. Technological progress would improve productivity and make jobs more interesting. He suggested that the meeting should now turn to macro-economic problems.

The World Economy

Chancellor Schmidt said that according to OECD estimates the seven countries represented at the Summit would not have a higher aggregate GNP in 1982 than in 1981. At the same time in 6 out of the 7 countries unemployment would be between 6 and 12 per cent of the working population. There were 30 million people out of work in the OECD countries. The world economy had gone off the rails. Even so, 1983 looked slightly more favourable. Inflation had peaked in most countries, and current account deficits were coming down. We were adjusting to higher energy prices. There would be higher growth in 1983. Nonetheless, unemployment would continue to rise, and we should be judged by our success in dealing with unemployment, while avoiding a slide from recession into depression and the destruction of the world trading system. Our difficulties were the greater because of past failures and mistakes. There was only very limited room for manoeuvre. While each Government had to have its own policy which was suited to its own situation, none of us was in a position to go it alone. Success or failure in tackling our economic problems would determine the political stability of our societies. He therefore welcomed acceptance of a common responsibility for stability of the monetary system and for the maintenance of the world trading system. It was not enough just to talk about it: we had to do something about it when we returned home. We needed free trade and orderly conditions in money and exchange markets. Our efforts had to extend to

North/South relations and to East/West relations. We must not strive for success by means of a deflationary budgetary policy or by reflationary actions. We should concentrate on cutting public expenditure and encouraging investment. We should seek to reduce budgetary deficits and to bring interest rates down. It was important that there should be close collaboration between monetary authorities in order to lower interest rates and stabilise exchange rates. High real interest rates were a great problem, and it was essential to reduce them in order to provide the incentive for productive investment. We therefore needed to give the markets a clear signal that budgetary deficits would be brought down. He welcomed President Reagan's efforts to reduce the US budgetary deficit. The United States was the key to the world economy. This was not an easy situation for the United States, but they had a leading role and nobody could take it from them. The other countries at the Summit could not dissociate themselves from American capital markets and American interest rates. He did not pretend that the Europeans had done everything right: if they had, they would be in a better position than they were now. The Federal German Government had brought down its PSBR to a much lower level than when the 1978 Summit had asked the Federal Republic to act as an economic locomotive. The Federal Republic did not want to be asked to adopt this role again, for they were still suffering from the effects of the excessively high PSBR which had resulted from the 1978 Summit. They had introduced measures to increase employment and improve investment. This had involved reductions in expenditure in other areas. This was far from easy. The Federal Republic did not wish to change the core of its social security system because of the threat to social stability which might arise. They had inflation well down and were achieving an export growth rate of 3 per cent per annum. But he remained very worried about unemployment.

President Reagan said that the United States was plagued, like others, with unemployment and with high interest rates. His administration had adopted a policy 180° different from President Carter's. This was the 8th post-war recession. On previous occasions US Governments had tried to find a cure in "quick-fix" spending. But each attempt at a cure had led to another recession with greater unemployment and higher

inflation than before. In 1980 the 7th recession had pushed up unemployment, inflation and interest rates to record levels. His administration had instituted a turn-round in the increase in Government spending. It was now going up half as fast as when he had taken office. But this had not done enough to bring down interest rates sufficiently to help the car and house-building industries. Inflation was down from 12.4 per cent to less than 1 per cent in the last 3 months. The only reason why interest rates had not followed inflation down was a pessimistic belief that Congress would revert to the old ways of the "quick-fix". He believed that that was wrong. He was still working to get the deficit down. The budget which had been rejected would have taken the deficit down by \$358 million over 3 years and put it on a trend towards balanced budgets.

Despite the high level of unemployment, there were more people in jobs than at any time in the history of the United States. In May unemployment had gone up from 9.3 per cent to 9.5 per cent, but there had been a million more people in the job market than there had been a year before, and 800,000 of them had found jobs.

He recognised the effects of high American interest rates. He believed that they were being held up for psychological reasons. He believed that when Congress passed a budget which showed that the reduction of budget deficits was for real, interest rates would come down. He did not think that his tax cuts would result in a loss of revenue: on the contrary, he believed that they would stimulate and thus increase national income and also in consequence tax yield. That was what had happened when President Kennedy had cut taxes. He knew that our economies all affected each other. The United States would stick to its plans. He agreed that there should be closer co-operation, probably at Ministerial level, between the Seven Summit countries. He believed in intervention in the exchange markets to prevent disruption, though not as a permanent activity. He thought that a joint study of intervention in the markets would be useful.

The Session was adjourned for lunch.

The World Economy

When the meeting resumed after lunch, Signor Spadolini (Italy) said that social stability and international strength depended on our ability to manage our economies, to control inflation, to restore growth and to reduce unemployment. We had to have both a plan and a will to face these problems. President Mitterrand had made an imaginative proposal that morning. We must face our problems in a co-ordinated way and use all the means at our disposal. This did not imply a uniform approach: rather, we should co-ordinate our diversity.

Mr Trudeau (Canada) said that there was a need for a general will to accept sacrifices for the sake of growth. Could we simply continue with our anti-inflation policies, accepting whatever the cost was in unemployment? If we had to do that, we should say so together. But perhaps the message to be put over should be different. President Reagan had said that interest rates would come down if people were convinced that US budget deficits would be reduced, but could we wait? Waiting for lower US interest rates was having disastrous consequences for Canada. We could not wait for the American mid-term elections. Could we help President Reagan? He would like to help Canada by helping the United States. Could we help to persuade Congress to agree to what was necessary in order to bring down interest rates? He wanted to take some hope away from this Summit.

President Reagan (United States) said that he believed that the United States was on the right track to reduce inflation and, with tax incentives, to stimulate growth and create jobs. There were two factions in Congress. First, there were those who wanted to proceed more slowly than the Administration. Then, there were others who wanted to go faster; but this would require deeper cuts in social security than he wanted. There were already some signs of economic recovery. Tax cuts and indexed increases in social security benefits in July would put \$30 billion into the US economy. More housing permits were being issued. The regulations which his Administration had cancelled had reduced paper work in the private sector by two million man hours a year.

Mr Trudeau said that he believed that unions were exercising restraint in their wage demands at present because of their fear of unemployment. When this passed, he thought they would seek catching-up wage increases again and that these increases would be passed on to the consumer.

President Reagan said that he did not agree. In the American automobile industry, unions had agreed to forgo wage increases for the sake of their companies. He did not think that unions would get catching-up increases; nor did he believe that such increases would be made possible by passing them on to the consumer. Management had learnt its lesson; and the consumer had learnt that he need not buy.

Mr Trudeau commented that people did not seem to hold off buying Japanese cars.

Mr Suzuki (Japan) said that the Summit countries should be ready to adopt a policy of concerted intervention in the exchange markets. If we announced that that was what we were going to do, it would be good for stability and confidence.

M Martens (Belgium - European Community Presidency) said that he would like to raise one or two points which had come out of the last meeting of the European Council. First, the Council had expressed general concern at the current international economic situation. The problem of unemployment would be overcome only if countries all took co-ordinated action, with the agreement of management and labour. He hoped that Government intervention of this kind could be limited, but it would be necessary to achieve social consensus. Action of this kind would support democratic values and international credibility. Second, the European Council saw value in under-scoring our positive achievements, for example, the fight to control inflation, and the reduction of energy dependence. Third, the European Council had identified a number of barriers to economic improvement. It had felt that the Economic Summit should give a decisive impetus to the efforts to achieve a durable decline in interest rates, greater exchange rate stability and improved North/South relations. Real interest rates contributed to unemployment and made it more difficult to service public debt. It should be an absolute priority to reduce budget deficits on both sides of the Atlantic.

We should also do what we could to foster orderly arrangements in the international markets by co-operation between the monetary authorities in North America, Japan and the European Community. The EMS was already making a contribution to stability.

He had a few frank words to say to Japan. She should pursue exchange and trade policies which were more compatible with the fair distribution of burdens in the industrialised world. He was glad to hear what Mr Suzuki had said about the measures which his Government had taken in this respect and especially the reliance they were proposing to place on domestic demand rather than export growth.

The European Community should and could achieve greater convergence of economic policies, particularly in order to encourage investment and to increase the employment of young people. The focus should be on investment at the expense of consumption.

Finally, he wished to emphasise the need for greater stability of the exchange rates so as to encourage trade. That must result from a greater convergence of economic policies and a joint effort towards economic recovery. The European Community ruled out the use of exchange rates to achieve a competitive advantage. But we should be prepared to intervene in the currency markets to counter movements which were not objectively justifiable.

The Prime Minister said that inflation and unemployment were alternatives only in the very short-term and only in certain sectors. Deficit financing would not deal with unemployment which resulted from changing patterns of trade or from higher productivity or from failure to invest in the products of tomorrow. Any short-term gains were achieved only at the cost of greater unemployment in the longer term, as was shown by the British experience in the period 1972-77. Inflation as a policy for curing unemployment was not acceptable: it would be a positively immoral policy, for it would steal something from every pound or dollar saved. The control of inflation helped to reduce unemployment except in the very short run. She agreed with President Reagan that Governments had not only to get their deficit down but also to adopt policies which showed that they were going to go on getting their deficits down in the future. This was important for confidence.

There were two ways of reducing a deficit - cutting expenditure or increasing taxes. Cutting expenditure was preferable, but not easy: as politicians they were all to blame for arousing people's expectations of higher living standards and not following policies that would really make it possible to achieve that goal. As regards intervention in the exchange markets, Governments could not stand in the way of large-scale movements but they could correct disorderly conditions. She was prepared to go along with global negotiations but only on terms which guaranteed the integrity of the specialised institutions, and notably the IMF, the IBRD and the GATT.

Finally, she wished to emphasise again that we would get the steady creation of new and lasting jobs only if we held down inflation and cut budget deficits. It was all a matter of whether our people could bear the burdens we imposed on them.

Mr Trudeau said that he agreed absolutely that in the long run you could not reduce unemployment except by controlling inflation. The question was whether it was possible to sustain the control of inflation.

The Prime Minister said that she was sure that this could be done, provided Governments stuck to the right policies.

Mr Suzuki said that Japan's 90 per cent dependence on imported oil for energy had affected their prices, but they had got by by using technological development to offset this handicap. Their favourable economic performance was the result of the steadfast behaviour of the Japanese public. When the economy had been stagnant, the Government had taken a positive view of public investment which had led to a very high level of public sector borrowing and reliance on Government funds. The degree of public sector deficit was still very high and so Japan was trying to reduce Government expenditure while, thanks to growth in the private sector, the economy ran at levels which made it possible to keep relatively low interest rates. Japan intended to maintain a sound fiscal stance. She would continue to put the emphasis on domestic demand.

Chancellor Schmidt (Germany) said that nobody who knew him would expect him to defend inflation. The highest level Germany had ever had was 7 per cent and that was 8 years ago. It was well down now. But we should not concentrate solely on inflation. Inflation pre-dated the surges in oil prices. It started with American financing of the Vietnam war. In 1972 Bretton Woods had been abandoned; the dollar was devalued; and the fixed rate system had been dropped. The abandonment of this discipline allowed all Governments to lapse into the printing of money - enough money to pay for the quadrupling of oil prices in 1973/74. In order to restore monetary discipline some of us wanted to get back to fixed exchange rates. That was the motivation for setting up the EMS. The purpose of the EMS had been to provide a discipline and not to spend members' reserve supporting their own and other people's currencies. He did not believe in intervention against the intentions of the markets. The United States had not been asked to go back to fixed parities but to adjustable parities. They had been asked to agree to intervene to prevent disorderly movements. Why had the dollar's value gone up again? The answer was that in April the market had expected agreement on the US budget and a consequent fall in interest rates; but in May it was realised that there would not be any agreement and so expectations of reduced interest rates disappeared; and so people were happy to invest in the dollar where they could get 7 or 8 per cent real interest. This led to the value of the dollar going up again not as a reflection of the basic position of the US economy but as an expression of expectations about interest rates. The conclusion he drew from this was that intervention should not be used to support a currency at great cost but simply to smooth disorderly movements. The present instability of exchange rates would frighten traders away from the United States to France and Germany where there was greater stability. The Europeans could live with this instability relatively easily, but the smaller and poorer countries could not. He believed that part of the blame for the present instability lay with the fluctuations which resulted from the publication of weekly money supply figures. If the dollar was more stable, there could be greater co-operation between the United States and Europe. The United States was so strong that they had to bear the responsibility. The world should become a little more dependable and calculable.

President Reagan said that, even if US interest rates went down, that was no panacea. He agreed about intervening in disorderly markets. The weekly money supply figures came from the Federal Reserve Bank which was independent of the US Administration, and which could not be given orders. But he would pass Chancellor Schmidt's views on to them. He agreed that inflation began to accelerate when President Johnson tried to have both guns and butter. He remembered saying 25 years ago that there was no such thing as maintaining a little inflation. Sooner or later it got out of hand. Now we had had the longest period of inflation ever. We should be very careful about the ways in which we stimulated employment. The United States had a job creation scheme, most of the cost of which was the bureaucracy which ran the programme. Training on the job was best: then the man knew that there was a job at the end of the training. Governments had certain functions which they could do very well. But when they moved out to do other things which the private sector should do, they did not do so well.

President Mitterrand (France) said that no one would criticise President Reagan for being true to his own beliefs. Personal representatives would be meeting that day and next to formulate proposals on how the agreement reached at the Summit on monetary undertakings should be put into effect. A text had been prepared which he and his colleagues would need to view critically. If they agreed he would submit the text to them the following morning.

There was then some discussion of the text in its current draft form. The Chancellor of the Exchequer pointed out that Finance Ministers had not completed their discussion of the document, and he proposed that they should do so that evening.

After further discussion, President Mitterrand said that it was agreed that Ministers of Finance should consider the text further and that it should then be sent to personal representatives for them to put it in its final form. He suggested that the meeting should move on to consider trade issues.

World Trade

M. Thorn (European Community) said that it was important that a signal went from the Economic Summit making it clear that the countries represented there gave the highest priority to the maintenance of the open multi-lateral trading system. The forthcoming GATT Ministerial meeting would be a crucial occasion, particularly following a year of no growth in world trade. He thought that there were three major problems that had to be tackled. First, there was the accumulation by Japan of a persistent large trading surplus. This did not mean that the European Community proposed to close its borders. Nonetheless, movement should not be one way only. Japan should open its borders more widely. Japan's recent measures showed that they were alive to the problem, but more progress still was needed. Second, trade tension had increased between the United States and the Community, particularly in steel and agricultural products. Every effort should be made to lower the temperature before the GATT Ministerial meeting. Finally, the industrialised world had to help the growth of the LDCs by taking more of their imports. Most of the countries attending the GATT Ministerial meeting would be from the third world, and they would be encouraged if they thought that the industrialised countries were not going to let them move into further recession.

Mr Suzuki said that he wanted to make Japan's policies absolutely clear. The reason why the present trade frictions had assumed such large proportions was the state of the world economy. What was most important was to re-vitalise the world economy and to co-operate more fully in doing so. Since the end of 1981 his Government had introduced two packages of measures to open up the Japanese market. For example, they had made tariff reductions and introduced a trade ombudsman. A further accelerated reduction of tariffs was included in the second set of measures. The Japanese Government had taken all these steps without asking other countries to do the same. He was often told that Japan did not import very much. He conceded that this appeared to be so in relative terms because Japan had to import 99 per cent of her energy requirements, but in absolute terms imports were not small. He thought that the problem could be eased by work in GATT on trade in services and on investment. Japan would co-operate fully in any such work.

Count Lambsdorff (Germany) said that the Federal German Government welcomed the second Japanese package as a step in the right direction. He hoped that it would not be the last. He was glad that the Japanese Government had asked its people to take a more positive and receptive attitude to goods imported from abroad. But there was still more that they could do by way of increasing trade. It was far better to solve the problem that way than by other countries imposing trade restrictions. The multi-lateral GATT system had to be maintained and expanded. He agreed about the importance of the forthcoming Ministerial meeting. It must come to grips with current trade distortions and deal with the problems of trade in services, however difficult that might be. The meeting would also have to tackle the current problems between Europe and the United States. On steel, the US Department of Commerce would be taking a decision about countervailing duties on 10 June, and it would obviously not be helpful if that decision was inconsistent with what emerged from the Economic Summit. There must be agreement not only between the Community and the US Government but also between the Community and the US steel industry. As regards imports from third world countries, the Federal Republic thought that aid was important but trade far more so to these countries. The OECD had not been able to agree on the renewal of the trade pledge. If it were not renewed there would be a catastrophic deterioration of export credit conditions. There must be an agreement in the Seven about this. He thought this should be possible, judging by the discussions over lunch. Putting the Soviet Union in the top category would help considerably.

Mr Reagan (United States) said that the United States believed that the multi-lateral trading system had been the principal engine of growth. It was up to the Seven to defend the system and to set goals for it. They should ratify the OECD compromise proposal on export credits. They should complete the Tokyo Round. The problem of services, which was of enormous importance to the United States, had to be addressed. International rules for investment also needed attention. Work should begin now on all these issues so that the results could be considered at future Summits. He hoped the GATT Ministerial meeting would take concrete steps in these directions.

M Jobert (France) said that it was important to distinguish between two levels of problems. First, there were immediate difficulties such as trade relations with Japan. We had to accept that the Japanese position had evolved and that Japan was now more open. We could not expect results overnight. We should hope for more progress in extending mutual trade in a friendly spirit. Second, there were pressures for making fundamental changes in the basis of international trade. The United States in particular had been advocating a radical approach. He did not object to considering proposals for the complete overhaul of the trading system, but it was important to make sure that what we already had worked properly before going on to adopt new ideas. For example, before tackling the problem of trade in services, we should remove the barriers to trade in products. We should take a ten-year perspective and not try to do in one year all the things that formed a ten-year programme.

President Mitterrand then brought the second session to a close.

Relations with Developing Countries

M Delors (France) said that Ministers of Finance had been considering that part of the draft declaration prepared by Personal Representatives which dealt with relations with developing countries. They had agreed upon an amendment of part of the text, with a view to making certain additional points, and to demonstrating to the developing countries the political will of the industrialised countries to assist them.

Mr McEachan (Canada), supporting Monsieur Delors, said that it was important for the Versailles Economic Summit to signal a political will to deal with outstanding issues, such as the replenishment of IDA, the role of regional banks, and countering instability in commodity earnings. There had been problems in the financing of the World Bank; and the delay in replenishment of the IDA had generated interest in the proposal for an IDA Special Fund.

The Chancellor of the Exchequer supported Monsieur Delors and Mr McEachan. He said that a revised text would be ready shortly, for consideration by Heads of State or Government.

There followed interventions by Mr Suzuki (Japan) and M Thorn (European Community).

President Reagan (United States) said that the United States wanted to help developing countries; but they had had to stretch the period over which the United States contributed to the replenishment of IDA. He stressed that private flows were more important to the developing countries than official aid. On global negotiations, he said that the draft declaration produced by the Group of 77 at Bedjaoui did not fully cover the anxieties which he had expressed at Cancun about the need to protect the integrity and independence of the specialised agencies, but the United States could now go along with the Bedjaoui draft resolution if it was amended as was now being proposed.

The Chancellor of the Exchequer agreed that the Bedjaoui text needed to be amended to protect the integrity of specialised agencies. He said that the United Kingdom would support the proposal for an IDA Special Fund. On the proposal for an energy affiliate of the IBRD, while the United Kingdom supported

the principle of helping the developing countries to increase indigenous energy production, it seemed that, with the reduction of the financial surpluses being earned by the oil-producing countries, the case for an energy affiliate might have been overtaken: part of the purpose had been to attract greater contributions from the oil-producing countries. He suggested that it would be right for the Summit to endorse the need to improve energy and food production for the developing countries, but not now to endorse the proposal for an energy affiliate of the IBRD.

Mr McEachan said that the text on Global Negotiations in the draft declaration was in very general terms. Ministers of Finance had, as the Chancellor of the Exchequer had indicated, discussed and agreed amendments to the draft resolution proposed by Group of 77 at Bedjaoui. He wondered whether the proposed amendments needed to be considered by Personal Representatives.

The Chancellor of the Exchequer suggested that the texts did not need to be discussed by Heads of State or Government.

President Mitterrand proposed that the amended text for the draft declaration should be considered in the course of the meeting's consideration of the draft declaration as a whole.

Signor Spadolini (Italy) said that Italy remained convinced that it was in the interests of the industrialised countries to maintain a dialogue with the developing countries, for economic as well as for political reasons. He stressed the importance of increasing indigenous food and energy production in the developing countries, and in that context expressed reservations about the adequacy of private flows for this purpose. He expressed hopes for the support and success of a conference which the Italian Government would be organising on this subject in the autumn.

Draft Declaration

Mr Trudeau (Canada) thought it was desirable to inject a greater sense of crisis and urgency in the introduction to the declaration. He quoted a leader from that day's Sunday Times in which it was stated that the seven Summit leaders were "not scared enough" about the world economic prospects. The declaration needed to create a sense of confidence and provide leadership.

Chancellor Schmidt (Germany), while not disagreeing with Mr Trudeau, reminded the meeting that, despite criticisms that were made of the current state of the world economy and the management of it, the industrialised countries had over recent years kept clear of beggar-my-neighbour policies, had prevented the world from lapsing into the situation which had developed in the 1930s, and prevented the oil price shocks from driving the world into deep recession. From these facts he derived a certain "sceptical optimism".

The Prime Minister agreed upon the need to inject into the introduction of the communique a sense of greater urgency, but warned against the use of the word "crisis", which could have a damaging effect upon confidence. She proposed amendments to the draft declaration to meet the points made in discussion; these amendments were accepted by the meeting.

M Cheysson (France) introduced a group of amendments proposed by Foreign and Finance Ministers to the paragraph in the draft declaration dealing with international monetary questions. It was proposed that, instead of talking about "insupportably" high interest rates, the declaration should refer to "unacceptably" high exchange rates; and that the sentence in question should be followed by a further sentence which would make it clear that the reduction of interest rates would require an increase in the achievement of stringent fiscal policies.

President Mitterrand objected to the use of the word "stringent", though he agreed upon the substance of the proposal.

President Reagan suggested that there should be a reference to monetary as well as to fiscal policies.

Mr McEachan suggested that what was said in this declaration should not be less forceful than what Finance Ministers had said in the Interim Committee of the International Monetary Fund.

Mr Trudeau said that all were agreed that high United States interest rates were the problem. Perhaps the meeting could help the President of the United States by including in the declaration a sentence to the effect

that they were agreed that the reduction of high interest rates necessary for economic recovery required urgent budgetary action by the United States. Would that help President Reagan with the Congress, or was it too blunt?

President Reagan said that, if a sentence of that kind was included in the declaration, the only press headlines the following day would be "disarray among the seven" and "attack on United States interest rates". He would go home to a Congress that would think it had been slapped in the face. Nevertheless he could assure his colleagues that it was the intention of the United States Administration progressively to reduce the United States budget deficit with a view to its eventual elimination.

Chancellor Schmidt betted his hat that President Reagan would not achieve that.

After further discussion agreement was reached on a text proposed by the Chancellor of the Exchequer as follows: "In order to achieve this essential reduction of real interest rates we will as a matter of urgency pursue prudent monetary policies and achieve greater control of budgetary deficits".

The meeting considered the statement of international monetary undertakings annexed to the draft declaration. This was approved, subject to the deletion of the second sentence of paragraph 6 of the draft.

The meeting approved the paragraph on trade in the draft declaration, as drafted by the Personal Representatives.

The meeting then considered a revised draft paragraph on East-West trade prepared by Finance Ministers.

In the course of discussion it was suggested that the declaration should not refer in terms to COCOM. The Prime Minister proposed a revision of the relevant sentence of the declaration which omitted the references to COCOM.

There was a long discussion of the last clause of the sentence relating to the need for caution in financial relations with the Soviet Union and Eastern European countries, which spoke of the need to limit export credits in the light of commercial prudence.

President Mitterrand said that the political question was whether the West helped the Soviet Union when they granted export credits. He drew attention to the relatively small amount of capital goods sold to the Soviet Union by France. France already had a restrictive policy, and they were breaking off half their contracts with the Soviet Union so as not to export technology. Limiting credits to the Soviet Union did not necessarily limit exports to the Soviet Union; but of course nobody wanted an export embargo. The concentration on export credits would penalise France, because France lent so little to the Soviet Union. It would mean that the United States and German trade to the Soviet Union would continue at high level, because they already traded at much higher levels than France. He was prepared to discuss a sentence which talked about the need to limit exports to the Soviet Union, but he found it difficult to accept a sentence about the need to limit export credits.

After an intervention by Signor Spadolini, President Mitterrand said he could accept a clause which read: "including the need to limit exports in the light of commercial prudence".

The Prime Minister suggested that the proposed monitoring of East-West trade would in due course show whether there was a need to limit exports. She suggested that for the present the meeting should agree upon a clause which would read: "including the need to limit export credits in the light of commercial prudence", and consider whether to go further the following year.

In due course President Mitterrand withdrew his proposal about limiting exports, and suggested that the meeting should choose between the clause proposed by Mrs Thatcher and an alternative proposed by Mr Trudeau which would read: "including the need to handle export credits in the light of commercial prudence".

Mr Haig (United States) repeated the point that the proposed monitoring would show whether trade needed to be restricted. In the meantime the Summit countries knew that they could do better on officially supported export credit. He hoped that the meeting could revert either to the formula originally proposed by Finance Ministers or to that proposed by Mrs Thatcher.

Signor Spadolini suggested that the clause should read: "including the need for commercial prudence in limiting also export credits". After a certain amount of discussion this was accepted by the meeting, subject to stylistic tidying by personal representatives.

The paragraph in the declaration prepared by Personal Representatives relating to energy was agreed.

The meeting considered the paragraph in the draft declaration relating to relations with developing countries. An amended version of the second part of the Personal Representatives' text was agreed, subject to the amendment of a reference to "the poorest countries" to read "the poorer countries", and subject to the reinstatement in the revised draft of the reference to population growth contained in the original draft by personal representatives.

The reference to global negotiations in the Personal Representatives' draft was accepted, subject to the addition of a clause to read: "so long as the independence of the specialised agencies is guaranteed".

Mr Haig said that the United States delegation wished it to be clearly understood and on the record that the amendments proposed to the Bedjaoui declaration were accepted on the understanding that further discussions of the draft declaration in New York would be based on unanimity among the seven industrialised countries. This meant that no further changes should be accepted in the draft by any of the seven industrialised countries unless they were accepted and agreed by all.

The meeting agreed accordingly.

Israeli Invasion of Lebanon

President Mitterrand had intervened during the course of the discussion with the news that Israeli forces had invaded the Lebanon. The meeting agreed, with one minor amendment, the text of a declaration to be issued by the summit supporting the introduction of a resolution in the Security Council calling for a ceasefire and a withdrawal. It was agreed that the Chairman should announce this declaration forthwith.

The meeting adjourned for lunch at 1.45 pm.

The meeting was resumed about 3.45 pm. The revised declaration was read through, and agreed with minor drafting and stylistic amendments.

President Mitterrand said that the business of the meeting was now concluded. He would like to thank his colleagues for a constructive and useful discussion. It had been a great privilege for him to chair the discussion and for France to offer hospitality.

President Reagan expressed the gratitude of all those present to President Mitterrand both for the skill with which he had chaired the discussion and for France's hospitality in the uniquely splendid surroundings of Versailles. He had pleasure in inviting his colleagues to attend a further economic summit meeting in 1983 in the United States.

The meeting concluded at about 4.45 pm.

B/P

18 June 1982

I attach a copy of a letter the Prime Minister has received from Eric Deakins, MP.

I should be grateful if you could provide a draft reply for the Prime Minister's signature and if this could reach me by Friday 2 July.

WFSR

Michael Power, Esq.,
Overseas Development Administration.

A

18 June 1982

I am writing on behalf of the Prime Minister to thank you for your letter of 17 June.

I shall of course place this before the Prime Minister at once and a reply will be sent to you as soon as possible.

WFSR

Eric Deakins, Esq., M.P.

FROM:
ERIC DEAKINS
MP



HOUSE OF COMMONS
LONDON SW1A 0AA

R18

17th June 1982

The Rt Hon Mrs Margaret Thatcher MP,
Prime Minister,
10 Downing Street,
London: SW1

Dear Mrs Thatcher,

In your report to Parliament on 8th June about the economic summit at Versailles you said that the Heads of State and Government had agreed to give special encouragement to programmes to address the implications of population growth. I am writing to ask if you could kindly provide more details about this matter. Could you let me know which Heads of Government raised the matter and if any paper had been circulated on the implications of the population explosion before the meeting.

As Joint Honorary Secretary of the Parliamentary Group on Population & Development, I know the Group will be delighted that Heads of Government were able to devote even a brief time to this very important topic. The Group would be particularly interested in knowing what follow up there is to be to these items both in terms of action by individual countries and further consideration by the Heads of State and Government at future Summit meetings.

Yours sincerely
Eric Deakins



JA

cc Fro

10 DOWNING STREET

THE PRIME MINISTER

16 June 1982

Dear Monsieur Damien,

I am sure you will understand that the week which followed my return from Versailles was extremely busy. But I now write to thank you most warmly for your letter of 3 June offering to me the medallion of the Town of Versailles. It was a pleasure and a privilege to spend three days in your beautiful town, and I send you and the citizens of Versailles my very best wishes for your future happiness and prosperity.

Yours sincerely

Raymond Delbar

Monsieur André Damien

da

SUBJECT

FILE

JD

✓ Made
9/1



PRIME MINISTER'S
PERSONAL MESSAGE

SERIAL No. T133/82

10 DOWNING STREET

THE PRIME MINISTER

16 June 1982

Dear Mr President,

I am sure you will understand that my return from Versailles was followed by an extremely busy week in London. But I write to thank you most warmly for the splendid arrangements made for the Economic Summit, for the warmth and grace of your hospitality, and for the fine silver plate which you kindly gave to me upon my arrival.

Our discussions, both multilateral and bilateral, were interesting and rewarding. The weekend at Versailles was a truly unforgettable occasion.

Yours sincerely
Margaret Thatcher

His Excellency Monsieur Francois Mitterrand

da



Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

14 June 1982

Brian Fall Esq
Private Secretary to the
Secretary of State for Foreign
and Commonwealth Affairs
Downing Street
London SW1A 2AL

Prime Minister

To note

A.J.C. ¹⁵/₆

Dear Brian,

My Secretary of State was interested to see, in Willie Rickett's letter of 6 June to you, that Mr Trudeau had mentioned Canada's interest in the Airbus programme.

2 The Department of Industry recently received a delegation of senior Canadian officials who had been given the task of preparing a report to Canadian Ministers on this subject. Canada's (wholly Government-owned) aerospace industry could well have an interest in participating in the next Airbus project - the proposed 150 seater A320. The Canadians are apparently apprehensive that, within a few years, there will only be two major civil aerospace manufacturers in the world - Boeing in the USA and Airbus Industrie in Europe. Canada no doubt wishes to avoid being linked only to Boeing.

3 The British Government has, of course, reached no decision on the question of possible Government support for British Aerospace's participation in the proposed A320. We would regard the question of Canadian participation as being primarily a matter for the industrialists. It appears that Canadian Government money would be available towards development costs: but the existing Airbus partners in France, Germany and the UK should really decide whether Canadian participation would strengthen the programme. A collaborative aerospace venture can become unmanageable if there are too many veto-wielding partners. British Aerospace's current view is that the Canadians could play a useful part in A320 - but that they should be an associate rather than a full partner.

4 Any reports we receive on Canadian decisions will be reported to interested Departments.

5 I am copying this letter to John Coles at No 10, John Rhodes at the Department of Trade and John Kerr at the Treasury.

Yours ever,
Caroline Varley

CAROLINE VARLEY
Private Secretary



JUN 16 1982



CF

10 DOWNING STREET

THE PRIME MINISTER

14 June 1982

Dear Mr. Harvey,

I write to thank you for the letters of 28 May which you sent to the Chancellor and myself about the Versailles Summit.

I enclose copies of the Declaration issued at the end of the Summit and of the statement I made to the House of Commons on 8 June. As you will see, there was agreement among the Versailles Summit participants on what was needed for sound economic management and the well-based recovery from world recession which we all wish to see.

The essential element in this agreement was that growth and employment would be increased on a lasting basis only if we were successful in our continuing fight against inflation. This would help to bring down interest rates and lead to more stable exchange rates.

The Summit countries all agreed to pursue prudent monetary policies and to reduce budgetary deficits. They also recognised a joint responsibility to work for greater stability in the world monetary system, and issued a statement of international monetary undertakings, which is attached to the Declaration.

The Summit discussed many of the other concerns expressed in the statement of the Trade Union Advisory Committee, such as new technologies, relations with the developing world and the strengthening of the open trading system. You will note that we have set up a Working Group to prepare a report on technology by the end of the year,

/which

286

which could be considered at the 1983 summit. The launching of Global Negotiations in the United Nations is described in the Declaration as a major political objective approved by all participants in the Summit.

One of the principal benefits of Economic Summits is the opportunity they provide to co-ordinate policies among the seven major industrial democracies. At Versailles, all were agreed on the need to pursue rigorously the resolution of national problems without adopting policies harmful of others. I believe that the Versailles Summit will help ensure that the world economy achieves a sound recovery.

Yours sincerely
Margaret Thatcher

The Rt Hon Lionel Murray, O.B.E..

SUBJECT

cc Martin



file

DSG

10 DOWNING STREET

From the Private Secretary

14 June 1982

MEETING BETWEEN THE PRIME MINISTER AND SIGNOR SPADOLINI

I am afraid that, owing to my absence from the Office last week, you have not yet had an account of the bilateral meeting between Mrs. Thatcher and Signor Spadolini in Versailles on Sunday 6 June. In the event, it was extremely brief. The Italians had been keen to set aside 45 minutes for the occasion, but the proceedings of the Economic Summit continued later than expected.

Signor Spadolini spent most of the 7 minute conversation reaffirming Italian support for Britain on the Falkland Islands and explaining the political difficulties which had led to the Italian decision on economic sanctions. He did not wish Italian failure to give full support on sanctions to be taken as an indication that he did not agree with our view of the rights and wrongs of the situation. He stressed that the Italian embargo on military supplies would be maintained. He had very recently declined to allow Argentina to place new orders for ships. He was also determined that Italian arms would not reach Argentina through third countries.

The Prime Minister commented briefly to the effect that she had no doubt that both Signor Spadolini and Signor Colombo would personally have been in favour of stronger action in support of the United Kingdom.

At the end of the conversation Signor Spadolini presented the Prime Minister with a book about Garibaldi.

AJC

Francis Richards, Esq.,
Foreign and Commonwealth Office.

SLZ

30-111-1
4-30-82

GIFTS RECEIVED BY THE PRIME MINISTER -
VERSAILLES, 4 - 6 JUNE 1982

1. ✓ Silver Commemorative Plate from Francois Mitterrand - President of France.
2. ✓ Book - "Versailles" by Jacques Dubois.
3. Book - "Tableaux Modernes" by Georges Blacke.
4. Book - "Garibaldi" by Guiseppe Cesare Abba from Giovanni Spadolini - Prime Minister of Italy.
5. Leather writing wallet.

Mr. Coles

Do you want
to take my gifts
ie these presents
which have
not been marked
pr. of 1416.

June 1982.



Foreign and Commonwealth Office

London SW1A 2AH

11 June 1982

Dear Willie, pr hysc m. de

Versailles Economic Summit

Thank you for your letter of 1 June about the letter to the Prime Minister from the General Secretary of the TUC about the Versailles Summit.

I enclose a draft reply. The Treasury have seen it and are content. They have recommended that the Prime Minister should reply to both the letter to her and that to the Chancellor.

I am copying this letter and enclosure to Peter Jenkins (HM Treasury).

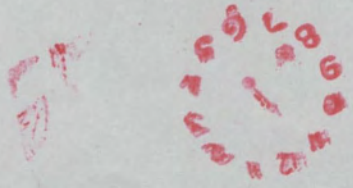
Yours ever,

(F N Richards)
Private Secretary

W Rickett Esq
10 Downing Street

Foreign and Commonwealth Office

London SW1A 2AT



17 JUN 1982

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1+

FROM: Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO: Rt Hon Lionel Murray OBE
General Secretary
TUC

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

PRIVACY MARKING

SUBJECT: VERSAILLES ECONOMIC SUMMIT

.....In Confidence

Thank you for your letter of 28 May, to which I am replying on behalf of the Chancellor of the Exchequer as well as myself.

CAVEAT.....

I enclose copies of the Declaration issued at the end of the Summit and of the statement I made to the House of Commons on 8 June. As you will see, there was agreement among the Versailles Summit participants on what was needed for sound economic management and the well-based recovery from world recession which we all wish to see. ^{1/P} The essential elements in this agreement ~~were~~ ^{was} that growth and employment would be increased on a lasting basis only if we were successful in our continuing fight against inflation. This would help to bring down interest rates and lead to more stable exchange rates. ^{1/P}

The Summit countries all agreed to pursue prudent monetary policies and to reduce budgetary deficits. They also recognized a joint responsibility to work for greater stability in the world monetary system, and issued a statement of international monetary

Enclosures—flag(s).....

undertakings, which is attached to the Declaration.

The Summit discussed many of the other concerns Statement of the expressed in the TUAC, document, such as new technologies, relations with the developing world and the strengthening of the open trading system. You will note that we have set up a Working Group to prepare a report on technology by the end of the year, which could be considered at the 1983 economic summit.

The launching of Global Negotiations in the UN is a major political objective ~~which was~~ approved by all participants in the Summit.

described in the Declaration

One of the principal benefits of Economic They provide Summits is the opportunity ~~it provides~~ to co-ordinate policies among the seven major industrial democracies. At Versailles, all were agreed on the need to ^u pursue rigorously the resolution of national problems without adopting policies harmful to others. I believe that the Versailles Summit ~~was another step towards~~ will help ensure ensuring that the world economy achieves a sound recovery.

undertakings, which is attached to the Declaration.

The Summit discussed many of the other concerns expressed in the statement of the Trade Union Advisory Committee, such as new technologies, relations with the developing world and the strengthening of the open trading system. You will note that we have set up a Working Group to prepare a report on technology by the end of the year, which could be considered at the 1983 summit. The launching of Global Negotiations in the United Nations is described in the Declaration as a major political objective approved by all participants in the Summit.

One of the principal benefits of Economic Summits is the opportunity they provide to coordinate policies among the seven major industrial democracies. At Versailles, all were agreed on the need to pursue rigorously the resolution of national problems without adopting policies harmful of others. I believe that the Versailles Summit will help ensure that the world economy achieves a sound recovery.

①

Versailles Summit.

First plenary session. ~~June~~ 5. vi. 82 9.45 a.m.

Mitterrand Calls Summit Conf. to order. A privilege to open conference. A pleasure to welcome you here. Technical instructions on micro: system.

A historic room. Don't be dazzled by paintings, celebrating glory of Napoleon. I am not a follower of N., but this place is part of history of France. Continue until 11.00 / 4.15. Coffee break 10 mins.

A few comments on agenda agreed last night.

Last night we tackled a no. of political questions. We shan't be able to tackle them again before Sunday eve.

These are high level meetings, but try to forget the burdensome bureaucratic back-up. Get away from heavy & cumbersome and technical discussions.

A free discussion to forge a common political will among us on certain crucial issues.

What are we going to do in this conference. Meals for direct and informal discussions; + meetings a formally.

Let us also look at other problems - Mid East, Cent. Latin America. But concentrate on economic matters which influence our political choices. I do not accept that our individual views are too divergent to be harmonised.

A common aim to facilitate trade between us, and to prevent one or other of us from letting the rest make progress. But this meeting is a court of judgment. E.g. protection: we all take protectionist actions in one way or another.

The first major problem is the macro-economy. All responsible for the problem of crisis together. Get our priorities right, and look at things straight. Wrong to look at individual aspects except in general context. Base on facts: no preconceived ideas or prejudices. We are all affected by the crisis.

One aspect of crisis is rel^{ns} betw E + W. Not just a question of military matters. You can't pursue a defence policy with economy in mind.

(3)

E-W rel^{ns} also a matter of economic rel^{ns} —
trade and credit, wh. we shd also tackle.

Also discuss N-S, if we are to consider crisis
as a world phenomenon.

After macro economy discuss other subjects we are
concerned with.

I have produced introductory doc., framed in this way.
We have differences, but an overall desire to work
together. Be able to tell our Ministers to pursue
a certain line of common policy. If there are fields
where it is difficult to agree, there are others where
we can agree.

X My doc: is abt technology, + effects on employment,
both in our own countries and third world.
If we can get a grip on 3rd industrial revolution,
we shall be organising our future. I am
not suggesting a lot of super general stuff, for
the world or for ourselves. Not am I suggesting
that technology is only a service of state. We
have to help to encourage research and
industrial development of technology.

I shant need the report to you — 32 pages
dit: only for ...

The preamble has only 3 pages, which I will read.
Since Ottawa Sm. have low jobs. World economy
and trade sluggish. Currencies unstable. In
South conditions have worsened: 30 mm. have
died of starvation since Ottawa.

Some successes: inflation down in a no. of
countries; some show some ~~gr~~ growth. In
France not such success with inflation, but
growth of unemployment flattening out. We can
learn from each other.

Necessary to get a grip on the transformation facing us
Imagine a perfect economic world: no inflation, stable
rates etc. How easy life would be. Not so,
so we have to deal with the problems.

It's impossible to leave here without stating we can
do something.

[Intermission is sound of for only Clark]

Give something to inspire young people.

Regenerate our spiritual values; give our people
a taste for living.

In first part of report, words about biotechnology
and its possibilities. Purpose is to show what
these technologies can achieve.

Information technology; energy technology; dealt
with in my report.

Oceanic research; space exploration.

It means exit; there is an immense reservoir of intelligence to tap. Get bold policies going again.

Adapt our industries to new technology. Agree to put together to reduce N/S differences

Then I propose a no. of measures, wh: shd enable us to set ourselves goals and programmes, including a committee to put this together, and work together for joint development.

All part of discussion on welare conditions, employment, education, communications.

Why not have at UN university a world network linking different languages.

Why not a world encyclopedia?

What has to do with our traditional objects?
Everything: all about democracy.

Suzuki We are all discussing how to ventilate our economies. Discuss in cooperⁿ not confrontation looking to pull out part. A world crisis, work together. In part 2: mounting tide of protectionism. John Jones to expand the encouraging aspects of it.

Sivaⁿ since Ottawa severe, but one good thing improvement in inflation since Ottawa.

(6)

With regard to trade, while we believe that our market is open as open as anybody else's, we have taken further measures, in particular, measures to open market even more, incl: to tariff reductions etc. At same time I urged to any people to accept foreign affairs with an open mind. I shall try to make the measures work; look for cooperation from others. Need to work together in GATT Ministerial in such things as trade in services, investment, high technology. We are continuing to try to achieve growth led by domestic demand. Expansion of public works. While seeking to maintain appropriate value for yen, working for appropriate balance in economy.

Importance of MPS. Japanese spending her and as speed at Ottawa.

Agree that to emphasize a technology eco means possible a return to growth and expanding economic equilibrium, and improve economic conditions.

E.g. microprocessors have improved industrial productivity, and maintain conditions.

(7)

If automatic translation becomes possible, this will greatly improve + encourage international cooperation.

Japan's basic strategy in promotion of sci + tech.

- ① R&D v. ad d. R\&D depend primarily on private sector, with Gov^m coming in where risks or lead times are too great for private sector.
- ② Act under principles of free exchange, + remove barriers.
- ③ Promote transfers of technology, inc. between NTS.
- ④ Work for consensus betw: management and labour, e.g. on introduction of robots.

Robots can introduce more jobs than they displace.

In 1985 ~~at~~ an exhibition in Japan; we hope you will all participate.

Summit sh^d give a new boost to cooperation in this field. Set up a working group. May bring fruit to consider. Japan will contribute actively.
E.g. in life-science, nuclear energy, space exploration
? biotechnology

are subjects worth considering.

Reflect on effects on national actions and conditions of internationalised development. Respect ~~with~~

⑧

problems; but a message of hope for the future,
and a focus for developing unity.

Schmidt

General welcome to Mitt. report + Suzuki.

Agree working group, either OECD or Summit
countries.

The need: the growth in world populⁿ.

When I was born, 2bn.; by end century 6bn.

Rate of growth alarms me. My fear is that

We shan't be able to feed them all, or give

them all jobs. So technological development vital.

We must take a positive attitude to growth

of world populⁿ and what technology can do.

At 1983 Summit we should look in more detail

at problems of overpopulⁿ as exhaustion of natural

resources. Need for greater aid.

We must talk with the churches too. I have 2cc
talked to the Pope, without much success.

But Mandate to working group should be confined

to more precise things; but we should also

have a report ~~on~~ in 1983 on

Spadolini

(9)

Welcomes Mitt. initiative, is ~~an~~ important

A new dimension to country

1. Define dimensions of 3rd Industrial Rev^o

2. Define possibilities + limits of action

We cannot stop or slow down historical development;

we must guide it and control it, as determining

future of our countries. A influences economic

and spiritual development. Technology must

be a tool to promote depth of democracy

A no. of sacrifices will have to be made.

Control of inflation essential.

Private initiative, free forces of market,
must be the propelling factor. But

economic future will depend also on what

governments do. We must guide and control

spontaneous trends. We need a clear

frame of reference for development of national

effort and international cooperation.

Agree the proposal for a working group to

consider issues and identify possibilities for

action. Agree respect cultural diversities

(10)

Tudean Right to look towards future.

Technology is the science of techniques. The workings group should have in itself or parallel to it people who can define what we see emerging from 3rd industrial revolution, and on the social and cultural implications. We have not always thought about those implications of technological development. e.g. noise, reflex, a. environment. We need a philosophy of technology.

Agree with Schmidt about the problem of overpopulation. We shall need a new system of moral values, which includes concept of interdependence.

Mitterand

In France our problem is that the health and social services have a higher budget than the state, and its expenditure is increasing exponentially. Not properly controlled.

Biotechnology could help to reduce health expenditure, if wisely applied.

Another example: v. few developing countries

with enable agri production to be increased
by factors of 4, 5 or 10.

Thank you for discussion.

Thank you for support of working group,
we will report back to 1983 Summit in US.
I visited you all before this conference. Thank
you for receiving me. I learnt a great deal
about agreements and divergences. We need
greater cooperation. Also I learnt a great
deal from ~~Fred~~ Trudeau's and Canadian
management at Montebello.

Recess now for 30 minutes.

11.40 am. 5. vi 82

(12)

Martens On behalf of EL, a few points on report.

1. We do not have to bow our heads to the crisis and accept it. Technology gives us the concrete means to combat it and reestablish growth. So the report is a message of hope.
2. It is a backdrop to our discussions of macro-economy, trade etc, if only because of the massive investment required by technology.
3. Unemployment requires an increase in vocational training programs; but ties in too, since training in technology is needed.
4. M/S requires clear eyed use of technology for output.

We must learn to use ~~the~~ tech: more effectively
You suggested a wkg group. What part can the EL take in that group? The EL could be active.
EL Martens have already set themselves a programme on the lines of Mitt's report. The report will help the EL to focus its work.

Reagan Welcomes Mitt. report as antidote to thinking about limits to growth; puts in US, welcomes proposal for wkg group

Technological dynamism - characteristic of West (as opposed to East), which affects ways in

stimulus to technological development comes from private sector. E.g. Silicon Valley.

We want to see a proper environment for such development.
Govt tax programme includes tax incentives for technology development.

Govt also cooperate to remove barriers to flow of technology; i.e. high cost, high risk development (e.g. nuclear energy).

Look at Napoleon in the picture on the wall; behind the crown and the fur he was not enjoying the simple comforts we enjoy.

Pres. Hoover asked a group of scientists to predict the next 25 years. Their report made no mention of TV, computers, space, air transport, plastics: not even a ballpoint pen.

In 1913 a Congressman proposed a bill to abolish the Patent Office because everything possible had been invented.

[Another policy little needed is not recorded]

More than 2/3 of world population engaged in agriculture, living in mud huts and scratching the ground with a stick. With technical development we could feed the population of the world on 10% of the acreage now tilled.

(14)

We have three teams and providing technological depth is qualitative.

I agree with why groups, & govts doing what is their proper part; but keep open freedom of individual effort and initiative.

Thatcher A few comments.

You said this was the 80 industrial Revol.
There's nothing new about new technology; it hasn't destroyed jobs but creating more.
But new tech. tends to come in spurts, and that makes it difficult to deal with employment consequences. The timing of this spurt has led to some resistance; we have to overcome that.

— The science & the technology are the easy parts.
The human factor is more difficult.

But new tech. means putting more money into investment in place of social security, and indexation and corruption.

— Where there is a tradition of unionisation, we only get technology accepted if we have super-management: put an brake for the Japanese.

— Keep the tax system and put into the...

(15)

— What it is but we shall do differently as a result?
As a result of previous summits we are coming
out of our difficulties in a much sounder
way than out of previous recessions.

They have also helped us to keep a more open
world trade system. We all have some
protection, but if we are to get more growth
and employment we need an open trade system.

— Welcome working group, to consider general aspects
of Milt's report, to make practical proposals,
and to suggest how we can influence public
opinion.

Reagan Thatcher spoke of fear of technology.
People thought that dial telephones would do operators out
of their jobs. Now we have so many telephones
that there will not be enough women to service
them manually.

Mittler Wants Mrs T's last words, about
influencing public opinion, reflected in
le. qué. The influence on general public
is important.

And let it come as a message from here.

I thoroughly agree with everything Reagan
said. The way things will

(16)

looking at joint uses of existing technology.
Refers to examples of rejection of technological
depth, incl: Galileo.

The major reason I drafted this report is that
technology creates jobs, as you say. We must
reject the backward-looking view. Technological
progress generates growth.

In just 2 Industrial Revolutions too long a time
elapsed between the ~~start~~ time of the revolution and
the consequent creation of jobs. We must reduce
the lapse of time this time. Perhaps we have
already lost 70 years; don't let us lose another
20. Progress with more job productivity better
and jobs more interesting.

Now time to

macro-economic problems, + continue after lunch.

Schmidt According to OECD estimates, over 7 countries with
which we have a high GNP in 1982 than in 1981. At the
same time in 6 out of 7 unemployment will be between
6 + 12 percent. 30 million people at of work in
OECD. The world economy has gone off the rails
1983 looks slightly more favorable. Wages to be raised

Schaudt

We must have lower budget deficits.
In FRO we have brought P&BR down to much
less than when Summit countries asked us to be a
Worsening. And yet is unemployment again;
we are still suffering from effects of excessive
P&BR of the 1978 Summit. We have
introduced measures to increase employment
and higher investment. This has meant we have
had to reduce expenditure in other areas. This
was difficult. We did not want to change the
core of our social security system, because of
need to social stability. We have spent
well down, respect growth rate of 3 per cent;
but still worried about unemployment.

Mitterand

Don't say, like Napoleon's mother, I hope it lasts.
Accept and adapt to change.

Reagan We are plagued, like others, with unemployment,
and with high interest rates. We have adopted
a policy 180 degrees different from before.
This is the 8th postwar recession. On previous
occasions we had quite fit spending to try to
end. But each one led to another recession
with deeper unemployment + higher inflation than
before. Results = public debt of \$US 3 billion

In 1980 the 7% recession pushed up unemployment, inflation, interest rates to record levels. He introduced a tax around to the increase in gov^t spending. It's now only up half as fast as when he took office. But this has not done enough to bring interest rates down enough to help car and homebuilding industries.

Inflation down from 12.4% to less than 1 per cent in last three months

One reason why interest rates have not followed inflation down: a pessimism that Congress will revert to the old ways of the 1970s.

We believe that this is wrong. We are still working to get deficits down. The budget

expected would have taken deficits down by \$358 bn over three years, and on a trend towards balanced budgets.

Despite high level of unemployment, we have more people in jobs than at any time in our history.

A demographic change at work: particularly - first increase in women in working popl: though by unemployment fig. 3 to 5%, but a 1 m. more people in job market than a year before, and 800,000 of them find jobs.

& we recognize the effects of our large interest rates,
we believe rates held up psychologically.

We believe that when Congress passes a budget
which shows that reduction of budget deficits
is for real, rates will come down.

We don't believe that more tax cuts will lose
revenue; ~~they~~ we believe they will stimulate
at this increase national income & tax yields.
That was what happened when Kennedy made
tax cuts.

I know that with us all effect each other.
We shall share with our plans. I agree that
we do have closer cooperation with each other
probably at a ministerial level.

We believe in international exchange markets to
prevent domination, but as a permanent activity.
I think we do have a joint study of
international exchange markets; it would
be beneficial to all of us to find out
what the record is.

Mitterand Becke for lunch now.
Resume

Spadolini Social stability and our international strength depend on our ability to manage our economies, control inflation, restore growth and reduce unemployment. We must have a plan and a will to face these problems. Mitterand made an imaginative proposal this morning. We must use all means and face our problems in a coordinated way. Not uniform approach, but coordinate our diversity. \$

X X X X

Trudeau

X X X X

Need for some general will to accept sacrifices for the sake of growth. Can we just go on with our anti-inflation policies, accepting whatever cost in unemployment?

If we must do that, we should say so together. But perhaps there is a different message to get across.

Reagan said interest rates would come down if people are convinced about budget deficits.

But can we wait? Disastrous consequences in Canada, and on some foreign borrowers

we cannot wait for the November election.
 Can we help Reagan? I should like to
 help myself by helping you. Can we
help you to persuade Congress to agree
what is necessary to bring interest rates
down? ~~the~~

We always meet to compare ourselves favorably
 with the East. I wish we could have
some hope out of this summit.

Reagan repeats the story of the disadvantages
 of "quick fix" ones

We believe we are on the right track for
reducing inflation, and by tax incentives
to stimulate growth and create jobs

Any sign that we are on the right track.

We are reducing taxes for gov't take from
private sector; but they have been hurt
before by "quick fixes".

Trouble with 2 factions in Congress.

Some want to go faster than us; but
we don't want to cut deeper into
security.

There are already some signs of economic recovery. Tax cuts and indexed rise in social security benefits in July will put \$30 bn into economy. Flourishing permits up.

The regulations we have cancelled have taken out 2 million man hours of paper work in private sector and lower levels of bureaucracy.

Tandean Will the unions ask for catch-up wage increases again?

Reagan In the automotive industry a deal has been made to forgo wage increases for Salee & Company.

Tandean Because of fear of unemployment; it will revert again.

Reagan No; management has learnt its lesson.

Tandean I fear not; the wage increases will be passed on to consumer.

Reagan The consumer has learnt that he need not buy.

Tandean He buys Jap cars all right.

Suzuki Be ready to go for concerted intervention. If we announce that, it will be good for stability and confidence in exchange markets.

intended that is one of the purposes ~~for~~ of our discussion.

Martens One or two points from European Council:

① Concern at current ^{intentional} economic situation: unemployment, + general crisis of a structural nature. Can only be overcome if we all take coordinated action with agreement of management and labour. Hope that govt intervention can be limited, but social consensus necessary, so govt intervention may be necessary for limited periods. Tend with support democratic values and international credibility.

② Understate positive areas. Fight to control inflation; reduction of energy dependence.

③ Still a no. of business to improve. European Council said ^{possibly} multiple decline impacts in three areas;

① a double decline in interest rates

② greater exchange rate stability

③ improved North-South relations.

High real interest rates contribute to unemployment and make more difficult the service of public debt. Absolute priority to reduce budget deficits both sides of the Atlantic.

As whatever we can to foster orderly arrangements and markets by cooperation between monetary + ... , Japan + EC.

The EMS is already making a contribution to stability.

A few more words to Japan:

Japan should pursue exchange and trade policies more compatible with a fair distribution of burdens in industrialized world. Glad to hear from Suzuki of measures taken in this regard, and of reliance on domestic demand rather than export push.

In E.C. we need and can achieve greater convergence of economic policies, particularly to encourage investment and employment of young people. Focus on investment response of strength. We must also take specific measures to reduce unemployment, esp. to promote vocational training of young.

Finally we need an active policy of cooperation with 3rd world.

Finally (again) we emphasize need for greater stability of exchange rates so as to encourage trade. That must result from a greater convergence of economic policies and a joint effort towards economic recovery; and also strengthened cooperation with IMF, particularly in monitoring the free world currencies.

Rule out use of exchange rates to get competitive advantage. Be prepared to intervene in currency markets so as to counter movements which are not objectively justifiable.

The E.C. countries should be international monetary undertakings as complementary to their obligations under the EMS.

Oh God, another "finally," endorsing the proposed

rather Inflation and unemployment are alternatives only in the very short run and only in certain sectors. Deficit financing is not dead weight unemployment resulting from changing patterns of trade, or from higher productivity, or from failure to invest in products of tomorrow. Any short-term gain is achieved at the cost of greater unemployment in the longer run, as is shown by British experience 1972 to 1977.

|| Inflation as a policy is not an end in itself for unemployment; and it is a positively immoral policy, stealing something from every pound or dollar saved. Control of inflation helps to reduce unemployment in anything but the very short run. I agreed with Reagan that you have not only got to get your deficit down but also to adopt policies that show that you are going to go on getting it down in future. Important for confidence. Two ways of reducing deficit: cutting expenditure, or increasing taxes? Cutting expenditure is preferable. We as politicians we often go for avoiding people's expectations of higher living standards, and not following the policies that we really would like to promote. On international we cannot stand in the way of large sustained movements, but can correct disorderly conditions.

On global agreements, OK when conditions, whole and guarantee integrity of world institutions.

We will only get steady creation of new jobs if we do down deficit, and cutting budget deficits. Free need for spending in ~~training~~ vocational training.

● It comes back to inflation, and whether we can bear the burdens we impose on them.

Tindeman I absolutely agree that you can't be long unless you can't reduce unemployment except with control of inflation. Or whether you can sustain control of inflation.

Thatcher I am sure you can, if you stick to the right policies

Miltner No one would expect Mrs Thatcher not to stick to the policies

Suzuki Japan's 90% dependence on imported oil for energy affected prices; but we were able by technological development to offset that to a considerable degree. The favorable performance was result of steeper performance of Japanese price. When the economy was stagnant Gov took a positive view to public investment which led to a very large public sector borrowing at reliance on Government bonds. The degree of public sector deficit is very large, so we are trying to reduce gov't expenditure, while the economy by growth in private sector must at least allow enable us to keep relatively low interest rates. We intend to maintain sound fiscal measures. We have been fully experienced on domestic demand: approx 4.4% of the 5.2% target growth rate is to come from domestic demand.

Schmidt A few comments on correlation between inflation, currency + exchange rates. No one who knows us will dispute that 1 deflated inflation.

Highest level we have ever had is 7.0%, 8 years ago. It is well down now.

Before that not convertible dollar in effect. That predicted oil price surges; it started with the US financing the Vietnam war. So then in 1972 Bretton Woods abandoned: dollar devalued; fixed rate system abandoned. The petrodollar ~~was~~ abandoned this discipline on themselves let all the govts type in printing money -- enough of money to pay for the spiraling oil prices in 1973-74.

In order to get back to monetary discipline some of us wanted to get back to fixed exchange rates. That was the motivation for setting up the EMS: to provide a discipline, not to spend our reserves on supporting our own or other people's currencies.

~~I'm not going to spoil his system, and I don't believe~~
I don't believe in intervention against the intentions of the markets. The US have not been asked to get back to fixed but adjustable parities; you have been asked to agree to intervention to prevent disorderly movements.

Why has dollar gone up again? Because in April people expected agreement a budget and a consequent fall in interest rates; then in May it was understood that there would be no agreement, so expectations of reduced interest rates failed; so people were asked to invest in the dollar where he could get 7 or 8% in real terms. So the dollar goes up again, not expressing basic position economy, but expectations on interest rates.

30

So intervention not to support a currency at great cost but to smooth disorderly movements. The instability of exchange rates with floating borders away from US to France and Germany where there is greater stability.

Europeans in a fairly easy spot. UK with N & S. Oil can live with it; FRG can live with it; but the smaller and poorer countries cannot.

Part of the blame lies with fluctuations resulting from "policy" of weekly money supply figures. You will create greater cooperation ~~not~~ even with Europe, if you had greater stability.

You are the strong — I don't like it but it is so, but you bear the responsibility.

Let the world become a little more dependable and calculable.

Reagan I don't see get rates down, but is no promise.

We agree with Art. 4 of the IMF but interesting is disorderly markets.

The weekly figures are from an independent central bank, the FRB. We will tell them of your views, but we can't order them.

I grant you the coming up of inflation began with Lyndon Johnson wanting guns and butter. I remember saying 25 years ago there is no such thing as

(31)

We should be very careful about the ways we should do
 employment. We had a job creation scheme, most of the
 cost of which was the bureaucracy to run the programme.
 On the job training is best: men go to work the man
 knows there is a job at the end of it. Both have
 certain functions which it does very well; when
 it moves out to do other things which the private
 sector should do, it does not do so well.

Mitterand No one will criticize Reagan for being true to his own beliefs.

After being the decline of France there was a long period of
 inflation which killed off the empire (like Gibbon).

Our aides will be meeting today tomorrow to agree
 on putting into effect our agreements on monetary
 indebtedness.

65 will be meeting in Toronto with Director of IMF
 to discuss better monetary cooperation.

A text has been prepared. No doubt you will need
 to view critically; consider after he has.

Mitterand As you can see that I submit the text to you tomorrow morning.

Colombo Our aides have gone a long way, but there remain one or 2 political points wh. we ought to clear up here.

On the part of the statement concerning monetary cooperation.

In para 2, I would like to suggest a modification.

It talks about developing multilateral activities. We want to say "taking into account the private currencies constituting the ERM".

A paper talks about 65 Ministers meeting in Toronto with Man. Dir. of IMF. What is his group of 5, are we constituting it now?

I can understand the reference to ERM currencies, but not the group of 5.

Martens In main declaration I should not like to delete the reference in para 3 to "(which constitute the EMS)".

Haas Last night Min. of Fin. we spent a long time discussing these matters, + our delegates have produced new texts. It would be advantageous to have his notes on his evening meeting by Fin. Min. before it comes back to the text.

Mitterand The Shapses have produced a document wh. we have been working on. Colombo has added a comment wh. a document wh. is not an official document.

Let me put aside the group of 5 at Toronto.

Trom Agree with her to have a meeting this evening could solve his question. Our problem is that there is no ref. in para 2 to Ministers of Finance of EC countries. We could not accept the deletion

Mitterand There seems to be an agreement emerging on the original text.

Delos The text as it stood referred to France, Japan, + G7 etc. Some Ministers objected but it appeared to rule out other countries, to be deleted "by a closer cooperation etc." Is the monetary undertaking sufficient, or should the tri-polar sentence be added?

I see no objection to the original text, within the ref. to EMS

So I wd accept ... monetary system, especially by a closer cooperation etc" omitting the ref to EMS

Mitterand Accepted.

Colombo In para. 2 of 8 indicates "taking account of ^{particularly} the special position of the five currencies constituting the SDR"

Lambert No basic objection to this; but we should find a formula wh: does not seem to exclude the Swiss franc.

Thom We are not excluding Swiss: we say "particularly", wh does not exclude others.

Lambert I wd go along with that

Colombo I have a comment to make on the working programme - document. This document will go to the press. It is not necessary to have para 4 in it.

Q

(34)

Flare Our discussion of that document is not complete. Let us complete our discussion this evening.

Regan Does this mean that G5 should not meet?

Multinational It is difficult to ask them to agree to a meeting after a group to which they are not a party. I see no objection to what Colombo is saying, but a G5 meeting should not be offered.

Accept Flare's suggestion; let Mr. of Finance do clear it up, and have about to be Personal Reps to finalize the form.

The omission of reference to the G5 meeting will not mean that the G5 will not meet.

So now to trade.

W.A.D.

Thom Important to send from here a signal about the maintenance of the open multilateral trading system. GATT Ministerial will be a Council meeting, ~~open~~ public. after a yr of no public world trade.

So let us express a wish to success, initial lays down an agenda.

Three problems:

- (1) Accumulation of persistent large trading surpluses by Japan. We hope that this will not be a...

its borders more widely. Recent measures show that they are close to the frontier; but more progress needed.

- ② Escalation of trade tension between US and EC,
frank. in steel and gr. products.
Let's cool it down before GATT

Ministerial meeting

- ③ The aid to growth of L.D.C. of importing.
 Most people at GATT will be 3rd world;
they will be encouraged if they think that
the industrialized countries are not going to
let them go into further recession.

Suzuki Make clear our policies. Reason why trade frictions have become so big issues is because of state of world economy. Therefore there are trade frictions among us. What is most important is to vitalize the world economy, and to cooperate in doing so.

Since the end of 1981 we had had 2 packages to open the Japanese market, incl. tariff reductions, institution of trade ombudsman. As a part of second set of measures, there was a further accelerated reduction of tariffs. These measures were taken without asking others to do the same.

We are often told we don't import v. much. It is relatively little in percentage, because we import 99% of our energy; but it is not small in absolute terms.

I should like to see the problem avoided by work in GATT on trade in services, investment. We will fully cooperate in such moves.

As far as quarantine is concerned, many others in a similar situation.

Lambsdorff

I should like to tell our basic principles of trade to other FRG adheres. You know our position German Govt. welcomes second Jap package as a step in the right direction; I hope not the last. Glad that Jap Govt has asked people to have a more positive and receptive attitude to goods imported from abroad. But there is still more that the Japanese Govt could do, by way of increasing trade: better to do it that way than by other people limiting trade.

The multilateral GATT system must be maintained & extended. GATT Ministerial freq being important. We must come to terms with current trade distortions, and deal with problems of trade in services, however difficult that may be.

Thom spoke of Euro-US matters.
The responsibility issue - the US must also be persuaded you.
G. Steel, Dept of Commerce will be taking a decision
on countervailing duties in 10 June; it would be
helpful if more decisions in context to our
decisions & agreements here.

There must be agreement not any between EC
and US Govt. Also between EC and
US steel industry.

EC depends from 20 world countries; we consider
and to be important but trade far more important
to those countries. So we support.

~~EC was not at~~

GATT was whole to agree on demand of trade
pledge. If it were not renewed, there would be
a catastrophic deterioration of export credit conditions.
There must be an agreement in the Seven about
this. I think this should be possible, staying
from discussions on lunch. Putting USSR in
top category would help considerably.

Regan

We believe that the multilateral trade system has been
the principal engine of growth. It is up to us to defend
and set goals for this system.

Part of GATT compromise proposal on export credits
Complete Tokyo Round.

Address the problem of services. It's of enormous importance to us.

Need for new rules on technology, + general international rules for investment need attention.

Work did begin on this, for consideration of further work.

Hope GATT Ministers will take concrete steps to this end.

Robert

Distinction between 2 levels.

(a) current affairs, referred to by them
Trade relations with Japan. We must accept the Japanese position has eroded, and Japan is more open. We can't expect results overnight, but hope for more progress in studying multilateral trade in a friendly spirit.

(b) provisions for completely changing the deal in international trade. This is a process principally taken by the US. All the proposals we considerly overhaul the trade system; we don't start, but make one but what we have works properly before going on to other things — though we can talk about the other things. Before going on to trade in services, improve, and remove barriers to, trade in products. We can't do in one year all the things we hope to do in ten years. Take a ten year perspective.

Other things: what we decide at consensus will
decide what happens to N/S trade and E/W trade.
We have worked on conditions that are realistic for
us, France.

39

Break .

0945

North-South

Delors Ministers of Finance have been looking again at text of draft declaration on North-South with a view to making additional points on IDA replenishment etc. ^{role of Regional Banks, concerning} ~~They propose~~ ^{instability in commodity earnings, and IMF quotas.} ~~They propose~~ ^{amendments which will demonstrate political} ~~will~~ ^{will}.

McEachan Supports Delors. Important to signal a political will to deal with outstanding issues on Regional Banks and on other issues. We have problems with financing of World Bank; and IDA replenishment is being held up (hence interest in a possible IDA Special Fund).

Hare Supports Delors and McEachan. Text only just cleared, and being got ready.

SuzukiThom

} Missed owing to frantic telematic activity, amending drafts etc.

Reagan

We want to help L.d.c., but have had to stretch
IDA replenishment. Private flows more
important than official aid. On global
negotiations (GN) Bedjaoui text does
not fully cover anxieties expressed at
Cancun, but we could go along with
it as now proposed to be amended.

Howe

Agree Bedjaoui text needs amending
to protect the integrity of specialised agencies
Support IDA Special Fund. On energy
affiliate, circumstances may now have
passed, as OPEC surpluses down.
Ryngaert endorse for need to improve energy
and food production, but not now to
go for energy affiliate.

McEachern

On GN a v. general text in ~~speci-~~
dual 'equi'. We have also speed amendments
to 6-77 resolution; not sure if they need to
be looked at by Sheras.

Howe

This is not the time or place to discuss
text. Several changes to text agreed;
we are not yet adopted that changes

Schmidt We ought to see facts. Difficult to discuss without them.

Mitterand I will spend document to find agreement when I have it.

Hare It's 12 lines of amendment to draft declaration.

Mitterand We will see it when we do draft declaration.

Spadolini On M/S we believe but interests of IV = dialogue with 5 remains, for economic as well as political reasons. Stresses importance of increasing ^{major} food and energy production, reservations about adequacy of private flows; hope for success of Italian conference on this in the autumn.

Mitterand If no more on M/S, turn to draft declaration.

43

Tindem Need to inject more of a sense of crisis and need for urgency, at the beginning.

W^o like a If not "crisis", mention "urgency".

Mittromand Tindem to draft language.

Thatcher I agree with "urgency"; nature language but implies crisis.

Tindem Quotes the Sunday Times: 7 leaders "not scared enough". Need to create confidence and provide leadership.

Thatcher I agree: "the gravity of" "for urgent action with a view to improving it".

Tindem Fine

Schmidt In favour of Tindem's objective and Thatcher's proposal. I did also like to express another thought. Despite criticism we have kept clear of beggar-my-neighbor policies. By and large we have prevented the world from lapsing into the barbaric sort of situation, and we prevented oil price shock driving us up. That is the source from which we derive my sceptical optimism.

Tindem I agree with that. Should we find a way of saying we have not done too badly?

Schmidt Surely like what I said.

Spadol I agree with Mrs Thatcher's proposal.

Mitterand I intend to propose words incorporating these thoughts.

Page 2:

Creighton Amendments proposed by France & French Ministers

"Unacceptably" instead of "unacceptably"

Add after "exchange rates":

"This requires an increase in achievement of stringent fiscal policies"

Flone

"This requires increased success in the achievement of stringent fiscal policies"

Mitterand

I don't like "stringent". I agree on the substance.

~~but~~ ^{table} my deficit is already ~~down~~ low - the lowest round this

Schmidt

I think a sentence - this sense is indispensable; without it the rest of the para. has no meaning.

Thom

~~It~~ ^g

"This implies new progress in the reduction of budgetary deficits"

Regan

We ought to mention ~~budget~~ monetary as well as fiscal policies

McEachen

This could look like - Robert. I want to deal with budgetary deficits and real interest rates. The Ministers of the Interim Acc were more forceful than this. The para. as now amended may be moving in the right direction. Quotes 'OECD communique' in support.

Mitterand

Would you like to make a concrete proposal?

(45)

Reagan May be the HSB could write with satisfaction the OECD communiqué.

Lahnstein Top of p. 2

Add "As has been laid down in the OECD Ministerial Communique, this cannot..."

Add "This requires increased success in the pursuit of stringent but fiscal policies and prudent monetary policies" after "for a year inflation".

Mittlermann

I don't like referring to something agreed elsewhere.

Tundheim

We all agree that high US rates are the problem. Can we help Reagan by saying "We are agreed that the immediate necessary reduction of high interest rates necessary for economic recovery requires urgent budgetary action by the US". Is that too blunt?

Reagan

We should find that the only headline will be disarray among the 7; it will be a US interest rates. We should go home to a Congress but with heads we had been stepped in the face.

Tundheim

OK "we have agreed on the need for urgent action to reduce high real interest rates if we are to have a early recovery of our economies."

Reagan

"~~branch and rights~~ Reads a text, he intend to eliminate our budget deficit in the next 2 years."

(46)

Schmidt I bet my hat you don't.

Mitterand Cut this short; we have only just started.
We must not point our fingers at Reagan & Powell.
If we did that, we would have to pick an enemy
else.
So I propose:

~~This will also~~

APR could also

X | In order to ~~achieve~~ ^{buy debt} his essential reduction of
real interest rates, it is nec. to ensure as
Y | a matter of urgency a greater control of
~~monetary~~ budgetary deficits and ^{various etc} money supply.

Trudeau Reagan's accent in the positive is good too.

Mitt "This can be obtained a double bond of
the 'X'"

Howe Should we not write Shapiro to entree his
sentence by coffee break?

Reagan But it positive: this is what we are going to do.

Mitt "This will be obtained ... if"

"To achieve his essential reduction of real interest
rates, it is nec. ^{to ensure} (as Y).

Howe In order to achieve his essential ~~reduction~~ ^{reduction} of
real interest rates ~~it is necessary~~ ^{we will} to provide
fiscal unity policies & as a matter of
urgency to achieve greater control of
budgetary deficits."

Trudeau That's much better.

Mitterand I expect to agree on this

(47)

Spadolini Shouldn't just-ifying become before up to monetary policies,

Mitt OK

~~Spadolini~~ So far to statement in annex.

Paris 1-5 OK

I don't like 6. Why should we put this in about EMS?

It's like the burghers of Calais.

Schmidt End it at "framework."

Spadolini Tries an alternative.

Mitterrand I can't accept: support Schmidt.

Spadolini OK, I bow to majority

Mitt Stop at "framework"

Para. 7 OK

Back to trade para in main declaration.

Trade para. approved.

Turn to E-W trade para.

He reads French

reads English.

Hay

Mitt

It's better than basic Reach text.

We have a difference in "limiting" export-coord.

Hay

Finance & Foreign Affairs agreed "limiting".

Schmidt

We can buy the text as it stands.

Who does COCOM.

Spadolini

Tindem

"Tolerance in limiting" isn't saying what you want (i)

(48)

Spado to yes. Either "prudence" without "limits" or "limits" without "prudence".

Hay he would rather say "including be need for limits export credits".

Milt What he mean is clear: not limitation - prudence but prudence.

Hay "including be need for prudent limitation of export credits".

Thodes "but be need to limit exp credits in the light of commercial prudence".

Milt agrees OK

Tindean Should we mention COCOM in a published communique? We didn't at Ottawa.

Milt Follow the Ottawa example. The specific political question is whether we help the Soviet Union when we grant credits. We only sell \$700 m of goods to SU and we buy \$4 bn. We already have a restrictive policy, so we are regarded by S.U. as being unhelpful. I am backing off half my contracts with SU so as not to export technology. These limits credits does not necessarily limit exports. We don't want an embargo.

Does trade with SU help the SU? If so, we are be needed. As our trade is the weakest.

because France lends so little to the S.U. This will mean that US + German trade will continue, because they trade at much higher levels than us.

Spadolini
Mitt

[I missed it for a spot of duty
"will accept including the need to limit exports in the light of commercial prudence"

Thatcher

Could we not agree on that, and move on?
Perhaps go further next year.

Tindeman

Other OECD countries ought to be bound as well as us.

Argues a defeat

"including the need to handle export credits in the light of commercial prudence"

Mitt

Leave you time to think it over.

Thom

A no. of nuances in EC. I do go along with Tindeman or Thatcher. We have never mentioned COCOM.

Mitt

I think we do know Ottawa.

Thatcher

We never mention COCOM.

Needs a formula; doesn't alter meeting

Schmidt

Likes it: inc. reference to strategic goods.

Mitt

OK: Agreed

On to energy.

Energy agreed,

On to developing countries

Agreed up to "global negotiations"

Then he reads Fin + For Murr text for the rest.

Jap

Fin Murr Please substitute "the power" for "the poorest"

Mitt Yes, but.

Flora The Shergas' draft included "poor".
I wd accept Jap amendment "the poorer"

Mitt Ok. We will clean up French text.

After that, "This is why we see a need"

Laubstein Include the Shergas' text a population growth

Mitt Ok: amendment agreed.

Back to original text a technology.
Agreed.

Reagan I still like to have time to look
at para on global negotiations

Mitt So we back out for 20 minutes, + hope
to agree hereafter?, like last?

Hain We have problem a E-W, and a GN.

Mitt Share it out here.

On E-W, I will withdraw proposal abt
limiting exports.

We have "including the need to limit export
credits in the light of commercial prudence"

On the Tudean proposal.

Hain I thought the Thatcher formula suited all but
one.

Reagan

(5)

Mitt I w accept limit exports
or manage export credits

Hay Our monitoring will show where trade
needs to be restricted. In the meantime
we know we could do better on
officially supported export credit
Hope we can go back to the original formula
or the Thatcher formula.

Mitt The Hay explanation is OK, but not the text
Hay The original anxiety was to avoid directly
but focused solely on export credits. Layton
produced a text which included no reference
to export credit. Hence our modest
proposal for an insertion. We could amend
as proposed by Mrs Thatcher.

Mitt The idea of limitation applies only to export credits
I wished to apply it to exports as such.

Mitt Israel have managed to ...
All the things ...

"including the need to manage the limitation
of private and public export credits
with commercial prudence"

Jap implement^{ing} of limitation on private export
credits would be difficult.

Mitt We will be out of proportion to force on
publicly supported ~~the~~ export credits
as France as likely.
I do not understand how we can say 8% in private
sector is OK, 12% in public sector not.

Have "including also the need for commercial prudence
in limiting ^{also} export credits."

Britt W^o you ~~not~~ accept Spado?

Have I prefer ~~it~~ more stylizedly

Mitt Accept Spado.

Jap [Incomprehensible]

Mitt Accept Italian amendment.

OK
~~Not~~
S & BN.

Have We need a statement on the need to
protect the independence of the financial
institutions.

Schmidt I think he means not having them do
to debts.



FILE SW

10 DOWNING STREET

From the Private Secretary

11 June, 1982

Versailles Summit: Global Negotiations

Thank you for your letters to John Coles of 9 and 10 June. The Prime Minister agrees that we should not press for further amendments to the Bedjaoui text, as amended at Versailles.

I am copying this letter to John Kerr (Treasury) and David Wright (Cabinet Office).

W. F. S. RICKETT

John Holmes, Esq.,
Foreign and Commonwealth Office

da

Prime Minister 1



The Bedjaoui text, as amended at Versailles, is at A.

Our Summit

Foreign and Commonwealth Office

partners clearly believe

London SW1A 2AH

that the Summit agreed to

stick by that text in discussions in the Ten and the OECD

tomorrow and next week.

10 June, 1982

The Foreign Secretary and the

Chancellor feel in these circumstances that it would be wrong to

press for further amendments. Agree?

Dear John,

Yes mk WH
10/6

Versailles Summit: Global Negotiations

My letter of yesterday on this subject suggested that our representatives should be prepared to accept the Bedjaoui text, as amended, provided that the other Community members and the United States could do so. It is worth adding that it is quite clear from reports which have reached us since I wrote that those of our partners who were at Versailles regard the issue as settled by the discussion in plenary there. I understand that Secretary Haig said that he wanted it clearly understood that the amendments to the Bedjaoui declaration were accepted, as long as our discussions in New York were based on unanimity. M. Thorn, for the Commission, supported this; and M. Mitterrand noted the point as agreed.

The State Department have confirmed this (Washington telegram number 2073 attached) and have told us that their understanding is that all 7 Summit countries will now stick firmly by the amendments to the Bedjaoui text agreed at Versailles. The President had agreed to the changes: this was a new position compared with the President's previous attitude, but the issue had been settled in Paris. We have heard that the French and the Belgian Presidency also believe that the amendments to the Bedjaoui text were endorsed at the table by Heads of State and Governments in Versailles.

I am copying this to John Kerr (Treasury) and David Wright (Cabinet Office), the latter with a copy of my letter of 9 June.

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
Private Secretary
10 Downing Street

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FM WASHINGTON 092055Z JUN 82

TO PRIORITY FCO

TELEGRAM NUMBER 2073 OF 9 JUNE

INFO PRIORITY UKMIS NEW YORK UKREP BRUSSELS UKDEL OECD

INFO ROUTINE BONN PARIS UKMIS GENEVA

MYTEL 2069. VERSAILLES SUMMIT: GLOBAL NEGOTIATIONS.

1. WE NOW HAVE THE REACTIONS OF MEISSNER (STATE DEPARTMENT).

2. MEISSNER'S UNDERSTANDING IS THAT ALL SEVEN SUMMIT COUNTRIES WILL NOW STICK FIRMLY BY THE AMENDMENTS TO THE BEDJAQUI TEXT AGREED AT VERSAILLES THROUGH PAYE IS STILL NEGOTIATING MINOR CLARIFICATIONS. HIS UNDERSTANDING OF THE TIMETABLE IS THE SAME AS YOURS, IE COMMUNITY DISCUSSION ON 11 JUNE, AFTERWHICH THE CANADIANS WILL INTRODUCE THE TEXT IN THE OECD AND THEN IN NEW YORK. MEISSNER'S UNDERSTANDING IS THAT IT WILL NOT (RPT NOT) BE REVEALED TO NON-SUMMIT PARTICIPANTS THAT THERE IS A COMMON TEXT.

3. WE ASKED WHETHER MEISSNER WAS SATISFIED THAT THE REVISED TEXT FULLY MEETS HIS BASIC WORRIES ABOUT PROCEDURES, INSTITUTION AND THE AGENDA. HE SAID THAT HIS PERSONAL VIEWS WERE OF NO FURTHER INTEREST. THE PRESIDENT HAD AGREED TO THE CHANGES: THIS WAS A NEW POSITION COMPARED WITH THE PRESIDENT'S PREVIOUS ATTITUDE, BUT THE ISSUE HAD BEEN SETTLED IN PARIS.

4. MEISSNER WAS CLEARLY UNHAPPY AND COMMENTED THAT WE WOULD DOUBTLESS COME ACROSS QUOTE SOME DISSATISFACTION IN TOWN UNQUOTE OVER THIS OUTCOME. GIVEN THE HISTORY OF AMERICAN CONFUSION SO FAR, THIS COULD INDICATE THAT CO-OPERATION WITH THE AMERICANS ON THIS ISSUE MAY NOT BE MUCH EASIER THAN BEFORE, AND THAT AT THE LEAST THEY WILL REFUSE TO ACCEPT ANY AMENDMENTS TO THE AGREED PARIS TEXT ESPECIALLY IF THESE WERE REPRESENTED AS NECESSARY CONCESSIONS TO GET THE G.77 ON BOARD

THOMAS

STANDARD

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CABINET OFFICE

[COPIES SENT TO NO 10
DOWNING ST]

[NOT ADVANCED]

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

9 June 1982

Dear John,

Versailles Summit: Global Negotiations

You will recall that senior officials considered during the Versailles Summit possible amendments to the draft Resolution intended to launch the Global Negotiations which would render this text (the Bedjaoui text) acceptable to all concerned, including the Americans. I enclose a copy of the Bedjaoui text with the amendments proposed.

This will be discussed further between officials in the European Community on 11 June and the OECD on 16/17 June. Mr Pym believes that, in these meetings, our representatives should be prepared to accept this text, provided that the other Community members and the United States can do so.

It is obviously important that the independence of the specialised bodies, especially the IMF, the World Bank and the GATT should be guaranteed. In our view, the amended text gives adequate protection to these bodies. The last sentence of paragraph 4 would now read:

'The jurisdiction, competence, functions and powers of the specialised fora within the United Nations system will be respected by the Conference'.

This is a stronger formula than the one in the Summary of the Co-Chairmen at Cancun and would not allow the Global Negotiations' Conference to give instructions to specialised bodies.

Paragraph 5 of the Resolution, although clumsy in its wording, has been amended in order to prevent the Conference setting up ad hoc groups which would duplicate the work of existing bodies like the Fund or the Bank. The Prime Minister will recall the suggestion made at Versailles by the Chancellor of the Exchequer

/that the



that the second sentence of paragraph 5 should be amended by omitting the words at the beginning 'Both the specialised fora and ...'. The sentence would thus refer only to the ad hoc groups. This would undoubtedly be an improvement from our point of view. But we are sure that leaving out all mention of the specialised fora would be quite unacceptable to the developing countries and that our Community partners would regard it as a wrecking amendment. Our position is safeguarded by the last sentence of paragraph 4 (quoted above) and the second sentence of paragraph 5 must be subject to this. The Conference can set objectives and provide guidance, but it cannot determine the decisions which the specialised bodies, like the Fund and the Bank, may take.

I am copying this letter to the Private Secretary to the Chancellor of the Exchequer.

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

The General Assembly

Having considered the item entitled "launching of the Global Negotiations on international economic cooperation for development",

In accordance with resolution 34/138,

1. Decides to convene a United Nations Conference for Global Negotiations on international economic cooperation for development from 3 may 1982. Such negotiations should be action-oriented and proceed in a simultaneous manner in order to ensure a coherent and integrated approach to the issues under negotiations;

2. Decides that the Conference will function throughout and reach agreement on the basis of consensus ;

3. Decides that the Conference will in a preliminary phase establish the procedures agenda and timeframe for the Global Negotiations ;

4. Decides that the Conference will exercise the central role in the Global Negotiations. The jurisdiction, competence, functions and powers of the specialized fora within the United Nations system will be respected ;

5. Decides that due attention shall be given in the preliminary phase to the inter-relationship between the central role of the Conference and the specialized fora which, together with the ad hoc groups it may create, will be entrusted with specific agenda items or parts thereof. Both the specialized fora and the ad hoc groups will proceed with their work on the basis of the relevant and appropriate objectives and guidance established by the Conference ;

6. Decides to accord high priority to the Conference in relation to other United Nations activities except those of the principal organs established by the Charter of the United Nations in respect of facilities and services and requests the Secretary-General to provide the necessary documentation to the Conference ;

7. Decides that the Conference will report to the General Assembly at its thirty-seventh session.

Amendments agreed by the Summit

Recalling the resolution 34/138

As soon as a consensus is reached the Conference will enter the substantive phase

... will be respected by the Conference

... with the ad hoc groups it may create without duplication of existing appropriate fora, will be entrusted...

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FM FCO 091700Z JUN 82

TO IMMEDIATE CERTAIN MISSIONS AND DEPENDENT TERRITORIES
GUIDANCE TELEGRAM NUMBER 123 OF 9 JUNE 1982

THE VERSAILLES ECONOMIC SUMMIT

1. THIS GUIDANCE DESCRIBES THE OUTCOME OF THE VERSAILLES SUMMIT. IT MAY BE DRAWN ON FREELY, EXCEPT FOR PARA 8.
2. THE 8TH ECONOMIC SUMMIT WAS HELD AT VERSAILLES FROM 4-6 JUNE. IT WAS ATTENDED BY THE HEADS OF STATE OR GOVERNMENT OF THE SEVEN PRINCIPAL INDUSTRIAL COUNTRIES (CANADA, FRANCE, FRG, JAPAN, ITALY, UK AND THE USA) TOGETHER WITH THE PRIME MINISTER OF BELGIUM, AS PRESIDENT OF THE EUROPEAN COMMUNITY, AND THE PRESIDENT OF THE EC COMMISSION.
3. AT THE END OF THE SUMMIT THE SEVEN HEADS OF STATE AND GOVERNMENT ISSUED A DECLARATION, TOGETHER WITH A STATEMENT OF INTERNATIONAL MONETARY UNDERTAKINGS (VERBATIM NO 98).

LINE TO TAKE

4. YOU SHOULD BE GUIDED BY THE PRIME MINISTER'S STATEMENT TO THE HOUSE OF COMMONS (VERBATIM NO 100), AND BY THE REPORT OF HER PRESS CONFERENCE (VERBATIM NO 97).
5. THE FOLLOWING POINTS CAN BE MADE:
 - (A) WE CONSIDER THIS TO HAVE BEEN A SUCCESSFUL SUMMIT. IT WAS NOTABLE FOR A STRONG SENSE OF SOLIDARITY ABOUT THE APPROACH TO THE MAJOR ISSUES OF THE FUTURE.
 - (B) IN PARTICULAR, THE DECLARATION INDICATES MUCH COMMON GROUND AMONG THE SEVEN MAJOR INDUSTRIAL COUNTRIES ON THE ECONOMIC, MONETARY AND TRADING POLICIES WHICH SHOULD BE ADOPTED IN ORDER TO SECURE A SOUND AND LONG LASTING ECONOMIC RECOVERY. IT WAS AGREED THAT GROWTH AND EMPLOYMENT WOULD BE INCREASED ON A DURABLE BASIS ONLY IF WE WERE SUCCESSFUL IN OUR CONTINUING FIGHT AGAINST INFLATION, WHICH WOULD BRING DOWN INTEREST RATES AND LEAD TO MORE STABLE EXCHANGE RATES.

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TO THAT END ALL AGREED TO PURSUE PRUDENT MONETARY POLICIES AND TO REDUCE BUDGETARY DEFICITS: ALTHOUGH SOME GOVERNMENTS (EG FRANCE) TEND TO PLACE MORE EMPHASIS ON POLICIES TO REDUCE EMPLOYMENT MORE DIRECTLY.

(C) THE STATEMENT OF INTERNATIONAL MONETARY UNDERTAKINGS IS AN IMPORTANT MEDIUM TERM POLICY STATEMENT. IT IS NOVEL THAT THE MAJOR COUNTRIES SHOULD ACCEPT SO EXPLICIT A RESPONSIBILITY FOR THE INTERNATIONAL MONETARY SYSTEM, AND FOR PURSUING CONVERGENT POLICIES AGAINST INFLATION, AIMED AT MAINTAINING THE VALUES OF THEIR CURRENCIES.

(D) WE ARE ENCOURAGED BY THE MEASURE OF AGREEMENT REACHED ABOUT THE G77 DRAFT RESOLUTION FOR LAUNCHING THE GLOBAL NEGOTIATIONS IN THE UN, AND HOPE THAT THE CONSULTATIONS ENVISAGED IN THE SUMMIT DECLARATION CAN BEGIN VERY SOON.

(E) AT MITTERRAND'S INITIATIVE THE SUMMIT EXAMINED THE WIDE EFFECT OF NEW TECHNOLOGIES, AND THE RESPONSIBILITY ON GOVERNMENTS TO EXPLOIT THE IMMENSE OPPORTUNITIES SO PRESENTED IF WE ARE TO CREATE THE JOBS OF TOMORROW. WE LOOK FORWARD TO RECEIVING THE REPORT OF THE WORKING GROUP AT THE END OF THIS YEAR.

(F) ALTHOUGH PRIMARILY ABOUT ECONOMIC MATTERS, THIS SUMMIT, LIKE PREVIOUS ONES, GAVE HEADS OF STATE OR GOVERNMENT AND FOREIGN MINISTERS, SOMETIMES TOGETHER, AND SOMETIMES SEPARATELY, THE CHANCE TO DISCUSS TOPICAL POLITICAL ISSUES. DISCUSSIONS WERE INFORMAL, TOOK PLACE MOSTLY AT MEALS, AND FOCUSED ON THE FALKLAND ISLANDS AND THE ISRAEL/LEBANON CONFLICT, WITH A BRIEF DISCUSSION OF EAST/WEST ISSUES TOO.

(G) THE DISCUSSION ON THE FALKLANDS WAS NOTABLE FOR THE AGREEMENT WITH OUR POSITION ON ALL ESSENTIAL POINTS, AS UNDERLINED BY PRESIDENT MITTERRAND IN HIS PRESS CONFERENCE AT THE END OF THE MEETING.

(H) THERE WAS MUCH MISPLACED PRESS COMMENT DURING THE SUMMIT ABOUT ANGLO-AMERICAN STRAINS OVER THE FALKLANDS FOLLOWING THE CONFUSION OVER THE US VOTE IN THE SECURITY COUNCIL ON 4 JUNE. AS THE PRIME MINISTER HAS MADE CLEAR THE GOVERNMENT ARE FULLY SATISFIED WITH THE AMERICAN SUPPORT

FOR OUR POSITION, INCLUDING MILITARY SUPPLIES AND SIMILAR SUPPORT.

(I) ON ISRAEL/LEBANON, HEADS OF STATE AND GOVERNMENT ISSUED DURING THE SUMMIT A DECLARATION OF SUPPORT FOR UN SCR 508. IMMEDIATELY AFTER THE DECLARATION WAS APPROVED, WE INSTRUCTED OUR POSTS IN THE AREA TO TAKE ACTION TO IMPLEMENT IT. (UKDEL VERSAILLES TEL NOS 1 AND 2 OF 6 JUNE, NOT TO ALL).

BACKGROUND

6. THIS WAS A SUCCESSFUL MEETING FOR THE UK. ON THE ECONOMIC SIDE WE PLAYED AN ACTIVE AND IMPORANT ROLE IN THE ACHIEVEMENT OF BROADLY SATISFACTORY COMPROMISES ON DIFFICULT ISSUES SUCH AS THE MONETARY QUESTION. THE ECONOMIC POLICIES ENDORSED BY THE SUMMIT ARE THOSE WHICH WE HAVE BEEN PURSUING AND ADVOCATING FOR SOME TIME.

7. THE WORDING OF THE DECLARATION ON GLOBAL NEGOTIATIONS BROADLY REFLECTS THE POSITION WHICH THE EC HAD ALREADY ADOPTED. IN ACCEPTING THIS WORDING THE AMERICANS HAVE GONE A LOT FURTHER THAN THEY HAVE EVER DONE BEFORE, BUT THEIR DEFINITIVE POSITION IS STILL UNCLEAR.

8. (NOT FOR USE). THE AMERICANS HAVE BEEN PRESSING SUMMIT PARTNERS SINCE MARCH TO AGREE A MECHANISM FOR RESTRICTING THE SUPPLY OF CREDITS FOR THE SOVIET UNION. THE LANGUAGE OF THE DECLARATION INDICATES THAT, WHILE THE US WAS UNABLE TO GET THIS RESULT, THEIR PARTNERS WERE WILLING TO ACCEPT THAT SOME LIMITATION WAS DESIRABLE. WE HOPE THAT THE US WILL COME TO SEE THIS AS A SATISFACTORY RESULT WHICH LARGELY MEETS THEIR POINT.

PYM

BY TELEGRAPH:

ATHENS
BONN
BRUSSELS
BRUSSELS (UKREP,EEC)
COPENHAGEN
THE HAGUE
LISBON
LUXEMBOURG

PARIS
PARIS(UKDEL,OECD)
ROME
GENEVA(UKMIS)
DUBLIN
MADRID
STOCKHOLM

MOSCOW
NEW YORK(UKMIS)
NEW YORK(BIS)
WASHINGTON
WASHINGTON(UKDEL
IMF/IBRD)
TOKYO
OTTAWA

[ALL IMMEDIATE]

OSLO
STRASBOURG(UKDEL)
BERNE

HELSINKI
MEXICO CITY
CANBERRA

WELLINGTON
NEW DELHI

[ALL PRIORITY]

AND SAVING TO CERTAIN OTHER POSTS

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Dear Pat
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SUBJECT

10 DOWNING STREET

Master

From the Principal Private Secretary

9 June 1982

Dear Brian,

VERSAILLES SUMMIT

I should have circulated earlier the attached note which Peers Carter did of the conversation between the Prime Minister and President Mitterrand on her arrival at the Grand Trianon on Friday 4 June. I apologise for the delay, which was our fault.

I am sending a copy of this letter and of the record to Davie Wright (Cabinet Office).

Yours sincerely,

Anne Whitmore.

Brian Fall Esq.,
Foreign and Commonwealth Office.

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AT

INITIAL CONVERSATION BETWEEN PRESIDENT MITTERRAND
AND THE PRIME MINISTER.

1. After an exchange of greetings and courtesies the President outlined the programme which he had in mind emphasising that nothing was fixed and that the Heads of State and Government would decide their own agenda. The Prime Minister said that according to her recollection it was usual to discuss international affairs at the first meeting. The President said that this was so but that the arrangements were as he said entirely open. He added that he hoped to talk privately with the Prime Minister during her stay and there would no doubt be plenty of opportunity for this since they were both under the same roof and there were extensive gardens to stroll in. But he asked whether the Prime Minister would like him to say a few words on business at once and the Prime Minister agreed that this would be useful.
2. The President said that from the moment that the Argentines invaded the Falklands an ineluctable logical process had started and that he had foreseen that by this time the United Kingdom would be in about the position where it was today. He had not intervened with suggestions that military movements should be slowed down because he knew that in the first place it would have been pointless and in the second place it would have been contrary to the logic of events. This would remain so up to the recapture by British forces of Port Stanley.
3. But he hoped that after that a new logic of events would be launched. The British had followed their natural instinct, would have recovered their property, asserted their national honour and defended their national interests, but at that moment it would be a very dangerous situation for everybody if we were to become bogged down in a war.
4. The Prime Minister said that she entirely agreed but that this depended not only on the British Government but also on the Argentines and that it was not possible to foresee exactly what would happen.
5. The President agreed. He said that the Peruvian ship about which he had spoken by telephone last Saturday had duly arrived on Tuesday and had been sent away empty and that during hostilities he would see to it that no exocets would be delivered within the dangerous region. It was true that it was laid down in the contract that they could not be resold, and in a telephone conversation, to the President of Peru had assured him on his honour that they would not be; nevertheless they would be delivered. Relations were getting tense and it was getting hard to hold position. He claimed no merit for what he was doing saying that it was no more than his duty but nevertheless he hoped that the fighting could be brought

/quickly .

quickly to an end. Perhaps the Prime Minister was prepared to see British relations with Latin America continent wrecked but France was not in the same position.

6. The Prime Minister said she and her Government and the Chiefs of Staff were most grateful to the President for what he had done and for what he had said the other day in an American television interview. She hoped that the fighting would be quickly finished; equipment was being disembarcked and moved into position for the final battle but the Falklands were very far away and the moment for action must be decided by the military commander. She hoped that the action would be swift and lead to a surrender of the invaders.

7. It would then be necessary to arrive at a settlement with mainland Argentina.

8. The President said he hoped that all possible international pressure would be applied in this direction. He had not intervened and would not in favour of a ceasefire before the capture of Port Stanley and was prepared to go on "playing the fox" with Peru, but this could not last forever. Two days ago he had had the Peruvian Ambassador sent for by the Minister of Foreign Affairs who had explained the problem frankly and said that no exocets could be delivered in times of danger; until then France had been making technical excuses but this could not go on forever. If a dramatic situation should arise in which Latin America threatened to cancel all contracts with France he would let the Prime Minister know but for the time being he was holding firm. Much imagination would be needed to find a legal solution - the Prime Minister had even used the word "independence".

9. The Prime Minister replied that this hardly seemed feasible unless we had a lot more people in the Falklands, but there was oil, natural gas and considerable possibilities for development. The President concluded by saying let us finish the battle first and then talk further.

P Carter

Econ Pol



Foreign and Commonwealth Office

London SW1A 2AH

8 June, 1982

Dear Clyde,

Prime Minister's Statement on the Versailles Summit

We suggest the amendment of one paragraph in the draft statement enclosed with your letter of 7 June, to bring it more closely into line with the Summit Declaration. The proposed amendment is enclosed.

I am copying this letter with enclosure to John Kerr, (HM Treasury) and Michael Pownall (Lord Privy Seal's Office).

Yours ever,

Francis Richards

(F N Richards)
Private Secretary

C Whitmore Esq
Private Secretary
10 Downing Street

RESTRICTED



PROPOSED AMENDMENT TO DRAFT OF PRIME MINISTER'S
STATEMENT ON THE VERSAILLES SUMMIT

Replace the second paragraph on page 2 by
the following:-

With regard to trade with the Soviet Union
and Eastern Europe, we agreed to work for
improved arrangements for the control of
exports of strategic goods, to exchange
information on all aspects of economic,
commercial and financial relations with the
Soviet Union and Eastern Europe, and to
exercise commercial prudence in limiting
export credits for these countries.

Foreign and Commonwealth Office
8 June 1982



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10 DOWNING STREET

From the Private Secretary

8 June 1982

I enclose the final version of the Prime Minister's statement this afternoon on the Versailles Economic Summit. You will see that she has also decided to include a passage on the Falklands, which is based on material provided for Questions purposes.

If there are any essential comments, I should be grateful to have these by 2 p.m.

I am sending copies of this letter to John Kerr (HM Treasury) and Derek Piper (Ministry of Defence).

M. A. PATTISON

Francis Richards, Esq.,
Foreign and Commonwealth Office.

MR. SPEAKER,

WITH PERMISSION I SHOULD LIKE TO MAKE A STATEMENT ABOUT THE
ECONOMIC SUMMIT AT VERSAILLES WHICH I AND MY
RT. HON. FRIENDS THE FOREIGN SECRETARY AND THE
CHANCELLOR OF THE EXCHEQUER ATTENDED FROM THE
4TH TO 6TH JUNE.

THE HEADS OF STATE OR GOVERNMENT OF THE SEVEN
PRINCIPAL INDUSTRIAL COUNTRIES WERE PRESENT, AND
THE EUROPEAN COMMUNITY WAS REPRESENTED BY THE
PRIME MINISTER OF BELGIUM, WHICH AT PRESENT HOLDS
THE PRESIDENCY IN THE COMMUNITY, AND BY THE
PRESIDENT OF THE COMMISSION.

THE CONFERENCE WAS AGREED ON WHAT WAS NEEDED FOR SOUND ECONOMIC
MANAGEMENT AND FOR ACHIEVING A WELL-BASED RECOVERY
FROM WORLD RECESSION.

THIS SOLIDARITY EXTENDED TO THE POLITICAL FIELD ALSO
AND IN PARTICULAR TO THE FALKLANDS DISPUTE.

/ OUR

OUR DISCUSSIONS PLACED EMPHASIS ON THE VALUE OF MEDIUM AND LONGER TERM POLICIES AND WERE NOTABLE FOR THEIR CONTINUITY WITH THE ECONOMIC POLICIES ADVOCATED AT EARLIER SUMMITS.

I HAVE PLACED IN THE LIBRARY OF THE HOUSE THE DECLARATION ISSUED AT THE END OF THE SUMMIT SETTING OUT LINES OF ACTION WHICH WE SHALL FOLLOW.

WE AGREED THAT GROWTH AND EMPLOYMENT WOULD BE INCREASED ON A LASTING BASIS ONLY IF WE WERE SUCCESSFUL IN OUR CONTINUING FIGHT AGAINST INFLATION, WHICH WOULD THEN HELP TO BRING DOWN INTEREST RATES AND LEAD TO MORE STABLE EXCHANGE RATES.

TO THAT END WE ALL AGREED TO PURSUE PRUDENT MONETARY POLICIES AND TO REDUCE BUDGETARY DEFICITS.

/ RECOGNISING

RECOGNISING A JOINT RESPONSIBILITY TO WORK FOR
GREATER STABILITY IN THE WORLD MONETARY SYSTEM,
WE ISSUED A STATEMENT OF INTERNATIONAL MONETARY
UNDERTAKINGS.

BELIEVING IN THE NEED TO EXPAND WORLD TRADE, WE REAFFIRMED
OUR COMMITMENT TO STRENGTHEN THE OPEN TRADING SYSTEM
AS EMBODIED IN GATT AND TO WORK TOWARDS THE FURTHER
OPENING OF MARKETS.

WITH REGARD TO TRADE WITH THE SOVIET UNION AND EASTERN EUROPE,
WE AGREED TO WORK FOR IMPROVED ARRANGEMENTS FOR THE
CONTROL OF EXPORTS OF STRATEGIC GOODS; TO EXCHANGE
INFORMATION ON ALL ASPECTS OF ECONOMIC, COMMERCIAL
AND FINANCIAL RELATIONS WITH THESE COUNTRIES;
AND TO EXERCISE COMMERCIAL PRUDENCE IN LIMITING
EXPORT CREDITS FOR THEM.

/ THE STATEMENT

THE STATEMENT OF MONETARY UNDERTAKINGS TO WHICH I HAVE REFERRED
WAS ONE EXAMPLE OF A MEDIUM TERM POLICY SUPPORTED BY
THE SUMMIT.

ANOTHER MEDIUM TERM THEME WAS THE NECESSITY TO
EXPLOIT THE IMMENSE OPPORTUNITIES PRESENTED BY THE
NEW TECHNOLOGIES IF WE ARE TO CREATE THE JOBS OF
TOMORROW.

IT IS SIGNIFICANT THAT THOSE COUNTRIES REPRESENTED AT
VERSAILLES WHICH HAVE THE LOWEST INFLATION AND THE
LATEST TECHNOLOGY ARE THOSE WHICH HAVE THE LOWEST
UNEMPLOYMENT RATES.

WE AGREED TO SET UP A WORKING GROUP TO PURUSE THESE
TECHNOLOGICAL MATTERS AND TO SUBMIT A REPORT BY THE
END OF THE YEAR, WHICH COULD BE CONSIDERED AT THE NEXT
ECONOMIC SUMMIT TO BE HELD IN 1983 IN THE UNITED STATES.

/ MR. SPEAKER,

THE HEADS OF STATE AND GOVERNMENT SPENT SOME TIME DISCUSSING
RELATIONS WITH THE DEVELOPING WORLD.

THE GROWTH OF THE DEVELOPING COUNTRIES AND THE DEEPENING
OF A CONSTRUCTIVE RELATIONSHIP WITH THEM ARE VITAL FOR
THE POLITICAL AND ECONOMIC WELLBEING OF THE WHOLE WORLD.

THE LAUNCHING OF GLOBAL NEGOTIATIONS IN THE UNITED NATIONS
IS A MAJOR POLITICAL OBJECTIVE APPROVED BY ALL THE
PARTICIPANTS IN THE SUMMIT.

AT THE SAME TIME WE RECOGNISED THAT ALTHOUGH THE UNITED
NATIONS CAN MAKE REQUESTS TO THE SPECIALISED AGENCIES,
LIKE THE IMF AND THE WORLD BANK, IT CANNOT GIVE THEM
INSTRUCTIONS.

THE HEADS OF STATE AND GOVERNMENT ALSO AGREED TO GIVE SPECIAL
ENCOURAGEMENT TO PROGRAMMES OR ARRANGEMENTS DESIGNED TO
INCREASE FOOD AND ENERGY PRODUCTION IN DEVELOPING COUNTRIES
WHICH HAVE TO IMPORT THESE ESSENTIALS AND TO PROGRAMMES
TO ADDRESS THE IMPLICATIONS OF POPULATION GROWTH.

/ MR SPEAKER

MR. SPEAKER,

WE NATURALLY DISCUSSED THE SITUATION IN THE SOUTH ATLANTIC.

I SET OUT THE BRITISH POSITION IN DETAIL.

AS THE HOUSE KNOWS, BRITISH FORCES IN THE FALKLANDS
ARE PREPARING TO REPOSSESS PORT STANLEY.

THE SECRETARY GENERAL OF THE UNITED NATIONS AND
CERTAIN MEMBERS OF THE SECURITY COUNCIL HAVE PROPOSED
VARIOUS FORMULATIONS FOR A CEASEFIRE.

NONE PROVIDES THE UNEQUIVOCAL LINK BETWEEN AN
IMMEDIATE ARGENTINE WITHDRAWAL AND A CEASEFIRE
WHICH IS THE ONLY BASIS ON WHICH WE COULD AGREE TO
A CEASEFIRE.

THE GOVERNMENT HAS MADE IT CLEAR PUBLICLY THAT IF
THE ARGENTINES TELL US THAT THEY ARE PREPARED TO
WITHDRAW, WE SHALL ENABLE THEM TO DO SO WITH SAFETY,
DIGNITY AND DESPATCH.

SO FAR, WE HAVE HAD NO POSITIVE RESPONSE.

/ I AM GLAD

I AM GLAD TO SAY THAT THERE WAS AGREEMENT AMONG THE HEADS OF STATE AND GOVERNMENT AT VERSAILLES ON ALL THE ESSENTIAL POINTS OF THE BRITISH POSITION.

THIS WAS UNDERLINED UNEQUIVOCALLY BY PRESIDENT MITTERRAND IN HIS PRESS CONFERENCE AT THE END OF THE MEETING.

WE ALSO SPENT SOME TIME ON EAST/WEST RELATIONS.

A NUMBER OF US WILL BE ATTENDING THE NATO SUMMIT STARTING TOMORROW AND SPEAKING LATER THIS MONTH AT THE SECOND UNITED NATIONS SPECIAL SESSION OF THE GENERAL ASSEMBLY DEVOTED TO DISARMAMENT.

FINALLY, WE DISCUSSED THE VERY SERIOUS SITUATION IN THE MIDDLE EAST.

FOLLOWING A PERSONAL REQUEST FROM THE SECRETARY GENERAL OF THE UNITED NATIONS, THE CONFERENCE ISSUED A DECLARATION OF SUPPORT FOR THE RESOLUTION ADOPTED UNANIMOUSLY BY THE SECURITY COUNCIL ON 5 JUNE.

/ THIS IS

THIS IS BEING FOLLOWED UP BY INTENSE DIPLOMATIC
ACTIVITY BY ALL PARTICIPANTS, IN PARTICULAR THE
UNITED STATES, DESIGNED TO RE-ESTABLISH THE CEASE-
FIRE AND RESTORE THE TERRITORIAL INTEGRITY OF
LEBANON.

I HAVE PLACED A COPY OF THE SUMMIT'S DECLARATION
IN THE LIBRARY.

MR. SPEAKER, ALL THE HEADS OF STATE AND GOVERNMENT WHO TOOK
PART IN THIS CONFERENCE WERE GRATEFUL TO PRESIDENT
MITTERRAND FOR GIVING US AN INVALUABLE OPPORTUNITY
TO DISCUSS THE ECONOMIC AND POLITICAL PROBLEMS
FACING US TODAY.

OUR TALKS WERE NOTABLE FOR TWO CHARACTERISTICS,
A STRONG SENSE OF CONTINUITY AND AN ENCOURAGING
MEASURE OF SOLIDARITY ABOUT OUR APPROACH TO THE
MAJOR ISSUES OF THE FUTURE.

/ WE SHALL

WE SHALL BE SUCCESSFUL IN DEALING WITH THOSE
ISSUES ONLY IF WE PURSUE SUSTAINED AND
COOPERATIVE POLICIES.

THE MEETING AT VERSAILLES MADE A SIGNIFICANT
CONTRIBUTION TO THAT GOAL.

FILE SW



10 DOWNING STREET

From the Private Secretary

8 June, 1982

The Prime Minister will be making a statement today on the Versailles Summit.

You may have seen the texts of the declarations in the press yesterday, but I enclose copies in the form in which they will be placed in the Library this morning.

M. A. PATTISON

Sir Tom McCaffrey

STATEMENT BY HEADS OF STATE AND GOVERNMENT

AT VERSAILLES SUMMIT, 6 JUNE, 1982

We are shocked by the news reaching us from Lebanon and the Lebanese-Israeli border area. We are deeply moved by the loss of human life, the suffering and destruction. We think that this new cycle of violence, if it were to continue, could have disastrous consequences for the whole area.

We have taken note of the unanimous adoption by the U.N. Security Council of a resolution expressing grave concern at the violation of the territorial integrity, independence and sovereignty of Lebanon and calling on all the parties to the conflict to cease immediately and simultaneously all military activities in Lebanon and across the Lebanese-Israeli border. We have also taken note of the appeal addressed to the parties by Mr. Perez de Cuellar, Secretary General of the U.N., and of a message sent by him to the President of the French Republic, as Chairman of this meeting.

We strongly endorse the urgent appeals by the Security Council and the Secretary General for an immediate and simultaneous cessation of violence, and we call upon all the parties to heed these appeals, in order that peace and security throughout the area be safeguarded.

Each of our governments will use all the means at its disposal to achieve this objective.

DRAFT

STATEMENT ON THE ECONOMIC SUMMIT AT VERSAILLES

Mr Speaker, with permission I should like to make a statement about the Economic Summit at Versailles which I and my rt hon Friends the Foreign Secretary and the Chancellor of the Exchequer attended from 4th to 6th June. The Heads of State or Government of the seven principal industrial countries were present, and the European Community was represented by the Prime Minister of Belgium, which at present holds the Presidency in the Community, and by the President of the Commission.

There ~~was at this~~ ^{was} conference ~~a high degree of agreement~~ ^d on what was needed for sound economic management and for achieving a well-based recovery from world recession. This solidarity extended to the political field also and in particular to the Falklands dispute. Our discussions placed emphasis on the value of medium ^{and longer} term policies and were notable for their continuity with the economic policies advocated at earlier Summits.

I have placed in the Library of the House the declaration issued at the end of the Summit. ^{Setting out our lines of action which} ~~This said that increased growth~~ ^{we shall follow} ~~and employment will be attainable on a durable basis only if we are~~ ~~successful in the fight against inflation.~~ ~~The Summit countries~~ ~~pledged themselves to pursue prudent monetary policies and achieve~~ ~~greater control of budgetary deficits in order to reduce real~~ ~~interest rates.~~ ~~We agreed that (less than X of community)~~

There was agreement on a statement of international monetary undertakings directed at improving the stability of the world

We agreed that growth & employment ^{/ monetary} would only be increased on a lasting basis if we were successful in ^{the} our continuing fight against inflation, which would ~~then~~ help

To keep down interest rates and
and ~~keep down~~ ^{lead to} more stable exchange rates
~~be agreed that~~
~~be agreed~~

To that effect and we all agreed to
to pursue prudent monetary policies,
and reduce budget deficits,

~~be~~ ~~issued a separate statement~~
~~accepted the necessity of~~ ~~need to~~
~~write more closely together to secure greater~~
~~an international monetary cooperation~~

Recognising a joint responsibility to
contribute to greater stability of the world
monetary system and a reduction
of international monetary disturbances

Believing in the need to expand world
trade and a well-known one cannot help to
strengthen the open world system or embodied
in GATT, and to work towards the further opening
of markets.

monetary system. ^{It was recognised that achieving this depended primarily on convergence of policies designed to maintain the internal and external values of the currencies of the Summit countries. It was agreed in particular to develop cooperation on a multilateral basis with the IMF, with particular reference to the currencies making up the Special Drawing Right of the IMF, of which sterling is one.}

We reaffirmed our commitment to the open trading system and noted ways in which this commitment could be discharged in the coming months. They included participation in the GATT Ministerial Conference which will take place towards the end of the year and cooperation with the developing countries, especially the newly industrialised countries. ~~The commitment made at Versailles to the opening of markets is particularly valuable for a country like ours which depends so much on its export trade.~~

^{With regard to trade with the Soviet Union & Eastern Europe}
In the light of our experience over the two years or so we ^{agreed to pursue a prudent approach to economic relations with the USSR and Eastern Europe. This included improved arrangements for controlling exports of strategic goods to these countries and a stronger exchange of information about economic, commercial and financial relations with the Soviet Union and Eastern Europe. It also included the need to apply commercial prudence in limiting export credits.}

^{we decided upon for the - about to mention on all exports of - and do - limit export credits in the light of commercial prudence.}

There was agreement that there must be continuing efforts to economise on energy and to develop alternative sources, using the price mechanism fully in support of these efforts.

The statement of monetary undertakings ^{to which reference} I have described was one example of a medium term policy supported by the Summit.

Another medium term theme was the ^{need to adapt} need to apply scientific and technological development to the ~~creation of new employment.~~ ^{technology if we are to win new jobs - the job of tomorrow}

President Mitterrand presented a report to the Summit on this subject. Technology is, of course, constantly changing, but we have to recognise that we are on the eve of the third industrial revolution and that it is indispensable to use that technology ~~if we are to win new jobs and achieve greater prosperity.~~

It was significant that those countries represented at Versailles ^{with which had} the lowest inflation ^{and the lowest unemployment rates were those which had the lowest} and unemployment rates were those who

~~have made the fullest use of new technology.~~ We agreed to set up a Working Group to pursue these ^{technological} matters, and to submit a report by the end of the year which would be considered at the next Economic Summit to be held in 1983 in the United States.

The Heads of State and Government spent some time in discussion of relations with the developing world, ~~a sign of the importance we attached to that subject.~~ We all wish to do what we can to contribute to the well-being of the developing countries.

We were able to make a positive statement about the outlook for Global Negotiations, recognising ^{that it is imperative to} the need to respect the

independence of the specialised agencies. ~~The important role of the IMF, World Bank and International Development Association was emphasised, and we acknowledged that further decisions about the immensely valuable contribution made by these agencies to the process of development will be needed before long.~~

On the political side, the conference broke with precedent by deciding not to issue any kind of communique. This gave more

~~time for discussion of the questions of substance among Heads
of State and Government, both alone and with Foreign Ministers
present.~~

O - the political side

discussed
L We naturally ~~spoke about~~ the situation in the South Atlantic. I set out the British position in detail, and I am glad to say that there was agreement ~~among all the participants~~ on all the essential points. This was underlined unequivocally by President Mitterrand in his press conference at the end of the meeting.

P We also spent some time on East/West relations. A number of us will be attending the NATO Summit starting tomorrow or speaking later this month at the Second United Nations Special Session of the General Assembly devoted to disarmament.

Finally, we discussed the very serious situation in the Middle East. Following a personal request from the Secretary-General of the United Nations, the conference issued a declaration of support for the resolution adopted unanimously by the Security Council on 5 June. This is being followed up by intense diplomatic activity by all participants, in particular the United States, designed to re-establish the ceasefire and restore the sovereignty and territorial integrity of Lebanon. I have placed a copy of the Summit's declaration in the Library.

Mr Speaker, all the Heads of State and Government who took part in this conference were grateful to President Mitterrand for giving us an invaluable opportunity to discuss the major economic and political problems facing us today. Our talks were notable for two characteristics, *First*, ~~First~~, there was a strong sense of

/ continuity

continuity. We all endorse once again the economic policies which we have advocated at previous Summits. Second, there was an encouraging measure of solidarity about our approach to the major issues of the future. That can only be to the good.

PERSONAL AND CONFIDENTIAL

*Original file on
Argentine Relations PR
23.*

MR. COLES

I have received a copy of your letter of 5th June to Brian Fall recording the Prime Minister's debriefing on her discussion with other Heads of State and Government at the Versailles Summit on Friday, 4th June about the Falklands.

2. I had an opportunity of hearing from one of the Canadians to whom Mr. Trudeau had debriefed. The picture that emerged was slightly different. There was no doubt that all those present would support us in going on to take Port Stanley and repossess the Falkland Islands. The discussion made it clear, however, that we could not count on such support from that point on. There was a clear warning to us that others would be looking for action on our part which would make possible a complete cessation of hostilities. This was particularly true of President Reagan. There had been agreement on the idea that the lifting of sanctions could be used, after the fall of Port Stanley, to bring pressure to bear upon the Argentinians to agree to a total cessation of hostilities; but my informant said that Mr. Trudeau had suggested that we should strike while the iron was hot; support for this sort of idea might evaporate, and we should do well to follow the thought up quickly in capitals, before the memory of the discussion at Versailles receded too far into the past.

3. I am sending a copy of this minute to Brian Fall.

ROBERT ARMSTRONG

Robert Armstrong

8th June 1982

PERSONAL AND CONFIDENTIAL

Mr. Fowler: I understand that point and it is important that the public and those in the National Health Service should understand that during the past three years the number employed in the National Health Service has increased by 47,000. As far as I know, that is not remotely true of any other public service or of any part of the private sector.

Mr. Clement Freud (Isle of Ely): Although we welcome the early meeting, does the Secretary of State recall that we have all long talked of the decency and responsibility of the nursing staff? Now that they have thrown out his pay offer, will the right hon. Gentleman accept that there is no diminution in their decency and responsibility? Is it not time that he increased the offer and had an incomes policy?

Mr. Fowler: I do not know what is the hon. Gentleman's definition of an incomes policy—and I am sure that he does not either. Our respect for the nurses and for the Royal College of Nursing is in no way diminished. That is why the meeting is to take place as speedily as possible.

Mrs. Jill Knight (Birmingham, Edgbaston): Has my right hon. Friend been able to make an assessment of the long-term effects in the battle against inflation if all the people at present striking were granted their demands?

Mr. Fowler: My hon. Friend puts her finger on the major point. If we were to accede to the claim that is being put forward we should have to find £750 million extra. I do not believe that it can conceivably make sense—when we have inflation down to single figures—to contemplate such increases. The aim must be not only to reduce inflation but to keep it to single figures.

Mr. Reg Race (Wood Green): Is not the Secretary of State aware that funding a 12 per cent. increase for every person employed in the National Health Service would cost three and a half warheads for the Trident nuclear submarines? Is not the right hon. Gentleman interested in that sort of trade-off and paying National Health Service workers a decent living wage? Is he aware that there is great anger among the trade unions and the Royal College of Nursing about the way in which the proposals for a long-term settlement of nurses pay are being put forward? Why have the Government rejected indexation and links with other groups of workers? Is the right hon. Gentleman aware that there is great anger among National Health Service workers, who want jam today as well as tomorrow?

Mr. Fowler: The hon. Gentleman is wrong on virtually every point that he has put forward. If he wants military comparisons, he might reflect on the fact that the Army, on average, is taking a pay increase of 6.1 per cent. I do not believe that even the hon. Gentleman, with his well-known standards of fairness, could accuse the Government of dragging their feet over the long-term arrangements for nurses pay.

Economic Summit (Versailles)

3.42 pm

The Prime Minister (Mrs. Margaret Thatcher): With permission, Mr. Speaker, I should like to make a statement about the economic summit at Versailles which I and my right hon. Friends the Foreign Secretary and the Chancellor of the Exchequer attended from 4 to 6 June.

The Heads of State or Government of the seven principal industrial countries were present, and the European Community was represented by the Prime Minister of Belgium, which at present holds the Presidency in the Community, and by the President of the Commission.

The conference was agreed on what was needed for sound economic management and for achieving a well-based recovery from world recession. This solidarity extended to the political field also and in particular to the Falklands dispute. Our discussions placed emphasis on the value of medium and longer term policies and were notable for their continuity with the economic policies advocated at earlier summits.

I have placed in the Library of the House the declaration issued at the end of the summit setting out lines of action which we shall follow. We agreed that growth and employment would be increased on a lasting basis only if we were successful in our continuing fight against inflation, which would then help to bring down interest rates and lead to more stable exchange rates. To that end we all agreed to pursue prudent monetary policies and to reduce budgetary deficits.

Recognising a joint responsibility to work for greater stability in the world monetary system, we issued a statement of international monetary undertakings. Believing in the need to expand world trade, we reaffirmed our commitment to strengthen the open trading system as embodied in GATT and to work towards the further opening of markets.

With regard to trade with the Soviet Union and Eastern Europe, we agreed to work for improved arrangements for the control of exports of strategic goods; to exchange information on all aspects of economic, commercial and financial relations with these countries; and to exercise commercial prudence in limiting export credits to those countries.

The statement of monetary undertakings to which I have referred was one example of a medium-term policy supported by the summit. Another medium-term theme was the necessity to exploit the immense opportunities presented by the new technologies if we are to create the jobs of tomorrow.

It is significant that those countries represented at Versailles which have the lowest inflation and the latest technology are those which have the lowest unemployment rates. We agreed to set up a working group to peruse these technological matters and to submit a report by the end of the year, which could be considered at the next economic summit to be held in 1983 in the United States of America.

The Heads of State and Government spent some time discussing relations with the developing world. The growth of the developing countries and the deepening of a constructive relationship with them are vital for the political and economic well-being of the whole world. The launching of global negotiations in the United Nations is a major political objective approved by all the participants

[The Prime Minister]

in the summit. At the same time, we recognised that, although the United Nations can make requests to the specialised agencies, such as the IMF and the World Bank, it cannot and should not give them instructions.

The Heads of State and Government agreed to give special encouragement to programmes or arrangements designed to increase food and energy production in developing countries which have to import these essentials and to programmes to address the implications of population growth.

We naturally discussed the situation in the South Atlantic. I set out the British position in detail. As the House knows, British Forces in the Falklands are preparing to repossess Port Stanley. The Secretary-General of the United Nations and certain members of the Security Council have proposed various formulations for a ceasefire. None provides the unequivocal link between an immediate Argentine withdrawal and a ceasefire which is the only basis on which we could agree to a ceasefire.

The Government have made it clear publicly that if the Argentines tell us that they are prepared to withdraw we shall enable them to do so with safety, dignity and dispatch. So far, we have had no positive response.

I am glad to say that there was agreement among the Heads of State and Government at Versailles on all the essential points of the British position. This was underlined unequivocally by President Mitterrand in his press conference at the end of the meeting.

We also spent some time on East-West relations. A number of us will be attending the NATO summit starting tomorrow and speaking later this month at the second United Nations special session of the General Assembly devoted to disarmament.

Finally, we discussed the very serious situation in the Middle East. Following a personal request from the Secretary-General of the United Nations, the conference issued a declaration of support for the resolution adopted unanimously by the Security Council on 5 June. This is being followed up by intense diplomatic activity by all participants—in particular the United States of America—designed to re-establish the cease-fire and restore the territorial integrity of Lebanon. I have placed a copy of the summit's declaration in the Library.

All the Heads of State and Government who took part in this conference were grateful to President Mitterrand for giving us an invaluable opportunity to discuss the economic and political problems facing us today. Our talks were notable for two characteristics—a strong sense of continuity and an encouraging measure of solidarity about our approach to the major issues of the future. We shall be successful in dealing with those issues only if we pursue sustained and co-operative policies. The meeting at Versailles made a significant contribution to that goal.

Mr. Michael Foot (Ebbw Vale): The economic summit and the right hon. Lady's account of it are overshadowed by the military events to which she referred and I shall refer to them. We shall study the statement and communiqué that have been issued on the economic questions to see whether there is any change in the platitudes issued on previous occasions either in piety or in any other field.

The right hon. Lady says that a strong sense of continuity and solidarity is required, but, with 3 million

unemployed in Britain and high unemployment among all the countries represented, was not a much greater effort required at the summit to direct world attention to measures that might succeed? Did she put any economic propositions on behalf of the Government? If so, what were they, what effect are they likely to have on unemployment and what is the likely response? What calculation, if any, was made of the likely increase in unemployment in the next 12 months? We wish to debate the question of our economic policies in dealings with other countries. Unfortunately, it appears from the right hon. Lady's report that, having no policy for dealing with our own unemployment, the Government naturally had no policy to put forward in Paris.

I turn to the two major military developments that the conference was bound to discuss. I fully support what the right hon. Lady said at Question Time and in her report to the House about the Middle East. The Security Council resolution should be obeyed. We hope that every pressure will be brought to bear to that end. I repeat that the State of Lebanon has a right to exist along with others. Talk of destroying the State of Lebanon as a solution would be repudiated on both sides of the House.

I welcome especially President Mitterrand's press statement about the Falkland Islands after the summit. It conforms closely to what he said at the beginning of the dispute. What he and others said at the conference about the strength of British case in the attack on the Falkland Islands is appreciated. But what steps should be taken to deal with the immediate situation? The right hon. Lady cannot dismiss the differences in the way that she did. I ask her again whether she is saying now, and whether she told her colleagues in Paris, that nothing further is to be done at the Security Council. Because there was not a satisfactory link between Argentine withdrawal and a ceasefire in the resolution before the Security Council at the end of last week, is she saying that that is the end of the matter for the Security Council? If the Government do not like the link in that resolution, can they not get a better one and take that back to the Security Council? Would that not be the favoured option among many of the countries with which she discussed the matter?

We can all read the reports of what is said in the United States, France and elsewhere, but is it important to avoid bloodshed over the next 48 hours and longer. It is important to have a diplomatic solution of the problem, to which we are pledged, the right hon. Lady as much as anybody. I ask her again whether in Paris she put forward any new initiative that the Government would take at the Security Council? If not, why not?

The Prime Minister: Among the many points that the right hon. Gentleman made he said that the Versailles statement was platitudinous. Some of it may be, but platitudes are platitudes because they are true, and it is not a bad idea to be on the side of truth. [AN HON. MEMBER: "Tautologies".] Tautologies are not bad either. What does the hon. Gentleman want, "falsisms"?

There was solidarity on the economic and political side at the Versailles summit and in particular on how to tackle unemployment. That is all set out in the communiqué and I set it out in my statement. We cannot achieve soundly based growth unless we get inflation down further and interest rates lower. For that we must get budget deficits down. We must also encourage the open trading system and the new technologies—the one to achieve soundly

based financial policies and the other to achieve expansion of world trade and growth in tomorrow's jobs, which is vital to the creation of new jobs.

Yes, we supported the resolution on the Middle East. Yes, we respect the territorial integrity of Lebanon and support the efforts of Mr. Habib. We also believe—I am sure that the right hon. Gentleman would agree—that Lebanon's neighbours have a right to exist in peace and security, so we condemn just as much the activities across the Lebanese border to Israel.

We have struggled for a negotiated settlement on the Falklands for eight weeks. Only one thing stands in the way: the Argentine will not withdraw unless she can retain some of the things that she got as a result of invasion. That is totally and utterly insupportable. As President Mitterrand stated in summing up:

"We expressed our complete solidarity with the United Kingdom who has been the victim of aggression and whose national interest and national pride has been injured. This solidarity is quite natural. The United Kingdom must recover what she has lost and we must do what we can to ensure that peace will prevail over war."

The right hon. Gentleman has asked about our initiatives. We have tried for a long time to reach a solution, both through Secretary Haig and the United Nations Security Council. We shall now have to take by force what the Argentines would not give up by adhering to the Security Council resolution.

Mr. Foot: I fully understand the situation that the right hon. Lady describes about the Falkland Islands. We have been clear about it throughout. Although I fully understand that the cause of the problem is the Argentine invasion and that a solution would be Argentine withdrawal, is the right hon. Lady saying that she will take no further step at the Security Council and have no further discussions with the Secretary-General? Has she no further interest in handling the matter through diplomacy? If so, she is going back on the undertaking that she gave on behalf of this country to the Security Council and in previous discussions. Most of the other countries represented in Paris would also urge that, if they did not like the previous resolution, the Government should come forward with another resolution and try to get full support for it.

The Prime Minister: If I may respectfully say so, the right hon. Gentleman misses the point. What we wish to secure is Argentine withdrawal. We have tried for eight weeks through the Security Council and the good offices of Secretary Haig and Peru to secure Argentine withdrawal. We have not been successful. The moment that the Argentines say that they will withdraw we can have peace quickly. It is not the United Nations, Secretary Haig or the British Government who stand in the way; it is the Argentine junta, who will not withdraw. If they will not do so through negotiation, they must be made to by force.

Several Hon. Members rose—

Mr. Speaker: Order. I shall do my best to call all hon. Members who have already risen in their places, as long as questions are brief.

Mr. Roy Jenkins (Glasgow, Hillhead): Was there substantial discussion about the urgent question of greater exchange rate stability, or was it merely something in the communiqué? Does the right hon. Lady believe that the Americans will take greater practical steps to intervene and to give greater stability to the dollar exchange rate?

The Prime Minister: We agreed that we shall achieve greater exchange rate stability only if we follow similar policies in reducing inflation. That is in the communiqué and it is the considered decision of all those at Versailles. We issued a statement on international monetary undertakings which said:

"We are ready, if necessary, to use intervention in exchange markets to counter disorderly conditions as provided for under article 4 of the IMF articles of agreement."

The right hon. Gentleman will know that that is intervention only to smooth out disorderly markets. We agreed that we cannot intervene to overcome fundamental disparities in exchange rates caused by fundamental differences in economic policies.

Sir Anthony Kershaw (Stroud): Amid the international confusion outside Europe, is it not encouraging that the great democratic States have agreed on their principles and support for each other but is it not disappointing that the Leader of the Opposition so superficially described the communiqué as mere platitudes?

The Prime Minister: It is disappointing. The summit was united about what was to be done on economic, employment and political policies. It augurs well for future of those three matters that we intend to carry out those agreements and to have more and more co-operation between us.

Mr. David Steel (Roxburgh, Selkirk and Peebles): Whatever the merits of the medium and long-term economic policies that the Prime Minister described, is she aware that there will be some anxiety about the emphasis on continuity with the economic policies advocated at earlier summits? Is she aware that since the summit in Ottawa a year ago unemployment in the developed world has risen by 5 million, to which Britain has made a substantial contribution? Was there no discussion about the social effects of mass unemployment and a determination to introduce urgent measures to reduce it?

The Prime Minister: Yes, indeed, but every country represented at Versailles is now pursuing economic policies designed to reduce inflation and to try to keep budgetary deficits in check or, in so far as they are high, to try to reduce them in order to reduce interest rates. We are also aware that we are in what President Mitterrand called the third industrial revolution and the immediate effect of new technologies is to reduce the numbers of people employed in manufacturing. The later effect is probably to increase them as new products become possible because of the new technologies and many more people move to new initiatives in service industries.

We were all agreed on those matters and that is why the right hon. Gentleman will find three distinct approaches in the communiqué: the economic measures that must be taken, what must be done in open trade to expand world trade, and what must be done in the new technologies to secure the jobs of tomorrow. The right hon. Gentleman will find that it all hangs together.

Mr. Anthony Nelson (Chichester): As to the part of the communiqué that limits the Government's subsidised trade credits to the Soviet Union, what are the practical means and measures by which that is to be achieved? Is my right hon. Friend satisfied that there is no danger that, as in other cases, the French will simply fill the vacuum of our credit restraint by increasing their exports of subsidised and financed goods to the Communist world?

The Prime Minister: The most obvious means, as the EEC has done but which has not yet extended to the OECD, is to increase the amount of credit that can be given to Soviet goods to the highest consensus rate and not at the present lower consensus rate. Another means would be to reduce the percentage of any order that is covered by guarantees. Until we know how precisely that will be put into effect, we have agreed to have a surveillance of all economic, financial and commercial transactions with the Soviet bloc and then we shall have the facts and figures upon which to formulate a specific conclusion relating to the EEC and the OECD. In the meantime, we have already agreed on certain measures within the EEC.

Mr. Tam Dalyell (West Lothian): The Prime Minister referred to her solidarity with President Reagan on the Falkland Islands. Can she ascertain whether the President authorised his ambassador at large, the Spanish-speaking Major-General Vernon Walters, either at the end of last year or in January of this year, to give the clear impression to Buenos Aires that the Americans were thinking of a joint Argentine-American base in the Falkland Islands to curb Russian penetration in the South Atlantic? Can the Prime Minister clear up that matter of fact before President Reagan leaves our shores?

The Prime Minister: I knew nothing about that matter until the hon. Gentleman wrote to me about it. I know that the United States of America is staunchly behind Britain in its action in the Falkland Islands and is giving us substantial practical help, as we would expect from a staunch ally.

Mr. Eric Cockeram (Ludlow): Does my right hon. Friend accept that the most effective step to encourage increased investment and therefore increased employment is to lower the cost of borrowing? Did she bring home to President Reagan the fact that high interest rates on the other side of the Atlantic are having a knock-on effect in keeping interest rates high on this side of the Atlantic, thereby discouraging investment and those who are battling against unemployment?

The Prime Minister: I agree with my hon. Friend that we are not likely to have considerable expansion in employment opportunities unless and until we reduce interest rates. I am glad that the base rate has fallen today in some major British banks. To get interest rates down we must reduce both inflation and deficits.

We had a long discussion on how best to do that, and we agreed on the importance of reducing deficits. We discussed the matter with representatives of the United States of America, who pointed out that there are two ways in which to reduce deficits. One is by reducing expenditure, and the other is by increasing taxation. With present levels of Government expenditure, America is naturally anxious to reduce the deficit by reducing expenditure. We agree that that approach is right. President Reagan is anxious to reduce the deficit not only for one year but for a succession of years so that the market can have a clear signal that not only inflation but the deficit is decreasing in America. Then there will be a strong hope of reducing interest rates.

Mr. Frank Hooley (Sheffield, Heeley): As to the territorial integrity of Lebanon, was there any discussion on how the United Nations peacekeeping role could be strengthened, especially by including contingents from the

permanent members of the Security Council, which is about the only way in which Israel's continued aggression is likely to be deterred?

The Prime Minister: We did not discuss that matter. I agree with the implication behind the hon. Gentleman's question. It is a tragedy that the United Nations cannot have an effective peacekeeping force. If it did, it would stop aggression, but so far it has not been able to do that. The only occasion on which I remember its being effective was when the North Koreans refused to withdraw from South Korea. There was a United Nations operation—Russia was absent from the Security Council at the vote—to secure that withdrawal.

Mr. Harry Greenway (Ealing, North): As to interest rates, did President Reagan say anything about the time scale of the success of his policies—we know that they are moving well—and whether there might be a substantial fall in American interest rates?

The Prime Minister: American interest rates have come down from their previous very high level. I do not answer for American interest rates, but I am sure that the President has as high hopes that Congress will reduce expenditure, as I sometimes have near Budget time that the House will agree to reduce expenditure.

Mr. Sidney Bidwell (Ealing, Southall): Does the Prime Minister agree that there is great public anxiety about the assault on Port Stanley, which might create more bloodshed than we have yet seen in the Falkland Islands? Does she agree that the public would wish to be satisfied that the Government were straining every nerve to put diplomatic pressure on Argentina to get a change of attitude? What is the effect of the leaflet raids on the Argentines around Port Stanley? Are any messages coming through that a surrender or a collapse of morale is imminent?

The Prime Minister: We have followed every practical path to secure the withdrawal of Argentine forces from the islands without having to use force. If the will had existed, they would and could have withdrawn before now. If the will and consent were there now, they would need only contact the commander in the field and the withdrawal could be arranged before battle. As I said, so far there has been no response whatsoever. The reason why withdrawal has not been secured has nothing to do with diplomacy or with this country. It has to do with the refusal of the Argentine junta to withdraw.

Mr. Robert Adley (Christchurch and Lymington): In regard to the plight of the Lebanon, can my right hon. Friend confirm that there has been no shelling of Israel from the Lebanon for a year since the ceasefire last July? Does she not agree that it is an open secret that Mr. Begin has been waiting for any excuse to launch an invasion of the Lebanon? Does she not seriously think that President Reagan has to be made aware of the views of the European countries that America holds the key to peace in the Middle East? Before President Reagan leaves, will she once again impress upon him the view which she has expressed previously, and which the European Economic Community countries have put, that America has to do its duty by the rest of the world to ensure that the Israeli militarist role in the Middle East is curbed?

The Prime Minister: I am not able to confirm what my hon. Friend has said because I cannot confirm which of the

many differing reports that we have heard is true. It is likely that there has been some shelling both in the Lebanon and across the border from the Lebanon to Galilee. That is the report that was given to us at Versailles. I agree with the reasoning underlying my hon. Friend's question, which is that the problem between Israel and the Palestinians in the Lebanon will be solved only when the future of the Palestinian people themselves is resolved. Any country that demands the right of self-determination for itself must extend that same right to others, including the Palestinian people.

Mr. Dennis Skinner (Bolsover): Does the Prime Minister recall that, when my right hon. Friend the Member for Cardiff, South-East (Mr. Callaghan) came back from the summits that he attended, she used to say from the Dispatch Box that they were a waste of time and of public money, never mind the platitudes? Is she aware that, almost without exception, at the eight summits that have been held since their inception, unemployment has increased throughout all the participating countries? Can she tell us whether those at the meeting in Versailles discussed what many of us consider to be the most important factor affecting the whole Western world and now Eastern European countries as well—the massive amounts of money owed by debtor countries, mainly to the United States and to the OPEC countries? Is she aware that some of the people who write in the City columns are suggesting that there is on the horizon a crash which will be greater than that of 1929-31? Why did the people at Versailles not discuss that most important matter instead of trotting out platitudes?

The Prime Minister: As for the number of summits, I rather agree with the hon. Gentleman, and I have expressed the view previously. There is one economic summit and three European Council summits a year. There is one Commonwealth summit every two years. That is clearly not too often; nor is the one economic summit a year. Then we have the North Atlantic Council summit. Added together there is rather a lot. Two European Council summits a year and not three would be sufficient. A number of us hold that view.

The hon. Gentleman said that unemployment had gone up during the summits. But the summits were meeting when unemployment was going down as well, so I do not think that it is necessarily due to the summits.

The present unemployment is partly the price we are paying for the 27 per cent. inflation which existed during the earlier part of the Labour Government. Inflation creates unemployment. We are now all determined that we shall have soundly based expansion. We believe that the programme we set out at the summit is the way to do it.

We addressed ourselves to the subject of money owed by debtor countries to the West. It was precisely because of that that we agreed to try to limit in future credits to the Eastern bloc. The credits given by all the Western countries to the Eastern bloc have amounted to such a sum that it cannot finance it. It is having to put both oil and gold on the market, which is having its effect on the markets of the world. The answer is to have a system whereby we look at all the facts and figures and then limit the credits to the Eastern bloc. That will also be very much better for the Western financial system.

Mr. James Hill (Southampton, Test): Spain is now a member of NATO. My right hon. Friend mentioned that

she will be attending a NATO conference tomorrow. It may be a golden opportunity to counteract some of the Argentine propaganda that is widespread in Spain and also to put the United Kingdom point of view. One of the lessons that has come out of the Falkland Islands war is that the NATO countries should look not only to the North Atlantic; we must preserve our Southern Atlantic sea base—

Mr. Speaker: Order. The hon. Gentleman ought to ask a question because other hon. Members are waiting to do so.

Mr. Hill: Should not NATO look to having a base in the Falkland Islands with a view to preserving the sea lanes in the South Atlantic?

The Prime Minister: I think that my hon. Friend will agree that we welcome Spain to NATO. We believe that it strengthens NATO and that it strengthens Europe as a whole. I take his point about the Argentine propaganda and the effect that it may have on some of the people in Spain. We nevertheless hope that the Spanish gates to Gibraltar will be open towards the end of this month.

On my hon. Friend's point about operations outside the NATO area, we have always understood that our defence did not end with the boundaries of the NATO area. We have always been prepared to respond to activities elsewhere. There was a point in the last defence White Paper about this. When the new defence White Paper comes out, I am sure that there will be something in it, too. My hon. Friend will remember that there was a suggestion in the United States, which we are prepared to take aboard, about a rapid deployment force. It did not always meet with the greatest praise or support from the Opposition Benches, although it did from us. What has happened has shown how wise that policy was.

We cannot now go into the question of the Falklands as a base. There has been a suggestion that there should also be a South Atlantic treaty organisation. Of course, the defence of the Falkland Islands will have to be well and truly secured by one means or another.

Mr. D. N. Campbell-Savours (Workington): In the communiqué the right hon. Lady appears to have the support of most Heads of State for her policy in the Falkland Islands and for Argentine withdrawal. Is it not true that among the European heads of State there is much dissent about whether she can get a long-term solution and that we may well be in for an indefinite war?

The Prime Minister: When we have repossessed the Falkland Islands, obviously we shall have also to try to get an armistice on the mainland. If we are not successful, let there be no doubt about whose fault it will be: it will be that of the military junta in the Argentine.

Mr. Tony Marlow (Northampton, North): My right hon. Friend said that there was unanimous support at the summit for our actions in the Falkland Islands. Is it not true, however, that there is a widening divergence between ourselves and the Irish Republic? In view of the sacrifices being made by the task force, is it not time that we considered whether it was appropriate that people who owe allegiance to the Irish Republic should be entitled to vote in our elections?

The Prime Minister: Obviously I have been very concerned about some of the proposals put forward by the Irish Republic, which is the only neutral member of the

[The Prime Minister]

European Economic Community. We did not discuss at the summit the Irish Republic or its future relationship with the United Kingdom.

Mrs. Shirley Williams (Crosby): The Prime Minister spoke of curbing budget deficits and controlling inflation as means of dealing with unemployment. Will she now confirm that the Commission put forward an action programme for a substantial public investment programme in the Community, involving construction, energy conservation and expenditure on transport infrastructure, subsequent to the Budget in this House? Will she tell us what attitude Her Majesty's Government will take towards that proposal for a common European programme on unemployment?

The Prime Minister: Yes, but when the European Community has put forward a public investment programme it has always made it clear that, to get a public investment programme, one must cut down on current expenditure. It has never put it forward as an addition to general expenditure; it has been as a substitution of investment expenditure for consumption expenditure. That has been clear time and again. The right hon. Lady said that it was put forward after our Budget. It will not have escaped her attention that in this House we have steadily been getting down deficits, and we are absolutely in tune with the advice of the Versailles Heads of State in getting down inflation, deficits and interest rates.

NEW MEMBERS

The following Members took and subscribed the Oath: Timothy John Smith, Esq., for Beaconsfield.

Angela Claire Rosemary Rumbold, for Mitcham and Morden.

Mr. Dennis Skinner (Bolsover): On a point of order, Mr. Speaker. I believe that, when an hon. Member decides to apply for the stewardship of the Manor of Northstead or the Chiltern Hundreds, the application must go to you. In view of the recent application by the last Member for Mitcham and Morden, I wonder whether there have been any more inquiries in that connection.

Mr. Speaker: Order. It is not often that the hon. Member for Bolsover (Mr. Skinner) slips up on a point of fact. Actually, the application goes to the Chancellor of the Exchequer. I give that information in case anyone else needs it.

FALKLAND ISLANDS

4.25 pm

Mr. Tam Dalyell (West Lothian): I beg to ask leave to move the Adjournment of the House, under Standing Order No. 9, for the purpose of discussing a specific and important matter that should have urgent consideration, namely,

"the latest position in the Falkland Islands".

It must be a matter of incredulity to many people outside the House that we can discuss devolution for Northern Ireland without a statement from the Foreign Secretary on the whole issue that surrounds the use by this country of the veto in the United Nations, and in the absence of any statement by the Secretary of State for Defence on circumstances in which our country is slithering into a British Vietnam in the South Atlantic.

In answer to my hon. Friend the Member for Workington (Mr. Campbell-Savours), the Prime Minister demonstrated the unreality of her thinking when she used the term "armistice" in that context. What evidence is there that any country in South America, let alone Argentina, will see the lowering of a flag, which they conceive to be the South American, not just the Argentinian, flag?

Mr. Speaker: Order. The hon. Gentleman knows that he must argue the case of urgency and importance, and not make the speech that he would make about the Falklands if I were to grant his application.

Mr. Dalyell: I know that very well. I shall therefore leave the matter of importance as I have left it.

There is a very important matter of urgency. Before the American President leaves these shores tomorrow, should he not be asked the crucial question of precisely what he said to Major-General Vernon Walters and other leading officials from the United States who had regular contacts with the Government in Buenos Aires throughout the period October 1981 to January and February 1982?

If it turns out to be true that senior Americans, with the authorisation of the only man who can clear up this mystery—in other words, the President of the United States—did indeed give the junta and its advisers the impression that the Americans were serious in establishing a base in the south Atlantic to curb Russian penetration, and if it is also true that the American Government were asked at the highest level in January of this year what they

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Foreign and Commonwealth Office

London SW1A 2AH

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7 June 1982

Dear Clive,

Versailles Economic Summit: Draft Passage for the Prime Minister's
Statement to the House of Commons: 8 June 1982

/ I attach a draft passage for inclusion in the Prime Minister's
statement to the House of Commons tomorrow on the outcome of the
Versailles Economic Summit. This would come after the introductory
section on macro-economic policy and monetary affairs which I
/ understand the Treasury are drafting. I also attach a copy of the
Declaration issued at the end of the Summit.

Notes for supplementaries will follow. On the Falklands and
the Middle East the Prime Minister will be able to draw on
supplementaries which are being prepared separately for question
time tomorrow.

I am copying this letter and enclosures to the Private Secretary
to the Chancellor of the Exchequer.

Yours sincerely,

Marsha

(F N Richards)
Private Secretary

C Whitmore Esq
10 Downing Street

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VERSAILLES ECONOMIC SUMMIT: DRAFT PASSAGE FOR PRIME
MINISTER'S STATEMENT TO THE HOUSE OF COMMONS ON 8 JUNE 1982
[after introductory section on macro economic policy and
monetary affairs]

All the countries represented at Versailles are agreed that we have a common interest in the expansion of world trade, and in maintaining and improving the free trading system. The commitment made at Versailles to the opening of markets is valuable for a country like ours which depends so much on its export trade. There is to be an important meeting of the GATT later this year and we all want that to be a success.

A particularly valuable feature of this year's meeting was the report presented to us by President Mitterrand on the importance of new technology. Of course, technology is constantly changing, but we have to recognise that we are on the eve of the third industrial revolution and that it is indispensable to use that technology if we are to win new jobs and achieve greater prosperity. It was significant that those countries represented at Versailles with the lowest inflation and unemployment rates were those who have made the fullest use of new technology.

* ←

I would next draw the attention of the House to the passage in the Declaration dealing with East/West economic relations. In the light of the experience of the past year or two, we agreed that we should be prudent in the way in which our economic relations with the countries of Eastern Europe
/are

conducted. We need to proceed on a sound economic basis in this area, which includes export credits.

† The Heads of State and Government spent some time in discussion of relations with the developing world, a sign of the importance we attached to that subject. We all wish to do what we can to contribute to the well-being of the developing countries. We were able to make a positive statement about the outlook for Global Negotiations, recognising the need to respect the independence of the specialised agencies. The important role of the IMF, World Bank and International Development Association was emphasised, and we acknowledged that further decisions about the immensely valuable contribution made by these agencies to the process of development will be needed before long.

Political questions

On the political side, ~~the~~ conference broke with precedent by deciding not to issue any kind of communiqué. This gave more time for discussion of the questions of substance among Heads of State and Government, ^{both} alone and with Foreign Ministers present.

We naturally spoke about the ~~situation~~ situation in the South Atlantic. I set out the British position in detail, and ^{I am} ~~was~~ ^{glad to say that there was} ~~pleased at the~~ agreement among all the participants on all the essential points. This was underlined ^{unequivocally} by President Mitterrand in his press conference at the end of the meeting.

/Another



Château de Versailles

4, 5 et 6 juin 1982

DECLARATION OF THE SEVEN HEADS OF STATE AND GOVERNMENT
AND REPRESENTATIVES OF THE EUROPEAN COMMUNITIES

In the course of our meeting at Versailles we have deepened our mutual understanding of the gravity of the world economic situation, and we have agreed on a number of objectives for urgent action with a view to improving it.

We affirm that the improvement of the present situation, by a further reduction of inflation and by a return to steady growth and higher levels of employment, will strengthen our joint capacity to safeguard our security, to maintain confidence in the democratic values that we share, and to preserve the cultural heritage of our peoples in all their diversity. Full employment, price stability and sustained and balanced growth are ambitious objectives. They are attainable in the coming years only if we pursue policies which encourage productive investment and technological progress ; if, in addition to our own individual efforts, we are willing to join forces, if each country is sensitive to the effects of its policies on others and if we collaborate in promoting world development.

In this spirit, we have decided to implement the following lines of action :

- Growth and employment must be increased. This will be attained on a durable basis only if we are successful in our continuing fight against inflation. That will also help to bring down interest rates, which are now unacceptably high, and to bring about more stable exchange rates. In order to achieve this essential reduction of real interest rates, we will as a matter of urgency pursue prudent monetary policies and achieve greater control of budgetary deficits. It is essential to intensify our economic and monetary cooperation. In this regard, we will work towards a constructive and orderly evolution of the international monetary system by a closer cooperation among the authorities representing the currencies of North America, of Japan and of the European Community in pursuing medium-term economic and monetary objectives. In this respect, we have committed ourselves to the undertakings contained in the attached statement.

- The growth of world trade in all its facets is both a necessary element for the growth of each country and a consequence of that growth. We reaffirm our commitment to strengthening the open multilateral trading system as embodied in the GATT and to maintaining its effective operation. In order to promote stability and employment

through trade and growth, we will resist protectionist pressures and trade-distorting practices. We are resolved to complete the work of the Tokyo Round and to improve the capacity of the GATT to solve current and future trade problems. We will also work towards the further opening of our markets. We will cooperate with the developing countries to strengthen and improve the multilateral system, and to expand trading opportunities in particular with the newly industrialized countries. We shall participate fully in the forthcoming GATT Ministerial Conference in order to take concrete steps towards these ends. We shall work for early agreement on the renewal of the OECD export credit consensus.

-We agree to pursue a prudent and diversified economic approach to the U.S.S.R. and Eastern Europe, consistent with our political and security interests. This includes actions in three key areas. First, following international discussions in January, our representatives will work together to improve the international system for controlling exports of strategic goods to these countries and national arrangements for the enforcement of security controls. Second, we will exchange information in the OECD on all aspects of our economic, commercial and financial relations with the Soviet Union and Eastern Europe. Third, taking into account existing economic and financial considerations, we have agreed to handle cautiously financial relations with the U.S.S.R. and other Eastern European countries, in such a way as to ensure that they are conducted on a sound economic basis, including also the need for commercial prudence in limiting export credits. The development of economic and financial relations will be subject to periodic ex-post review.

- The progress we have already made does not diminish the need for continuing efforts to economise on energy, particularly through the price mechanism, and to promote alternative sources, including nuclear energy and coal, in a long-term perspective. These efforts will enable us further to reduce our vulnerability to interruptions in the supply of energy and instability of prices. Cooperation to develop new energy technologies, and to strengthen our capacity to deal with disruptions, can contribute to our common energy security. We shall also work to strengthen our cooperation with both oil-exporting and oil-importing developing countries.

- The growth of the developing countries and the deepening of a constructive relationship with them are vital for the political and economic well-being of the whole world. It is therefore important that a high level of financial flows and official assistance should be maintained and that their amount and their effectiveness should be

increased as far as possible, with responsibilities shared broadly among all countries capable of making a contribution. The launching of global negotiations is a major political objective approved by all participants in the Summit. The latest draft resolution circulated by the Group of the 77 is helpful, and the discussion at Versailles showed general acceptance of the view that it would serve as a basis for consultations with the countries concerned. We believe that there is now a good prospect for the early launching and success of the global negotiations, provided that the independence of the Specialised Agencies is guaranteed. At the same time, we are prepared to continue and develop practical cooperation with the developing countries through innovations within the World Bank, through our support of the work of the Regional Development Banks, through progress in countering instability of commodity export earnings, through the encouragement of private capital flows, including international arrangements to improve the conditions for private investment, and through a further concentration of official assistance on the poorer countries. This is why we see a need for special temporary arrangements to overcome funding problems for IDA VI, and for an early start to consideration of IDA VII. We will give special encouragement to programmes or arrangements designed to increase food and energy production in developing countries which have to import these essentials, and to programmes to address the implications of population growth.

In the field of balance of payments support, we look forward to progress at the September IMF Annual Meeting towards settling the increase in the size of the Fund appropriate to the coming Eighth Quota Review.

- Revitalization and growth of the world economy will depend not only on our own effort but also to a large extent upon cooperation among our countries and with other countries in the exploitation of scientific and technological development. We have to exploit the immense opportunities presented by the new technologies, particularly for creating new employment. We need to remove barriers to, and to promote, the development of and trade in new technologies both in the public sector and in the private sector. Our countries will need to train men and women in the new technologies and to create the economic, social and cultural conditions which allow these technologies to develop and flourish. We have considered the report presented to us on these issues by the President of the French Republic. In this context we have decided to set up promptly a working group of representatives of our governments and of the European Community to develop, in close consultation with the appropriate international institutions, especially the OECD, proposals to give help to attain these objectives. This group will be asked to submit its report to us by 31 December 1982. The conclusion of the report and the resulting action will be considered at the next economic Summit to be held in 1983 in the United States of America.

STATEMENT OF INTERNATIONAL MONETARY UNDERTAKINGS

1. We accept a joint responsibility to work for greater stability of the world monetary system. We recognize that this rests primarily on convergence of policies designed to achieve lower inflation, higher employment and renewed economic growth ; and thus to maintain the internal and external values of our currencies. We are determined to discharge this obligation in close collaboration with all interested countries and monetary institutions.

2. We attach major importance to the role of the IMF as a monetary authority and we will give it our full support in its efforts to foster stability.

3. We are ready to strengthen our cooperation with the IMF in its work of surveillance ; and to develop this on a multilateral basis taking into account particularly the currencies constituting the SDR.

4. We rule out the use of our exchange rates to gain unfair competitive advantages.

5. We are ready, if necessary, to use intervention in exchange markets to counter disorderly conditions, as provided for under Article IV of the IMF articles of agreement.

6. Those of us who are members of the EMS consider that these undertakings are complementary to the obligations of stability which they have already undertaken in that framework.

7. We are all convinced that greater monetary stability will assist freer flows of goods, services and capital. We are determined to see that greater monetary stability and freer flows of trade and capital reinforce one another in the interest of economic growth and employment.

Econ Pl



H M Treasury

Parliament Street London SW1P 3AG

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Sir Kenneth Couzens, KCB
Second Permanent Secretary
Overseas Finance

7 June 1982

J Coles Esq
No 10 Downing Street
LONDON SW1

Li.

Dear John

PRIME MINISTER'S STATEMENT ON THE VERSAILLES SUMMIT

As arranged, I attach a draft of the first part of a possible statement, dealing with economic issues. I understand that Tom Bridges will contribute material on North/South relations and no doubt Julian Bullard will supply the political element.

In case it helps for briefing, I also attach another copy of the notes for answers to questions on the Monetary Statement which the Chancellor handed to the Prime Minister.

Yours sincerely

Ken

K E Couzens

Statement on the Economic Summit at Versailles

Mr Speaker, with permission I should like to
make a statement about

As the House will know, I attended the Economic Summit at
Versailles ^{which I attended} ~~of 4th to 6th June~~ with my rt hon Friends the
Foreign Secretary and the Chancellor of the Exchequer. ^{attended from 4th to 6th June.} The
H Heads of State or Government of the seven principal industrial
countries were present, and the European Community was
represented by the Prime Minister of Belgium, which at present
holds the Presidency in the Community, and by the President of
the Commission.

There was at this conference a high degree of agreement ~~and~~
~~solidarity~~ on what was needed for sound economic management and
for achieving a well-based recovery from world recession. This
solidarity extended to the political field also, and in
particular to the Falklands dispute. ^{One discussion placed} There was also emphasis
~~on~~ ^{statements were notable for their} much continuity with
the economic policies advocated at earlier Summits.

^{have placed in the library of the House}
I will ~~circulate in Hansard~~ the ~~short~~ declaration issued at
the end of the Summit. This said that increased growth and
employment will be attainable on a durable basis only if we
are successful in the fight against inflation. The Summit
countries pledged themselves to pursue prudent monetary
policies and achieve greater control of budgetary deficits in
order to reduce real interest rates.

There was agreement on a statement of international monetary
undertakings directed at improving the stability of the world
monetary system. It was recognised that achieving this

depended primarily on convergence of policies designed to maintain the internal and external values of the currencies of the Summit countries. It was agreed in particular to develop cooperation on a multilateral basis with the IMF, with particular reference to the currencies making up the Special Drawing Right of the IMF, of which sterling is one.

We reaffirmed our commitment to the open trading system and noted ways in which this commitment could be discharged in the coming months. They included participation in the GATT Ministerial Conference which will take place towards the end of the year and cooperation with the developing countries, especially the newly industrialised countries.

The commitment made at Versailles to the opening of markets is particularly valuable for a country like ours which depends so much on its export trade.

We agreed to pursue a prudent approach to economic relations with the USSR and Eastern Europe. This included improved arrangements for controlling exports of strategic goods to these countries and a stronger exchange of information about economic, commercial and financial relations with the Soviet Union and Eastern Europe. It also included the need to apply commercial prudence in limiting export credits.

There was ~~full~~ agreement that there must be continuing efforts to economise on energy and to develop alternative sources, using the price mechanism fully in support of these efforts.

The statement of monetary undertakings I have described was one example of a medium term policy supported by the Summit. Another medium term theme was the need to apply scientific

P. In the light of the economic situation in the last year or so

and technological development to the creation of new employment. President Mitterrand presented a report to the Summit on this subject. * ^{we} ~~It~~ was agreed to set up a Working Group to pursue these matters, and to submit a report by the end of the year which would be considered at the next Economic Summit to be held in 1983 in the United States.

Go to +

ANSWERS ON THE MONETARY STATEMENT

1. Not a revolution or major change of policy by anyone. But perhaps a beginning of gradual movement towards greater stability in international monetary system.
2. 7 countries explicitly accept a responsibility towards the international monetary system. New in so explicit a form. Not giving up control of policy but some more accountability.
3. Recognise that progress towards stability^{is} through policies against inflation; and policy aimed at maintaining internal and external value of currencies.
4. Important operational part of statement: cooperation with IMF by countries responsible for 5 currencies of SDR. Includes sterling. Precisely in line with proposal of Chancellor of Exchequer in IMF Annual Meeting last September.
5. Will have to discuss procedures with IMF Managing Director Larosiere. Has signified his general willingness to help.
6. Ministers likely to meet to follow up Statement. Perhaps at IMF meeting in Toronto in September.
7. Statement could mean a lot or a little. Not expect too much. Depends on our policies. But multi-currency reserve system requires multilateral cooperation.

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file

10 DOWNING STREET

From the Principal Private Secretary

7 June, 1982

Dear Brian,

PRIME MINISTER'S STATEMENT ON THE VERSAILLES SUMMIT

I attach, in its latest form, the draft statement on the Versailles Summit which the Prime Minister will be making in the House tomorrow afternoon.

I should be grateful for any comments on it by 11 a.m. tomorrow.

I am sending copies of this letter and of the draft statement to John Kerr (Treasury), with a similar invitation to offer comments. I am also sending a copy of this letter and of the draft statement to Michael Pownall (Lord Privy Seal's Office).

Yours sincerely,

Ann Whitton.

B. Fall, Esq.,
Foreign and Commonwealth Office

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DRAFT

STATEMENT ON THE ECONOMIC SUMMIT AT VERSAILLES

Mr. Speaker, with permission I should like to make a statement about the Economic Summit at Versailles which I and my Rt. Hon. Friends the Foreign Secretary and the Chancellor of the Exchequer attended from 4th to 6th June. The Heads of State or Government of the seven principal industrial countries were present, and the European Community was represented by the Prime Minister of Belgium, which at present holds the Presidency in the Community, and by the President of the Commission.

The conference was agreed on what was needed for sound economic management and for achieving a well-based recovery from world recession. This solidarity extended to the political field also and in particular to the Falklands dispute. Our discussions placed emphasis on the value of medium and longer term policies and were notable for their continuity with the economic policies advocated at earlier Summits.

I have placed in the Library of the House the declaration issued at the end of the Summit setting out lines of action which we shall follow. We agreed that growth and employment would be increased on a lasting basis only if we were successful in our continuing fight against inflation, which would then help to bring down interest rates and lead to more stable exchange rates. To that end we all agreed to pursue prudent monetary policies and to reduce budgetary deficits. Recognising a joint responsibility to work for greater stability in the world monetary system, we issued a statement of international monetary undertakings.

/Believing

Believing in the need to expand world trade, we reaffirmed our commitment to strengthen the open trading system as embodied in GATT and to work towards the further opening of markets.

With regard to trade with the Soviet Union and Eastern Europe, we decided upon improved arrangements for the control of exports of strategic goods, for the exchange of information on all aspects of economic, commercial and financial relations with the Soviet Union and Eastern Europe and for the limitation of export credits in the light of commercial prudence.

There was the agreement that there must be continuing efforts to economise on energy and to develop alternative sources, using the price mechanism fully in support of these efforts.

The statement of monetary undertakings to which I have referred was one example of a medium term policy supported by the Summit. Another medium term theme was the necessity to exploit the immense opportunities presented by the new technologies if we were to create the jobs of tomorrow. It was significant that those countries represented at Versailles which had the lowest inflation and the latest technology were those which had the lowest unemployment rates. We agreed to set up a working group to pursue these technological matters and to submit a report by the end of the year, which could be considered at the next Economic Summit to be held in 1983 in the United States.

/The

The Heads of State and Government spent some time in discussion of relations with the developing world. We were able to make a positive statement about the outlook for Global Negotiations, recognising that it is imperative to respect the independence of the specialised agencies.

On the political side, we naturally discussed the situation in the South Atlantic. I set out the British position in detail, and I am glad to say that there was agreement on all the essential points. This was underlined unequivocally by President Mitterrand in his press conference at the end of the meeting.

We also spent some time on East/West relations. A number of us will be attending the NATO Summit starting tomorrow or speaking later this month at the Second United Nations Special Session of the General Assembly devoted to disarmament.

Finally, we discussed the very serious situation in the Middle East. Following a personal request from the Secretary-General of the United Nations, the conference issued a declaration of support for the resolution adopted unanimously by the Security Council on 5 June. This is being followed up by intense diplomatic activity by all participants, in particular the United States, designed to re-establish the ceasefire and restore the sovereignty and territorial integrity of Lebanon. I have placed a copy of the Summit's declaration in the Library.

/Mr. Speaker

Mr. Speaker, all the Heads of State and Government who took part in this conference were grateful to President Mitterrand for giving us an invaluable opportunity to discuss the economic and political problems facing us today. Our talks were notable for two characteristics. First, ^{there was} a strong sense of continuity. We all endorsed once again the economic policies which we had advocated at previous Summits. Second; there was an encouraging measure of solidarity about our approach to the major issues of the future. (Last sentence to follow.)

STATEMENT MADE BY HEADS OF STATE AND GOVERNMENT FOLLOWING THE
ECONOMIC SUMMIT IN VERSAILLES , SUNDAY JUNE 6

We are shocked by the news reaching us ~~from Lebanon and the Lebanese-Israeli border area.~~ We are deeply moved by the loss of human lives, the suffering and destruction. We think that this new cycle of violence, if it were to continue, could have disastrous consequences for the whole area.

We have taken note of the unanimous adoption by the U.N. Security Council of a resolution expressing grave concern at the violation of the territorial integrity, independence and sovereignty of Lebanon and calling on all the parties to the conflict to cease immediately and simultaneously all military activities in Lebanon and across the Lebanese-Israeli border. We have also taken note of the appeal addressed to the parties by Mr. Perez de Cuellar, Secretary General of the U.N., and of a message sent by him to the President of the French Republic, as Chairman of this meeting.

We strongly endorse the urgent appeals by the Security Council and the Secretary General for an immediate and simultaneous cessation of violence, and we call upon all the parties to heed these appeals, in order that peace and security throughout the area be safeguarded.

Each of our governments will use all the means at its disposal to achieve this objective.

Draft

We are shocked by the news reaching us during these last days from Lebanon and the Lebanese-Israeli border area. We are deeply moved by the loss of human lives, the suffering and destruction. We think that this new cycle of violence, if it were to continue, could have disastrous consequences for the whole area.

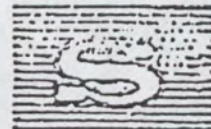
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We strongly endorse the urgent appeals by the Security Council and the Secretary General for an immediate and simultaneous cessation of violence, and we call upon all the parties to heed these appeals, in order that peace and security throughout the area be safeguarded.

Each of our governments will use all the means at its disposal to achieve this objective.

NOTE: Attached are the texts of the Security Council Resolution of 5 June and the message sent to President Mitterrand (in French) by the UN Secretary General.

DN2006-2



UNITED NATIONS
SECURITY
COUNCIL



PROVISIONAL

S/15168
5 June 1982

ORIGINAL: ENGLISH

Japan: draft resolution *is adopted*

The Security Council,

Recalling Security Council resolutions 425 (1978), 426 (1978) and the ensuing resolutions, and more particularly, Security Council resolution 501 (1982),

Taking note of the letters of the Permanent Representative of Lebanon dated 4 June 1982 (S/15161 and S/15162),

Deeply concerned at the deterioration of the present situation in Lebanon and in the Lebanese-Israeli border area, and its consequences for peace and security in the region,

Gravely concerned at the violation of the territorial integrity, independence, and sovereignty of Lebanon,

Reaffirming and supporting the statement made by the President and the members of the Security Council on 4 June 1982 (S/15163), as well as the urgent appeal issued by the Secretary-General on 4 June 1982,

Taking note of the report of the Secretary-General,

1. Calls upon all the parties to the conflict to cease immediately and simultaneously all military activities within Lebanon and across the Lebanese-Israeli border and no later than 0600 hours local time on Sunday, 6 June 1982;
2. Requests all Member States which are in a position to do so to bring their influence to bear upon those concerned so that the cessation of hostilities declared by Security Council resolution 490 (1981) can be respected;
3. Requests the Secretary-General to undertake all possible efforts to ensure the implementation of and compliance with this resolution and to report to the Security Council as early as possible and not later than forty-eight hours after the adoption of this resolution.

SEGEFNAT : PRIERE SERVIR TELEX : 6 1 4 8 0 0 VERSAILLES

A L'ATTENTION DE M. ANDREANI - HOTEL TRIANON PALACE . TELEX
6 9 8 8 6 3

OBJET: MESSAGE DU SECRETAIRE GENERAL DES NATIONS UNIES A
M. LE PRESIDENT DE LA REPUBLIQUE.

CITATION :

" M. LE PRESIDENT,

PROFONDEMENT ANGOISSE PAR LA DETERIORATION CROISSANTE ET
DRAMATIQUE DE LA SITUATION AU LIBAN, J'AI LANCE CET APRES-MIDI UN
APPEL AUX PARTIES CONCERNEES POUR QU'ELLES ARRESENT LES COMBATS
EN COURS ET OBSERVENT A NOUVEAU LE Cessez-le-feu A PARTIR DE 6
HEURES, HEURE LOCALE, DIMANCHE MATIN.

ETANT DONNE LA MENACE QUE FAIT PESER SUR LA PAIX DE TOUTE
LA REGION LE DECLENCHEMENT DES HOSTILITES ACTUELLES, LE GRAND NOMBRE
DES VICTIMES ET L'AMPLEUR DES DESTRUCTIONS, JE VOUS SERAIS RECONNAIS-
SANT, M. LE PRESIDENT, D'APPORTER L'APPUI DE VOTRE HAUTE AUTORITE A
MON APPEL. IL SERAIT DE LA PLUS HAUTE IMPORTANCE QUE LES CHEFS D'ETAT
ET DE GOUVERNEMENT REUNIS A VERSAILLES A VOTRE INVITATION ACCORDENT
LEUR SOUTIEN A MES EFFORTS POUR RAMENER LA PAIX DANS UNE REGION OU
LE DECHAINEMENT DES VIOLENCES POURRAIT AVOIR DES CONSEQUENCES INCAL-
CULABLES POUR LE MONDE ENTIER.

VEUILLEZ AGREER, MONSIEUR LE PRESIDENT, L'ASSURANCE DE MA
TRES HAUTE CONSIDERATION.

JAVIER PEREZ DE CUELLAR

SECRETAIRE GENERAL DES NATIONS UNIES."

FIN DE CITATION. 051655.7.

NANTEUIL

CONFIDENTIAL



file

Bk.

10 DOWNING STREET

From the Private Secretary

6 June 1982

Dear Brian

CONVERSATION BETWEEN THE PRIME MINISTER AND MR. TRUDEAU

The Bilateral meeting held with Mr. Trudeau at Versailles on 5 June turned out to be an insubstantial affair, primarily because Mr. Trudeau converted it into a walk in the grounds of Versailles.

At the end of the conversation the Prime Minister told me, in Mr. Trudeau's presence, that he had expressed an interest in participation by Canada in the Air-bus project. Mr. Trudeau said that he wanted more information (a Canadian team had been to Paris recently). He felt that, although Canada could scarcely afford to participate in the project, if it was good for the United Kingdom it must be good for Canada.

I am copying this letter to John Rhodes (Department of Trade), Jonathan Spencer (Department of Industry) and John Kerr (HM Treasury).

Yours ever

Willie Rickett

(for John Coles)

Brian Fall, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

Versailles Tel 14/6.6.82

to Re.

ECONOMIC SUMMIT - VERSAILLES

1. THE PRIME MINISTER GAVE A PRESS CONFERENCE ON SUNDAY 6 JUNE AT THE END OF THE ECONOMIC SUMMIT AT VERSAILLES. FOLLOWING IS EDITED TRANSCRIPT.

QUOTE LADIES AND GENTLEMEN YOU WILL HAVE HEARD PRESIDENT MITTERANDS SUMMING UP OF THE CONFERENCE. I AGREE WITH HIM THAT WE CAN DERIVE ENCOURAGEMENT FROM THIS UMMIT AT VERSAILLES. WE HAVE THE BENEFIT I THINK OF TWO THINGS; FIRST, CONTINUITY - THIS IS THE EIGHTH SUCH CONFERENCE AND THE FOURTH WHICH I HAVE ATTENDED AND THERE IS A CONTUNJITY IN THE MATTERS WE DISCUSSED AND OF COURSE THE CONCLUSIONS WHICH WE REACHED. AND SECONDLY THIS TIME TIME WE HAVE HAD THE BENEFIT ALSO OF SOLIDARITY AS HE POINTED OUT ON ALMOST EVERYTHING WE DISCUSSED.

2. MAY I PICK OUT JUST ONE OR TWO HIGHLIGHTS? WHAT IS WORRYING US ECONOMICALLY IS HOW TO COME OUT OF WORLD RECESSION, THAT WAS A CONCERN OF EVERYONE, I THIN PERHAPS SAVE THE JAPANESE WHO HAVE NO SUCH RECESSION, BUT ALL OTHER COUNTRIES ADDRESSED THEMSELVES TO THIS PROBLEM. WE LOOKED AT IT IN A NUMBER OF LIGHTS, FIRST ON PURSUING SOUND ECONOMIC POLICIES AND CAME TO THE CONCLUSION THAT IF WE ARE TO LAY A PROPER FOUNDATION FOR COMING OF OF RECESSION WE MUST GO ON PURSUING POLICIES WHICH HAVE INFLATION ON A GRADUALLY LOWER AND LOWER CURVE. WE MUST CONCENTRATE ON GETTING DOWN INFLATION. THAT WAS THE FIRST CONCLUSION. EVERY SIGNLE PERSON AGREED WITH THAT. SECONDLY WE MUST CONCENTRATE ALSO ON GETTING DOWN THE DEFICITS ON OUR BUDGETS; YOU WILL FIND THAT TOO IN THE TEXT. YOU WILL UNDERSTAND THE FULL REASONING FOR THIS. THERE CAN BE NO RECOVERY FROM A WORLD RECESSION UNLESS WE GET INTEREST RATES DOWN AND TO GET INTEREST RATES DOWN YOU MUST GET INFLATION DOWN AND YOU MUST HAVE YOUR DEFICITS CONTINUING TO COME DOWN AND YOU MUST ALSO PURSUE FAIRLY STRINGENT MONETARY POLICIES. ALL OF THOSE THINGS ARE THERE.

3. I HAVE NEVER KNOWN SUCH UNANIMITY ON WHAT I MIGHT CALL THE ECONOMIC AND FINANCIAL POLICIES WHICH MUST BE PURSUED TO FORM A SOUND BASIS FOR A STEADY RECOVERY. AND AGAIN AND AGAIN WE REFERRED TO A STEADY RECOVERY NOT TO AN AFTIFICIAL RECOVERY. BASED ON PRINTED MONEY BECAUSE THAT WOULD ONLY RUN US INTO DIFFICULTIES LATER. WE ALL WANTED A STEADY RECOVERY AND WERE PREPARED TO HAVE LONG-TERM POLICIES FOR THAT.

4. WE ALSO RECOGNISE THAT WE EACH HAVE A DUTY TO ONE ANOTHER TO PURSUE THESE POLICIES BECAUSE IT IS ONLY IF WE ALL DO IT THAT WE SHALL HAVE STABILITY OF EXCHANGE RATES AND BE ABLE TO GUARD BOTH THE INTERNAL VALUE OF OUR CURRENCY WHICH IS WHY WE HAVE TO GET INFLATION DOWN AND THE EXTERNAL VALUE OF OUR CURRENCY. NO EXCHANGE RATE SYSTEM WILL KEEP EXCHANGE RATE STABILITY UNLESS EACH OF US PURSUES SOUND ECONOMIC POLICIES AND THIS YOU WILL SEE IS REFLECTED IN A MONETARY STATEMENT WHICH IS ATTACED TO A COMMUNIQUE.

5. HAVING GOT THE SOUND ECONOMIC BASIS WHICH WE ARE ALL PLEDGED TO DO AND TO PURSUE AS A MATTER OF URGENCY BECAUSE WE REALISE THAT THE PROBLEMS ARE URGENT MAY I THEN GO ON TO OTHER ASPECTS OF HOW TO COME OUT OF WORLD RECESSION.

6. TRADE. WE HAVE TO FOSTER POLICIES WHICH WILL LEAD TO AN EXPANSION OF WORLD TRADE. COUNTRIES LIKE OURS WHICH DEPEND SO MUCH ON EXPORTS FOR THEIR STANDARD OF LIVING ARE PARTICULARLY INTERESTED IN KEEPING OPEN TRADING POLICIES. OF COURSE EACH AND EVERY PERSON ROUND THAT TABLE HAD A CERTAIN NUMBER OF TARIFFS AND QUOTAS BUT BY AND LARGE WE BELIVE IN OPEN TRADING POLICIES AND WHAT WE ARE TRYING TO DO IS TO PERSUADE OTHER COUNTRIES THERE TO SEE THAT THEIR POLICIES ARE AS OPEN AS OURS BECAUSE OPEN TRADE MUST APPLY TO EVERY SINGLE COUNTRY THERE. IF WE ARE TO OPERATE AN OPEN TRADING POLICY IT CANT BE OPEN AS FAR AS SOME ARE CONCERNED AND NOT AS FAR AS OTHERS ARE CONCERNED. SO YOU WILL FIND MANY CLAUSES IN THE COMMUNIQUE DIRECTED TO KEEPING AND EXTENDING AN OPEN TRADE POLICY. TECHNOLOGY. THIRDLY YOU WILL FIND A GOOD DEAL ON THE NEW TECHNOLOGY. NOW WHILE WE CALL THIS THE THIRD INDUSTRIAL REVOLUTION WE NOTED THAT THERE IS NOTHING NEW ABOUT NEW TECHNOLOGY. ALL MY

/LIFETIME

LIFETIME AND THEREFORE ALL OF YOUR LIFETIMES WE HAVE BEEN LIVING WITH NEW TECHNOLOGY, WE HAVE ABSORBED IT, IT HAS CONTRIBUTED TO OUR STANDARD OF LIVING, IT HAS CONTRIBUTED TO FINDING INCREASED JOBS, NOW WE ARE ON A THIRD INDUSTRIAL REVOLUTION AND THE QUESTION IS HOW ARE WE GOING TO HARNESS THAT TO GET INCREASED JOBS. BUT AGAIN WE ALL AGREED IT IS ABSOLUTELY INDISPENSABLE TO THE RECOVERY FROM RECESSION AND INDISPENSABLE TO THE CREATION OF NEW JOBS THAT WE ADOPT THE NEW TECHNOLOGY. WE STRESSED THAT BECAUSE A NUMBER OF PEOPLE THINK THAT THE NEW TECHNOLOGY LOSES JOBS. IN THE SHORT IMMEDIATE RUN IT MAY BUT WE SHALL NOT HAVE THE BETTER JOBS IN THE LONGER RUN UNLESS WE ADOPT IT. AND IT WAS NOTICEABLE ROUND THAT TABLE THAT THE PEOPLE WHO HAVE THE LOWEST RATE OF INFLATION ALSO HAVE THE LOWEST UNEMPLOYMENT AND THE PEOPLE WHO HAVE THE LOWEST UNEMPLOYMENT HAVE BEEN FASTEST TO ADOPT THE NEW TECHNOLOGY. SO THE WHOLE THING ON THE HOME ECONOMIC FRONT, IF I MIGHT PUT IT THAT WAY, HUNG TOGETHER. OVERSEAS ISSUES - CREDIT.

NOW MAY I TURN TO THE OVERSEAS ASPECTS. FIRST ON THE ECONOMIC SIDE WE DID DISCUSS CREDITS AND OTHER FINANCIAL POLICIES TOWARDS THE SOVIET UNION AND THE SUPPLY OF STRATEGIC MATERIALS TO THEM. YOU WILL FIND A WHOLE SECTION ON THAT. WE AGREED THAT WE MUST BE PRUDENT IN LIMITING THE CREDITS WHICH WE GIVE TO THE SOVIET UNION. THE GENERAL EXPECTATION IS THAT WE LIMIT THOSE CREDITS TO THE SOVIET UNION TO A RATHER GREATER EXTENT THAN WE HAVE PREVIOUSLY AND THAT WE AGREE THAT OUR TRADING PATTERN AND THE WHOLE OF OUR TRADING WITH THE SOVIET UNION BE MONITORED SO THAT WE CAN SEE EXACTLY WHAT THE PROBLEM IS.

7. NORTH/SOUTH. AGAIN ON THE OVERSEAS SIDE WE HAD QUITE A LONG DISCUSSION ABOUT THE THIRD WORLD AND HOW OUR STANDARD OF LIVING IN PART DEPENDS UPON RAISING THEIR STANDARD OF LIVING AND OF COURSE WE TACKLED THE WHOLE QUESTION OF GLOBAL NEGOTIATIONS. (IT'S A TERRIBLE PHRASE BUT WE ALL KNOW WHAT IT MEANS). WE ARE READY FOR THOSE TO START BUT THERE IS A STRONG PROVISIO - IT WILL NOT SURPRISE YOU. THE PROVISIO IS THAT THE SPECIALISED AGENCIES, THE IMF, THE WORLD BANK AND THE GATT, RETAIN THEIR INDEPENDENCE. IN OTHER WORDS, THEY COULD RECEIVE REQUESTS FROM THE UNITED NATIONS BUT THEY COULD NOT RECEIVE INSTRUCTIONS.

8. MIDDLE EAST. THE TWO OTHER WHAT I MIGHT CALL POLITICAL MATTERS WHICH ARE IN ALL OUR MINDS AT THE MOMENT WAS JUST THE NEWS OF THE LEBANON THAT CAME IN WHILE WE WERE IN SESSION AND WE OF COURSE SUPPORTED VERY STRONGLY THE SECRETARY GENERAL OF THE UN AND THE SECURITY COUNCIL IN THEIR CALL FOR A CEASE FIRE.

9. FALKLANDS. IF I MIGHT REFER TO THE OTHER MATTER WHICH OF COURSE IS NEVER FAR FROM MY OWN MIND. WE HAD A LONG DISCUSSION ABOUT FALKLANDS - THE GREATER PART OF ONE OF OUR DINNER SESSIONS. YOU WILL HAVE HEARD HOW FORTHRIGHT PRESIDENT MITTERRAND WAS IN SUPPORT OF BRITAIN'S POSITION WHICH HE DESCRIBED AS ONE OF COMPLETE SOLIDARITY AND UNITY. ALL NATIONS AT THIS SUMMIT WERE ABSOLUTELY STAINCH IN RECOGNISING THAT BRITAIN HAD BEEN THE VICTIM OF ARGENTINE AGGRESSION THAT WE MUST UPHOLD INTERNATIONAL LAW, THAT WE MUST CONTINUE TO HAVE SELF DETERMINATION AS ONE OF OUR MAIN OBJECTIVES AND THEY HOPE THAT WHEN WE HAVE REPOSSESSED THE ISLANDS WE WILL BE ABLE TO HAVE NOT ONLY A LOCAL CEASEFIRE AND CESSATION OF HOSTILITIES WHICH AFFECTED NOT ONLY THE ISLANDS BUT WHICH EMBRACED THE WHOLE QUESTION OF THE WHOLE MAINLAND AS WELL. SO THAT THEY HOPE THAT THERE WILL THEREFORE BE NO QUESTION OF THE ARGENTINE PURSUING HOSTILITIES FROM THE MAINLAND AND THEY URGED US TO GET A TOTAL CESSATION OF HOSTILITIES WHICH OF COURSE WE SHALL TRY TO DO.

10. SUMMING UP. THIS IS THE FOURTH CONFERENCE WHICH I HAVE ATTENDED; I THINK THAT GIVES ONE SOME YARDSTICK BY WHICH TO JUDGE. WE WERE UNITED IN THIS. WE RECOGNISE THAT ON THE ECONOMIC FRONT WE MUST ACT IN CONCERT AND THEREFORE WE LAID DOWN RATHER MORE CLEARLY THAN PREVIOUSLY THE STEPS EACH NATION MUST TAKE NOT ONLY IN DUTY TO OUR OWN PEOPLES BUT IN DUTY ONE TO ANOTHER SO THAT WE COULD ALL PROSPER THE BETTER.

NOW LADIES AND GENTLEMEN, YOUR QUESTIONS.

PETER HOBBDAY, PRIME MINISTER, WOULD YOU CARE TO COMMENT ON THE STATE OF ANGLO/AMERICAN RELATIONS FOLLOWING THE CHANGE OF MIND OVER THE UN VOTE. WERE YOU AS DISMAYED AS SOME MEMBERS OF THE BRITISH DELEGATION ARE SAID TO HAVE BEEN DISMAYED BY THIS CHANGE? PM: ANGLO/AMERICAN RELATIONS ARE EXCELLENT. WE SAW WHAT HAPPENED, WE SAW THAT THERE WAS AN ATTEMPT TO CHANGE THE VOTE FROM A VETO TO AN ABSTENTION AND MY ATTITUDE IS THIS; IF THAT'S THE ONLY THING I HAVE TO WORRY ABOUT THEN I SHALL BE A VERY LUCKY WOMAN. AS IT IS I HAVE FAR MORE IMPORTANT THINGS TO CONCERN MYSELF ABOUT IN PARTICULAR WHAT'S GOING ON IN THE FALKLANDS. AND I KNOW FULL WELL - AND INDEED ONE HAS BEEN ASSURED - THAT THE PROCEDURE AND THE MERIT OF A PARTICULAR UNITED NATIONS RESOLUTION AND WHAT HAPPENED THERE DOES NOT AFFECT IN ANY WAY THE STAINCHNESS

OF UNITED STATES SUPPORT FOR BRITAIN. SHE WAS STAUNCH, SHE IS STAUNCH. RELATIONS ARE FRIENDLY, GOOD AND THEY WILL REMAIN THAT WAY. SO PLEASE DON'T BLOW IT UP BECAUSE I LOOKED AT SOME OF THE PRESS TODAY AND I ASSURE YOU SOME OF THOSE WORDS NEVER CAME OUT OF MY MOUTH FOR THE SIMPLE REASON I HAVE GIVEN - I'VE GOT FAR MORE IMPORTANT THINGS TO WORRY ABOUT.

QUESTION 2: WITH REGARD TO THE FALKLANDS HAVE WE HAD ANY NEWS REGARDING WHAT IS HAPPENING THERE NOW?

PM: WE HAVE HAD NO FURTHER NEWS. IT'S FOGGY, IN ALL SENSES OF THE WORD.

JOHN PALMER, GUARDIAN: PRIME MINISTER, IF I COULD RETURN TO YOUR STATEMENT ABOUT THE STAUNCHNESS OF SUPPORT FOR BRITAIN OVER THE CONFLICT IN THE FALKLAND ISLANDS, ARE YOU NONETHELESS NOT SOMEWHAT SADDENED BY THE FACT THAT OF THE PARTICIPATING COUNTRIES AT THIS SUMMIT FRANCE ABSTAINED, JAPAN VOTED FOR THE RESOLUTION AND THE UNITED STATES WOULD HAVE ABSTAINED BUT FOR COMMUNICATIONS PROBLEMS. DOES THIS NOT POSE SOME QUESTION AS TO THE DEGREE OF SUPPORT FOR BRITAIN?

PM: NO MR PALMER, MAY I DIRECT YOUR ATTENTION TO WHAT REALLY MATTERS, THAT THOSE PEOPLE WHO DO SUPPORT US HERE HAVE SAID SO WILL CONTINUE TO SUPPORT US, COULD NOT HAVE MADE THEIR VIEW MORE CLEAR THAN THEY HAVE. WE ARE RECEIVING VERY CONSIDERABLE HELP FROM THEM BY WAY OF ECONOMIC SANCTIONS OR HELP IN LOGISTICS AND IN THE MATERIAL SENSE. WE NEED ALL THAT HELP; WE ARE GETTING IT. THAT MATTERS FOR MORE TO ME AND TO THE SOLDIERS WHO ARE FIGHTING DOWN THERE AND A LOAD OF WORDS AND A SLIGHT DISAGREEMENT OVER A PROCEDURAL MATTER.

QUESTION 4: PRIME MINISTER DOES THAT SUPPORT INCLUDE THE BACKING OF ALL SEVEN MEMBERS OF THE SUMMIT FOR YOUR REPOSSESSION OF THE FALKLANDS?

PM: YES. YOU HEAR WHAT PRESIDENT MITTERRAND SAID, SHALL I READ IT OUT AGAIN? IT WAS ABSOLUTELY SPLENDID. WE TALKED ABOUT THE CONFLICT IN THE SOUTH ATLANTIC. THIS WAS DUE TO THE AGGRESSIVE CONDUCT OF ARGENTINA WHICH WAS ENTAILED A WHOLE SERIES OF SERIOUS ACTIONS. WE REPEATED ONCE AGAIN OUR CONDEMNATION OF ARGENTINA'S AGGRESSIVE CONDUCT. WE CONDEMNED THE RECOURSE TO VIOLENCE RATHER THAN THE RULE OF LAW AS A MEANS OF SETTling DISPUTES. WE REASSERTED OUR SUPPORT FOR SECURITY COUNCIL RESOLUTION 502, HOPED THERE WOULD BE A CEASEFIRE AS SOON AS POSSIBLE, WHICH AS I SAID WOULD SETTLE THE WHOLE CONFLICT AND THE DISPUTE BETWEEN THE TWO PARTIES. WE EXPRESSED OUR COMPLETE SOLIDARITY WITH THE UK WHO HAS BEEN THE VICTIM OF AGGRESSION AND WHOSE NATIONAL INTERESTS AND NATIONAL PRIDE HAVE BEEN INJURED. THE UK MUST RECOVER WHAT SHE HAS LOST AND WE MUST DO WHAT WE CAN TO ENSURE THAT PEACE SHALL PREVAIL OVER WAR. IT WAS A SPLENDID SUMMING UP OF TOTAL UNITY AND SOLIDARITY.

QUESTION 5: PRIME MINISTER, ON IRAN/IRAQ CONFLICT HAVE YOU REACHED ANY AGREEMENT AND ARE YOU CONCERNED WITH WHAT IS HAPPENING IF IRAN DOES CROSS THE BORDER AND ATTACK IRAQ?

PM: OF COURSE WE ARE CONCERNED WITH WHAT IS HAPPENING IN IRAN/IRAQ. OF COURSE WE DISCUSSED IT, OF COURSE WE HOPE THAT IT WILL COME TO A PEACEFUL CONCLUSION. I AM AFRAID WE ARE NOT ABLE TO PULL SUDDEN SOLUTIONS OUT OF THE HAT. IT IS ONE OF THOSE THINGS WHERE ONE DOES DISCUSS WITH GREAT CONCERN BUT ONE CANNOT SUDDENLY SAY THE SOLUTIONS ARE THE FOLLOWING THINGS, SO YES WE DISCUSSED IT. YES WE ARE CONCERNED, AND I THINK WHEN YOU CONSIDER THE PROBLEMS THERE, AND THEN ADD TO THEM THE ONES WHICH HAVE NOW DEVELOPED AFRESH IN THE LEBANON, WE UNDERSTAND THAT THE MIDDLE EAST IS INDEED A VERY, VERY CONSIDERABLE CAUSE OF REAL WORRY TO US ALL AT THE PRESENT TIME.

JOHN WYLES (F.T.): PRIME MINISTER: IN YOUR TALK WITH PRESIDENT REAGAN WHAT PROGRESS HAVE YOU MADE IN SECURING AMERICAN UNDERTAKINGS TO JOIN WITH YOU AND PERHAPS OTHER NATIONS IN SECURING THE FUTURE OF THE FALKLAND ISLANDS AFTER THEY HAVE BEEN REPOSSESSED?

PM: WE ARE CONSTANTLY TALKING ABOUT THESE THINGS. ONCE THEY ARE REPOSSESSED, AS I HAVE SAID IN THE HOUSE OF COMMONS A NUMBER OF TIMES, WE SHALL HAVE QUITE A PROBLEM OF REHABILITATION; THE PEOPLE THERE HAVE UNDERGONE THE MOST TRAUMATIC EXPERIENCE, THEIR HOMES HAVE BEEN DAMAGED, THEIR LIVES HAVE BEEN TOTALLY UPSET, THEIR WHOLE LIVES WILL HAVE TO BE REHABILITATED; THEY WILL HAVE TO START WORKING AGAIN AT THEIR OWN BUSINESSES AND FARMS AND THAT WILL TAKE

TIME. WE HAVE ALSO TO GO IN FOR CONSIDERABLE RECONSTRUCTION AND I HAVE ASKED LORD SHACKLETON TO UPDATE HIS REPORT. WE SHALL NEED HELP WITH THE RECONSTRUCTIONS BUT HOW MUCH RECONSTRUCTION WE CAN GET WILL IN SOME MEASURE DEPEND UPON HOW FAR WE ARE ABLE TO SECURE THE FUTURE OF THE ISLANDS. WE WILL, ONCE WE HAVE GOT A CEASEFIRE, BE TALKING TO THE UNITED STATES AND I HOPE TOO PERHAPS OTHER NATIONS MIGHT JOIN IN AFTER THAT. BUT THE THINGS DO TO SOME EXTENT DEPEND UPON ONE ANOTHER.

QUESTION 7: MRS THATCHER, WITH REGARD TO THE HIGH INTEREST RATES IN THE UNITED STATES CANADIAN PRIME MINISTER TRUDEAU IS VERY UPSET OVER THE IMPACT OF THOSE INTEREST RATES ON THE COUNTRY AND THEINFLATION. DO YOU BACK PRESIDENT REAGAN ON HIS POLICIES OR ARE YOU AMIABLE TO MR TRUDEAU?

PM: WE ARE ALL CONCERNED TO TRY TO GET INTEREST RATES DOWN AND YOU WILL FIND THAT THE COMMUNIQUE DOES SET OUT A PATTERN. YOU HAVE GOT TO GET INFLATION DOWN BECAUSE UNLESS YOU GET INFLATION DOWN YOU WONT GET INTEREST RATES DOWN. THE UNITED STATES IS ONE OF THE MOST SUCCESSFUL COUNTRIES IN GETTING INFLATION DOWN; INDEED IS AN OBJECT LESSON TO A NUMBER OF NATIONS ON HOW FAST IT'S COMING DOWN. PRESIDENT REAGAN IS VERY ANXIOUS INDEED TO GET THE DEFICIT DOWN NOT ONLY FOR ONE YEAR AT A TIME BUT AS HE STRESSED, TO HAVE IT ON A FALLING, STEADILY DIMINISHING CURVE SO THAT HE CAN GRADUALLY WORK TOWARDS A BALANCED BUDGET. THERE ARE TWO WAYS OF GETTING A DEFICIT DOWN; ONE IS OF GETTING DOWN YOUR PUBLIC EXPENDITURE, THE OTHER'S OF PUTTING UP YOUR TAXATION. HE IS CONCENTRATING AND I THINK HE IS RIGHT TO DO SO FOR THE FUTURE, ON TRYING TO GET DOWN PUBLIC EXPENDITURE AND I HOPE THAT HE IS SUCCESSFUL BECAUSE HIS SUCCESS WILL HELP US ALL. IF THE AMERICAN DEFICIT COMES DOWN THE COMBINATION OF THAT WITH THEIR SUCCESS ON INFLATION SHOULD HAVE AN EFFECT ON THE MARKETS AND BRINGING DOWN INTEREST RATES AND THAT REALLY IS WHAT WE ARE ALL WAITING FOR AND HOPING FOR.

STEVE LEVINSON (PA): YOU HAVE BEEN QUITE SUCCESSFUL IN GETTING DOWN INFLATION IN BRITAIN. DO YOU NOW SEE AS A RESULT OF THAT AND OF THIS SUMMIT THAT PROSPECTS FOR LOWER INTEREST RATES AND ECONOMIC GROWTH IN THE UK ARE NOW BETTER?

PM: WE HAVE QUITE A WAY TO GO IN GETTING INFLATION DOWN FURTHER. LET NO-ONE THINK THAT I THINK NINE POINT FOUR PER CENT REPRESENTS AN END POINT OF SUCCESS IN GETTING INFLATION DOWN - WE HAVE A LONG WAY TO GO IN GETTING IT DOWN FURTHER. EVERYTHING THAT IS IN THIS COMMUNIQUE CONFIRMS THE ECONOMIC POLICIES THAT WE HAVE BEEN RUNNING AND SHALL CONTINUE TO ADOPT BECAUSE THAT IS THE RIGHT WAY TO GO. ONCE OTHER COUNTRIES, ALL OF THEM, HAVE BEEN PURSUING THE SAME POLICIES FOR SOME TIME AND ALSO GET THEIR DEFICITS DOWN, THEN I BELIEVE THAT INTERNATIONAL INTERES RATES WILL BEGIN TO FALL. THAT WILL BE THE SIGNAL AT WHICH MANY SMALL BUSINESSES CAN START TO EXPAND AND NEW ONES START UP.

JOHN PALMER (GUARDIAN): PRIME MINISTER, I WONDER IF YOU COULD CHARACTERISE FOR US YOUR REACTIONS AS TO HOW SERIOUS THE ISRAELI INTERVENTION IS, WHETHER IT REPRESENTS A QUALITATIVELY MORE SERIOUS EPISODE THAN PREVIOUS INCURSIONS AND WHETHER THE BRITISH GOVERNMENT ACTUALLY CONDEMNS THE ACT RATHER THAN MERELY APPEALING FOR A CEASEFIRE?

PM: WE ARE ALWAYS CONCERNED AT ANY FLARE UP OF ANY KIND IN THE MIDDLE EAST AND THIS APPEARS TO BE ON A CONSIDERABLE SCALE. WE SUPPORT THE SECURITY COUNCIL RESOLUTION. I AM NOT GOING TO GO FURTHER THAN THAT. I HAVE BEEN AWAY AND HAVE NOT GOT ALL THE FACTS AND MR PALMER YOU WILL KNOW MY INVARIABLE RULE - FIRST FIND THE FACTS BEFORE COMMENTING.

QUESTION 10: PRIME MINISTER, WHAT CAME OUT OF THE SUMMIT ON THE OECD EXPORT CONSENSUS AND ARE YOU SATISFIED WITH IT?

PM: WE HAVE FROM THE MAIN HEADS OF GOVERNMENT NOTHING ELSE TO REPORT ON THE CONSENSUS. WE OF COURSE HAD DONE A GOOD DEAL OF SORTING OUT OF THAT IN THE EEC AND AS YOU KNOW IN THE EEC WE HAD PUT THE SOVIET UNION TO THE HIGHEST LEVEL OF CONSENSUS CREDITS AND WE HOPE THAT THAT WILL BE ADOPTED BY OTHER NATIONS. WE ARE, OF COURSE, AT THE SUMMIT ONLY A FEW NATIONS AND THIS WAS NOT ITSELF DISCUSSED AT HEADS OF GOVERNMENT. (TO SIR GEOFFREY HOWE - WAS IT DISCUSSED AT THE FINANCE MINISTERS?)''

SIR GEOFFREY HOWE: WE HAVE HAD SOME DISCUSSION OF THE SUBJECT BUT WE OBVIOUSLY CANT COME TO CONCLUSIONS HERE ABOUT IT: IT HAS TO GO BACK TO THE COMMUNITY AND TO THE OECD ON JUNE 15TH. I THINK I CAN'T ADD MORE THAN THAT SAVE TO SAY THAT OUR DISCUSSIONS I HOPE WILL HAVE HELPED US TOWARDS A CONCLUSION.

QUESTION CONTINUED: THE JUNE 15TH DEADLINE WILL BE EXTENDED WILL IT?

SIR GEOFFREY HOWE: I DON'T SEE ANY NECESSITY TO ACCEPT THAT VIEW AT THE MOMENT.

THANK YOU VERY MUCH.

UNCLASSIFIED
 FM UKDEL VERSAILLES 061810Z JUNE
 TO IMMEDIATE FCO
 TELEGRAM NUMBER 11 OF 6 JUNE
 INFO IMMEDIATE BONN (FOR PS/MINISTER OF TRADE).

VERSAILLES ECONOMIC SUMMIT.

1. FOLLOWING IS TEXT OF SUMMIT DECLARATION
 BEGINS:

DECLARATION OF THE SEVEN HEADS OF STATE AND GOVERNMENT
 AND REPRESENTATIVES OF THE EUROPEAN COMMUNITIES.

IN THE COURSE OF OUR MEETING AT VERSAILLES WE HAVE DEEPEENED
 OUR MUTUAL UNDERSTANDING OF THE GRAVITY OF THE WORLD ECONOMIC
 SITUATION, AND WE HAVE AGREED ON A NUMBER OF OBJECTIVES FOR URGENT
 ACTION WITH A VIEW TO IMPROVING IT.

WE AFFIRM THAT THE IMPROVEMENT OF THE PRESENT SITUATION, BY A
 FURTHER REDUCTION OF INFLATION AND BY A RETURN TO STEADY GROWTH AND
 HIGHER LEVELS OF EMPLOYMENT, WILL STRENGTHEN OUR JOINT CAPACITY TO
 SAFEGUARD OUR SECURITY TO MAINTAIN CONFIDENCE IN THE DEMOCRATIC
 VALUES THAT WE SHARE, AND TO PRESERVE THE CULTURAL HERITAGE OF OUR
 PEOPLES IN ALL THEIR DIVERSITY. FULL EMPLOYMENT PRICE STABILITY AND
 BALANCED GROWTH ARE AMBITIOUS OBJECTIVES. THEY ARE ATTAINABLE
 IN THE COMING YEARS ONLY IF WE PURSUE POLICIES WHICH ENCOURAGE
 PRODUCTIVE INVESTMENT AND TECHNOLOGICAL PROGRESS; IF, IN ADDITION
 TO OUR OWN INDIVIDUAL EFFORTS, WE ARE WILLING TO JOIN FORCES,
 IF EACH COUNTRY IS SENSITIVE TO THE EFFECTS OF ITS POLICIES ON
 OTHERS AND IF WE COLLABORATE IN PROMOTING WORLD DEVELOPMENT.

IN THE SPIRIT WE HAVE DECIDED TO IMPLEMENT THE FOLLOWING LINES
 OF ACTION:

- GROWTH AND EMPLOYMENT MUST BE INCREASED. THIS WILL BE
 ATTAINED ON A DURABLE BASIS ONLY IF WE ARE SUCCESSFUL IN OUR
 CONTINUING FIGHT AGAINST INFLATION, THAT WILL ALSO HELP TO BRING
 DOWN INTEREST RATES, WHICH ARE NOW UNACCEPTABLY HIGH, AND TO BRING
 ABOUT MORE STABLE EXCHANGE RATES. IN ORDER TO ACHIEVE THIS ESSENTIAL
 REDUCTION OF REAL MONETARY POLICIES AND ACHIEVE GREATER CONTROL OF
 BUDGETARY DEFICITS IT IS ESSENTIAL TO INTENSIFY OUR ECONOMIC AND
 MONETARY COOPERATION. IN THIS REGARD WE WILL WORK TOWARDS A CONSTRUCTIVE
 AND ORDERLY EVOLUTION OF THE INTERNATIONAL MONETARY SYSTEM BY
 A CLOSER COOPERATION AMONG THE AUTHORITIES REPRESENTING THE
 CURRENCIES OF NORTH AMERICA, JAPAN AND OF THE EUROPEAN COMMUNITY
 IN PURSUING MEDIUM-TERM ECONOMIC AND MONETARY OBJECTIVES. IN THIS
 RESPECT WE HAVE COMMITTED OURSELVES TO THE UNDERTAKINGS CONTAINED
 IN THE ATTACHED STATEMENT.

- THE GROWTH OF WORLD TRADE IN ALL ITS FACETS IS BOTH A NECESSARY
 ELEMENT FOR THE GROWTH OF EACH COUNTRY AND A CONSEQUENCE OF THAT
 GROWTH. WE REAFFIRM OUR COMMITMENT TO STRENGTHENING THE OPEN
 MULTILATERAL TRADING SYSTEM AS EMBODIED IN THE GATT AND TO
 MAINTAINING ITS EFFECTIVE OPERATION. IN ORDER TO PROMOTE STABILITY
 AND EMPLOYMENT THROUGH TRADE AND GROWTH, WE WILL RESIST
 PROTECTIONIST PRESSURES AND TRADE-DISTORTING PRACTICES. WE ARE
 RESOLVED TO COMPLETE THE WORK OF THE TOKYO ROUND AND TO IMPROVE
 THE CAPACITY OF THE GATT TO SOLVE CURRENT AND FUTURE TRADE PROBLEMS.
 WE WILL ALSO WORK TOWARDS THE FURTHER OPENING OF OUR MARKETS.
 WE WILL COOPERATE WITH THE DEVELOPING COUNTRIES TO STRENGTHEN AND
 IMPROVE THE MULTILATERAL SYSTEM AND TO EXPAND TRADING OPPORTUNITIES
 IN PARTICULAR WITH THE NEWLY INDUSTRIALIZED COUNTRIES. WE SHALL
 PARTICIPATE FULLY IN THE FORTHCOMING GATT MINISTERIAL CONFERENCE
 IN ORDER TO TAKE CONCRETE STEPS TOWARDS THESE ENDS. WE SHALL WORK
 FOR EARLY AGREEMENT ON THE RENEWAL OF THE OECD EXPORT CREDIT
 CONSENSUS.

- WE AGREE TO PURSUE A PRUDENT AND DIVERSIFIED ECONOMIC APPROACH
 TO THE USSR AND EASTERN EUROPE, CONSISTENT WITH OUR POLITICAL AND
 SECURITY INTERESTS. THIS INCLUDES ACTIONS IN THREE KEY AREAS. FIRST
 FOLLOWING INTERNATIONAL DISCUSSIONS IN JANUARY OUR REPRESENTATIVES
 WILL WORK TOGETHER TO IMPROVE THE INTERNATIONAL SYSTEM FOR
 CONTROLLING EXPORTS OF STRATEGIC GOODS TO THESE COUNTRIES AND
 NATIONAL ARRANGEMENTS FOR THE ENFORCEMENT OF SECURITY CONTROLS.
 SECOND WE WILL EXCHANGE INFORMATION IN THE OECD ON ALL ASPECTS
 OF OUR ECONOMIC, COMMERCIAL AND FINANCIAL RELATIONS WITH THE SOVIET
 UNION AND EASTERN EUROPE. THIRD, TAKING INTO ACCOUNT EXISTING
 ECONOMIC AND FINANCIAL CONSIDERATIONS WE HAVE AGREED TO HANDLE
 CAUTIOUSLY FINANCIAL RELATIONS WITH THE USSR AND OTHER EASTERN
 EUROPEAN COUNTRIES, IN SUCH A WAY AS TO ENSURE THAT THEY ARE
 CONDUCTED ON A SOUND ECONOMIC BASIS, INCLUDING ALSO THE NEED FOR
 COMMERCIAL PRUDENCE IN LIMITING EXPORT CREDITS. THE DEVELOPMENT OF
 ECONOMIC AND FINANCIAL RELATIONS WILL BE SUBJECT TO PERIODIC
 EX-POST REVIEW.

STATEMENT OF INTERNATIONAL MONETARY UNDERTAKINGS.

1. WE ACCEPT A JOINT RESPONSIBILITY TO WORK FOR GREATER STABILITY OF THE WORLD MONETARY SYSTEM. WE RECOGNISE THAT THIS RESTS PRIMARILY ON CONVERGENCE OF POLICIES DESIGNED TO ACHIEVE LOWER INFLATION, HIGHER EMPLOYMENT AND RENEWED ECONOMIC GROWTH, AND THUS TO MAINTAIN THE INTERNAL AND EXTERNAL VALUES OF OUR CURRENCIES. WE ARE DETERMINED TO DISCHARGE THIS OBLIGATION IN CLOSE COLLABORATION WITH ALL INTERESTED COUNTRIES AND MONETARY INSTITUTIONS.
 2. WE ATTACH MAJOR IMPORTANCE TO THE ROLE OF THE IMF AS A MONETARY AUTHORITY AND WE WILL GIVE IT OUR FULL SUPPORT IN ITS EFFORTS TO FOSTER STABILITY.
 3. WE ARE READY TO STRENGTHEN OUR COOPERATION WITH THE IMF IN ITS WORK OF SURVEILLANCE; AND TO DEVELOP THIS ON A MULTILATERAL BASIS TAKING INTO ACCOUNT PARTICULARLY THE CURRENCIES CONSTITUTING THE SDR.
 4. WE RULE OUT THE USE OF OUR EXCHANGE RATES TO GAIN UNFAIR COMPETITIVE ADVANTAGES.
 5. WE ARE READY IF NECESSARY TO USE INTERVENTION IN EXCHANGE MARKETS TO COUNTER DISORDERLY CONDITIONS AS PROVIDED FOR UNDER ARTICLE IV OF THE IMF ARTICLES OF AGREEMENT.
 6. THOSE OF US WHO ARE MEMBERS OF THE EMS CONSIDER THAT THESE UNDERTAKINGS ARE COMPLEMENTARY TO THE OBLIGATIONS OF STABILITY WHICH THEY HAVE ALREADY UNDERTAKEN IN THAT FRAMEWORK.
 7. WE ARE ALL CONVINCED THAT GREATER MONETARY STABILITY WILL ASSIST FREER FLOWS OF GOODS SERVICES AND CAPITAL. WE ARE DETERMINED TO SEE THAT GREATER MONETARY STABILITY AND FREER FLOWS OF TRADE AND CAPITAL REINFORCE ONE ANOTHER IN THE INTEREST OF ECONOMIC GROWTH AND EMPLOYMENT.
- ENDS.

2. FCO PLEASE COPY FURTHER AS NECESSARY.

[COPIES SENT TO NO 10 DOWNING STREET]

STANDARD

ERD
EESD
ESID
WED
ECD(E)
TRED
CABINET OFFICE



Château de Versailles
4, 5 et 6 juin 1982

DECLARATION OF THE SEVEN HEADS OF STATE AND GOVERNMENT
AND REPRESENTATIVES OF THE EUROPEAN COMMUNITIES

In the course of our meeting at Versailles we have deepened our mutual understanding of the gravity of the world economic situation, and we have agreed on a number of objectives for urgent action with a view to improving it.

We affirm that the improvement of the present situation, by a further reduction of inflation and by a return to steady growth and higher levels of employment, will strengthen our joint capacity to safeguard our security, to maintain confidence in the democratic values that we share, and to preserve the cultural heritage of our peoples in all their diversity. Full employment, price stability and sustained and balanced growth are ambitious objectives. They are attainable in the coming years only if we pursue policies which encourage productive investment and technological progress ; if, in addition to our own individual efforts, we are willing to join forces, if each country is sensitive to the effects of its policies on others and if we collaborate in promoting world development.

In this spirit, we have decided to implement the following lines of action :

-⁴Growth and employment must be increased. This will be attained on a durable basis only if we are successful in our continuing fight against inflation. That will also help to bring down interest rates, which are now unacceptably high, and to bring about more stable exchange rates. In order to achieve this essential reduction of real interest rates, we will as a matter of urgency pursue prudent monetary policies and achieve greater control of budgetary deficits. It is essential to intensify our economic and monetary cooperation. In this regard, we will work towards a constructive and orderly evolution of the international monetary system by a closer cooperation among the authorities representing the currencies of North America, of Japan and of the European Community in pursuing medium-term economic and monetary objectives. In this respect, we have committed ourselves to the undertakings contained in the attached statement.

- The growth of world trade in all its facets is both a necessary element for the growth of each country and a consequence of that growth. We reaffirm our commitment to strengthening the open multilateral trading system as embodied in the GATT and to maintaining its effective operation. In order to promote stability and employment

through trade and growth, we will resist protectionist pressures and trade-distorting practices. We are resolved to complete the work of the Tokyo Round and to improve the capacity of the GATT to solve current and future trade problems. We will also work towards the further opening of our markets. We will cooperate with the developing countries to strengthen and improve the multilateral system, and to expand trading opportunities in particular with the newly industrialized countries. We shall participate fully in the forthcoming GATT Ministerial Conference in order to take concrete steps towards these ends. We shall work for early agreement on the renewal of the OECD export credit consensus.

- We agree to pursue a prudent and diversified economic approach to the U.S.S.R. and Eastern Europe, consistent with our political and security interests. This includes actions in three key areas. First, following international discussions in January, our representatives will work together to improve the international system for controlling exports of strategic goods to these countries and national arrangements for the enforcement of security controls. Second, we will exchange information in the OECD on all aspects of our economic, commercial and financial relations with the Soviet Union and Eastern Europe. Third, taking into account existing economic and financial considerations, we have agreed to handle cautiously financial relations with the U.S.S.R. and other Eastern European countries, in such a way as to ensure that they are conducted on a sound economic basis, including also the need for commercial prudence in limiting export credits. The development of economic and financial relations will be subject to periodic ex-post review.

- The progress we have already made does not diminish the need for continuing efforts to economise on energy, particularly through the price mechanism, and to promote alternative sources, including nuclear energy and coal, in a long-term perspective. These efforts will enable us further to reduce our vulnerability to interruptions in the supply of energy and instability of prices. Cooperation to develop new energy technologies, and to strengthen our capacity to deal with disruptions, can contribute to our common energy security. We shall also work to strengthen our cooperation with both oil-exporting and oil-importing developing countries.

- The growth of the developing countries and the deepening of a constructive relationship with them are vital for the political and economic well-being of the whole world. It is therefore important that a high level of financial flows and official assistance should be maintained and that their amount and their effectiveness should be

increased as far as possible, with responsibilities shared broadly among all countries capable of making a contribution. The launching of global negotiations is a major political objective approved by all participants in the Summit. The latest draft resolution circulated by the Group of the 77 is helpful, and the discussion at Versailles showed general acceptance of the view that it would serve as a basis for consultations with the countries concerned. We believe that there is now a good prospect for the early launching and success of the global negotiations, provided that the independence of the Specialised Agencies is guaranteed. At the same time, we are prepared to continue and develop practical cooperation with the developing countries through innovations within the World Bank, through our support of the work of the Regional Development Banks, through progress in countering instability of commodity export earnings, through the encouragement of private capital flows, including international arrangements to improve the conditions for private investment, and through a further concentration of official assistance on the poorer countries. This is why we see a need for special temporary arrangements to overcome funding problems for IDA VI, and for an early start to consideration of IDA VII. We will give special encouragement to programmes or arrangements designed to increase food and energy production in developing countries which have to import these essentials, and to programmes to address the implications of population growth.

In the field of balance of payments support, we look forward to progress at the September IMF Annual Meeting towards settling the increase in the size of the Fund appropriate to the coming Eighth Quota Review.

- Revitalization and growth of the world economy will depend not only on our own effort but also to a large extent upon cooperation among our countries and with other countries in the exploitation of scientific and technological development. We have to exploit the immense opportunities presented by the new technologies, particularly for creating new employment. We need to remove barriers to, and to promote, the development of and trade in new technologies both in the public sector and in the private sector. Our countries will need to train men and women in the new technologies and to create the economic, social and cultural conditions which allow these technologies to develop and flourish. We have considered the report presented to us on these issues by the President of the French Republic. In this context we have decided to set up promptly a working group of representatives of our governments and of the European Community to develop, in close consultation with the appropriate international institutions, especially the OECD, proposals to give help to attain these objectives. This group will be asked to submit its report to us by 31 December 1982. The conclusion of the report and the resulting action will be considered at the next economic Summit to be held in 1983 in the United States of America.

STATEMENT OF INTERNATIONAL MONETARY UNDERTAKINGS

1. We accept a joint responsibility to work for greater stability of the world monetary system. We recognize that this rests primarily on convergence of policies designed to achieve lower inflation, higher employment and renewed economic growth ; and thus to maintain the internal and external values of our currencies. We are determined to discharge this obligation in close collaboration with all interested countries and monetary institutions.

2. We attach major importance to the role of the IMF as a monetary authority and we will give it our full support in its efforts to foster stability.

3. We are ready to strengthen our cooperation with the IMF in its work of surveillance ; and to develop this on a multilateral basis taking into account particularly the currencies constituting the SDR.

4. We rule out the use of our exchange rates to gain unfair competitive advantages.

5. We are ready, if necessary, to use intervention in exchange markets to counter disorderly conditions, as provided for under Article IV of the IMF articles of agreement.

6. Those of us who are members of the EMS consider that these undertakings are complementary to the obligations of stability which they have already undertaken in that framework.

7. We are all convinced that greater monetary stability will assist freer flows of goods, services and capital. We are determined to see that greater monetary stability and freer flows of trade and capital reinforce one another in the interest of economic growth and employment.

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In this spirit, we have decided to implement the following lines of action :

- Growth and employment must be increased. This will be attained on a durable basis if we are successful in our continuing fight against inflation. This will also help to bring down interest rates which are now unacceptably high and to bring about more stable exchange rates. In order to achieve this essential reduction of real interest rates, we will as a matter of urgency pursue prudent monetary policies and achieve greater control of budgetary deficits. (It is essential to intensify our economic and monetary cooperation.) In this regard, we will work towards a constructive and orderly evolution of the international monetary system by a closer cooperation among the authorities representing the currencies of North America, of Japan and of the European Community in pursuing medium-term economic and monetary

objectives. In this respect, we have committed ourselves to the undertakings contained in the attached statement.

① Inflation
Deficit
Money
② Open trade
③ Technology

- The growth of world trade in all its facets is both a necessary element for the growth of each country and a consequence of that growth. We reaffirm our commitment to strengthening the open multilateral trading system as embodied in the GATT and to maintaining its effective operation. In order to promote stability and employment through trade and growth, we will resist protectionist pressures and trade-distorting practices. We are resolved to complete the work of the Tokyo Round and to improve the capacity of the GATT to solve current and future trade problems. We will also work towards the further opening of our markets. We will cooperate with the developing countries to strengthen and improve the multilateral system, and to expand trading opportunities in particular with the newly industrialized countries. We shall participate fully in the forthcoming GATT Ministerial Conference in order to take concrete steps towards these ends. We shall work for early agreement on the renewal of the OECD export credit consensus.

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Overview
Soviet Union
Legal points
→
Relations
Partnership
United States
Canada will
Wish to

-The progress we have already made does not diminish the need for continuing efforts to economise on energy, particularly through the price mechanism, and to promote alternative sources, including nuclear energy and coal, in a long-term perspective. These efforts will enable us further to reduce our vulnerability to interruptions in the supply of energy and instability of prices. Cooperation to develop new energy technologies, and to strengthen our capacity to deal with disruptions, can contribute to our common energy security. We shall also work to strengthen our cooperation with both oil-exporting and oil-importing developing countries.

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ANSWERS ON THE MONETARY STATEMENT

1. Not a revolution or major change of policy by anyone. But perhaps a beginning of gradual movement towards greater stability in international monetary system.
2. 7 countries explicitly accept a responsibility towards the international monetary system. New in so explicit a form. Not giving up control of policy but some more accountability.
3. Recognise that progress towards stability^{is} through policies against inflation; and policy aimed at maintaining internal and external value of currencies.
4. Important operational part of statement: cooperation with IMF by countries responsible for 5 currencies of SDR. Includes sterling. Precisely in line with proposal of Chancellor of Exchequer in IMF Annual Meeting last September.
5. Will have to discuss procedures with IMF Managing Director Larosiere. Has signified his general willingness to help.
6. Ministers likely to meet to follow up Statement. Perhaps at IMF meeting in Toronto in September.
7. Statement could mean a lot or a little. Not expect too much. Depends on our policies. But multi-currency reserve system requires multilateral cooperation.

PRIME MINISTER

MEDIA TODAY

You are scheduled to undertake three media events today:

- the Summit press conference at which you will give your account of the weekend's proceedings;
- a national press conference in the Orangerie;
- the usual radio and television interviews immediately after your press conference which Mr. Pym will of course attend.

A draft statement at the Summit press conference is being prepared separately.

National Press Conference

I suggest that since you will have delivered this statement immediately before your national press conference (and since it will have been relayed to the press centre over TV) you should dispense with an opening statement at your national press conference. Content?

I shall permit a number of TV cameras to film the press conference.

I suggest that I should take charge of the press conference; select the questioners; and draw it promptly to a close because of the severe shortage of time (which I deal with below).

Time

The position is that 50 minutes have been allowed for the joint Summit press conference followed immediately by national press conferences, starting at 5.50 pm. This time will almost certainly slip, especially as a drive is involved from Summit press conference to national one. You are unlikely to start your national press conference before 6 pm. You will have to return to the Grand Trianon to change for dinner before departure from there at 7.30 pm. But it will be particularly important in view of the Reagan visit and the UN row that you give

/ radio

radio and television interviews. I suggest therefore that you give a 20 minute press conference followed immediately by radio (first) and TV in quick order. I am trying to persuade BBC to dispense with a separate radio interview, so that you will have only three 4-minute recordings - IRN, BBC and ITN.

Content?

One final point about the media - while your press conference is intended primarily for British journalists, we cannot make it exclusive and you will have a multi-national audience.

Facilities

Your press conference will attract a large audience and it will be very hot. (All the more reason for rationing time). We shall have to record radio and TV in one of two small offices (beige wall background) partitioned off the main press briefing area. These are far from ideal but the only possible accommodation. You know your interviewers - Keith Graves (BBC), Michael Brunson (ITN) and Nick Peters (IRN).

Substance

The media have basically only one interest - the state of Anglo-US relations after the UN vote. You will have had your own discussions on this. Meanwhile, I have made it absolutely clear to the media this morning that they will try in vain to drive a wedge between ourselves and the Americans. Whatever interpretation they may have put on the draft resolution we and the US vetoed, we know whose side the USA are on and who they are supporting. We have very firmly rejected as unfounded, a UPI quote that the British found Haig's performance "duplicitous".

You know our objectives under the heading of Falklands. Purely as a reminder, the following questions are likely to arise:

- How do you see Anglo/US relations now? And what sort of a reception do you think President Reagan will get in London?
- How do you feel about the support you have got this weekend?

- Why haven't

- Why haven't your troops moved yet - do you feel under a constraint because of Versailles; Reagan's visit; NATO Summit? (NB - this being the anniversary of D Day, there are some romantics who think you will order the charge today).

One additional point on the Falklands - Colonel H. Jones is reported today as having intended to sue the BBC for manslaughter for careless talk about the imminence of the attack on Goose Green. Bearing in mind Ministerial remarks immediately before the attack, there is no profit for you in taking the media to task.

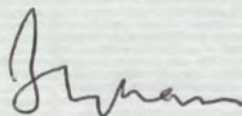
I suggest you simply say you have read of this and would merely reiterate a point you have made before: Careless talk costs lives.

For the rest the main interest has centred on:

- East/West economic relations - the extent of your support for the USA on credit (some reports say we have been unhelpful) and the problems with the other Europeans;
- Monetary cooperation - on which the lefties among the press will try to portray you as going along with intervention; and
- Economic policy divergence - the extent to which, if any, you have moved on the paramountcy of controlling inflation vis a vis unemployment. (The Chancellor of the Exchequer told the press yesterday that the long-running sterile debate on this may now be pronounced dead); and how far you can be induced to criticise USA deficit/interest rate policy.

Which takes us back full circle to the Falklands - or, more precisely, the media's purpose today: wedge-driving between UK and USA. My objective today has been to prevent them from getting a blade of grass between us.

Nick Fenn's brief on other international political issues is attached.



BERNARD INGHAM
6 June 1982

POLITICAL SUBJECTS

LEBANON

1. Much preoccupied during the Conference by increasingly serious reports from Lebanon and the Lebanon-Israel border area. Not only mounting death toll and destruction but also disturbing reports of Israeli troop movements. Lebanon is a sovereign state whose territorial integrity should be respected, as should that of Israel and every other State in the area.

2. Glad therefore to
 - support Security Council Resolution last night calling for restoration of the ceasefire;

 - respond to the Secretary-General's message to the Chairman of the Conference, President Mitterrand;

 - join with our partners - making the appeal we issued earlier today.

3. Each of us will "use all the means at our disposal" to support this appeal. I have already instructed our Ambassadors to take action in Israel: also in Beirut where those of us who are in a position to do so will speak also to the PLO: and in Damascus, Amman, and Cairo. I call on all the parties to heed these appeals.

4. US influence important. Wish Habib well.

ASTIZ

Luxurious accommodation? Not sure that Chichester Keep is precisely luxurious.
But right to treat Prisoners of War properly

- because of the importance we attach to our obligations under the Geneva Convention

- for the sake of our own Prisoners of War

/ He is a torturer/

He is a torturer/murderer? There are indeed terrible allegations against this man. But he has the status of a POW and as such entitled to the protection of the Geneva Convention.

French and Swedish questions? Yes, we shall give Astiz an opportunity to answer detailed questions about matters of concern to the French and Swedish governments. The questions are being put to him. But he cannot be compelled to answer them, cannot be extradited, and will be repatriated to Argentina in due course.

OTHER QUESTIONS

Not much time to consider other questions.

But important not to forget

- Afghanistan; Poland

- Disarmament and Arms Control. Reagan's Eureka College speech. Looking forward to going to UN for Special Session. START/INF.

Econ Pol

NORTH SOUTH LANGUAGE FOR THE DECLARATION

At the same time, we are prepared to continue and develop practical coopération with the developing countries through innovations within the World Bank, through our support of the work of the Regional Development Banks, through progress in countering instability of commodity earnings, through the encouragment of private capital flows (including international arrangements to improve the conditions for private investment) and through a further concentration of official assistance on the poorest countries. We see a need for special temporary arrangements to overcome fundiøg problems for IDA VI, and for an early start to consideration of IDA VII. We will give special encouragement to programmes or arrangements designed to increase food and energy production in developing countries which have to import these essentials. In the field of balance of payments support, we look forward to progress at the September IMF Annual Meeting towards settling the increase in the size of the Fund appropriate to the coming Eighth Quota Review.



Library of the
University of the Pacific
1000 University Ave
Stockton, CA 95211
Tel: (209) 951-2100

1. Mr Coles
2. Lord Bridges

p.a. 1026.

The PM's comment on global negotiations reads:

"The text must make clear the integrity of the IMF, the World Bank and GATT. They must be governed by their own directors. They cannot receive instructions from elsewhere only requests which they may accept or reject.

M.T. "

RWA



Château de Versailles
4, 5 et 6 juin 1982

OPALE DE RIVES

PRIME MINISTER

REAGAN AND BRITISH MEDIA

This note reminds you of our discussion early today on the British media's treatment of the US veto in the UN and the consequent action you and the Foreign Secretary are to take.

The British media reflects two conclusions:

- betrayal by the US for disclosing it would not have vetoed, but abstained, had it had a second chance; and
- its incompetence in conducting its affairs in this way (and without consulting the President).

This is a poor background for President Reagan's visit to London, starting Monday. It was therefore agreed you and the Foreign Secretary should privately try to help Reagan and Haig to rescue themselves in the eyes of the public.

You agreed to approach Reagan and Haig in the margins of the Summit this morning to discuss how this might be done.

In particular, you propose to suggest to Reagan and Haig that during the Summit and national press conferences they should say as many things as possible supportive of Britain's position; and to make as many points in common with the British as possible.

An aide memoire is attached.

Two other points:

- you are anxious to have a sight of President Reagan's Royal Gallery speech in advance; you may wish to raise this; and

/it is highly

- it is highly desirable, to say the least, that President Mitterrand, acting for the Summit as a whole, should speak supportively at the Summit press conference; you may care to consider an approach to him also.

Bernard Ingham

6 June 1982

US VIEWS ON FALKLAND ISLANDS

Following are some points about the Falkland Islands which United States leaders have made in the recent past.

1. Armed aggression must not be allowed to succeed in the world. If the Argentine invasion were allowed to stand uncontested, this would reduce the security of small states everywhere.
2. We support the principle of self-determination, enshrined in the UN Charter, and believe that the rule of law must be upheld.
3. The fact that we took a different view from Britain on the merits of a text at the United Nations does not diminish our strong support for Britain in this crisis.
4. We are not asking for a military pause. ~~It would be presumptuous of us to insist that the British seek a negotiated settlement.~~ These ^{is a} are judgements for Britain to make.
5. Like Britain, we hope that this can be resolved with minimum loss of life and we note that the option of honourable withdrawal remains open to the Argentine garrison.



File 10

10 DOWNING STREET

From the Principal Private Secretary

6 June 1982

I am writing on behalf of the Prime Minister to thank you for your letter of 26 May 1982.

Mrs. Thatcher is grateful for your welcome and has asked me to thank you for taking the trouble to write to her.

CAW

The Managing Director,
Letting France

AS

Start with WSc. Plan

Coordinate etc

Intervene to counter disorderly mental,

Joint Study - Exchange relis and intervention.

==

Belgium

Macro-economics

1. 0.5217

- initially no growth.
- inflation reduced

8

- current account balances - improved.

83 - increase in growth

Can't reduce budget deficits -

X kind implications of own policy mix.

Can't go it alone.

Failure of ec policy will determine
stability of our countries.

Unemployment weakens strategic position
w/s - a w/s Commission.

World budget system must be reformed

Depend on X growth - the world budget system
= monetary "

Free trade - orderly markets.

Must in: $\frac{N}{S}$ + $\frac{E}{W}$ relations

Demand - overvalued policy - not right for
structural changes

News - Economic (2)

Stimulate productive investments

Cut state exp.

Cut transfer payments

PSBR - gone up too much

Coordinated between monetary authorities
to get i. Rates down

IMR - in danger of becoming an
instrument of development work.
Must be reformed
Some countries too high debt on
private capital markets.

Real interest rates - highest level
ever.

But deep recession

One need barriers to growth.

Real FR - must be priority to get down.

Must give clear signals to market
that budget deficits will be
reduced.

Widespread Reagan story

to reduce ~~the~~ deficit. Dollar - leading role
75% remains dollar

"Perfect World" - no relation to reality.

Must decide to "do" something.

Get things going along right lines.

Give young people something to believe in
- apart from material values.

Reform mechanized systems.

- Reawakening of spiritual values

More of life - a taste for living.

Biotechnology - to reduce famine and over-population.

- pure and applied research.

Energy technologies - all interested in same problems.

Oceanography - space exploration.

All these things show means exist for
development.

Adapt to new technologies.

Propose Corporation public/private.

Committee to avoid "wrong competition"

M. Millard

Agenda.

① Macro-economics

"No-one is doing."

All protectionist in our way.

Not Brains Trust on causes of crisis
but possible solutions.

No preconceived ideas or prejudice

L/W - not to consider solely in terms of
balance of military power

Technology trade,
General -

Credits

N/S. -

French Introductory documents.

Technology - 3rd Industrial Revolution.

Read preamble to document.

Inflation / Growth / Unemployment.

Neo-Economist (3)

U.S. leading role - no one else can
assure it.

Withdrawal to distance other countries.
from U.S.

Reduce high deficits

PRG - limited PIRR $3\frac{3}{4}\%$

Don't put Agency under Economic pressure

Real int. below 3%.

Normal rate - 9%

Policy mix - inc employment

- higher investment $\$17\frac{1}{2} B$

- low relief for small bus.

- sp. credit for wage people, building
subs.

Reduce expenditure in other areas.

Pres Reagan

gov recession since World War II

Program - Quick fix + social programs
on money of public work.

- massive public debt - $\$100 B$ int. per year.

Carter - Money supply up, I.R. 21%
up to 17% Demand side effect

Macroeconomics 4

U.S. - vast redⁿ in welfare
in job spending

New loans than previous year.

Up by 50%. Compared with other states.

I.R. reduced for car purchase
for housing construction

Inflation 12.4% rate \rightarrow 6.0%

last 3 months less than 1%

I.R. - pessimism about future
state & party in election.

Will stay the bank

Congress - wouldn't pass
deficit on downward course.

Jobs. - higher to work than at any
other time in history.

May - U.R. 9.3 \rightarrow 9.5%

1 million more people in job market
500,000 jobs - 200,000 unemployed.

I.R. - held up psychologically.

Y for Budget to reduce spending,
- this the signal.

Tanaka program - 10% across board cut
- result in expanded economy
- Kennedy - Latham

How to co-exist?

WORKING group.

Trade - common framework of discussion

- recognizes different cultures 20 mins

Charlton - Schmidt:

Reluctance to accept mod^l technology.

Word about in communication

LTC. growth, otherwise no employment.

Maintaining technical sep.

Philosophical footnote -

Overpop^l - can be overcome by faster tech^l progress.

More development will

Exhaustion of natural resources

7 mins.

Gradation - development countries

Technology - 5 mins.

Prudens Philosophical aspects 5 mins.

Standards of products - set up. 3

Joint development with under-development.

"World University"

Encyclopedia of all cultures of world

Democracy - values }
Exchange }
Communication }
Freedom }

40 min

Suzuki,

Spirit of coopⁿ - not confrontⁿ
Future not past.

Inflation down = progress

Current Account - surplus.

Trade - 'open' market as open as other
industrialized nations

Expand Aid

Vitality of Private Sector

Robots - create more new jobs than
they save

1985 Paper mentioned by Sec of State.

FALKLAND ISLANDS: INFORMAL RECORD OF PRESIDENT MITTERRAND'S
REMARKS AT THE FINAL PRESS CONFERENCE

Outside the Plenary Sessions we discussed a number of other issues. There was no taboo. Heads of Government preferred a direct and informal dialogue. In this spirit we tackled the conflict in the South Atlantic. This was due to the aggressive conduct of Argentina which has entailed a whole series of serious actions. We repeated once again our condemnation of Argentina's aggressive conduct. We condemned the recourse to violence rather than the rule of law as a means of settling disputes. We reasserted our support for SCR 502 and hoped there would be a ceasefire as soon as possible which would settle the whole conflict and the dispute between the two parties. We expressed our complete solidarity with the United Kingdom who has been the victim of aggression and whose national interest and national pride has been injured. This solidarity is quite natural. The United Kingdom must recover what she has lost and we must do what we can to ensure that peace shall prevail over war.

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DRAFT STATEMENT BY THE PRIME MINISTER AT CLOSING PRESS
CONFERENCE ON 6 JUNE 1982

I feel that we can derive strength and encouragement from many aspects of this Conference.

First, this has been an opportunity to look together at the problems of the world economy on the broadest canvas and to do so, thanks to our hosts, in a uniquely magnificent setting. We can see better how our own problems in each of our countries fits into this perspective.

I have been greatly impressed by the continuity of our joint views about major issues of economic policy from previous Economic Summits. One of the great values of these meetings is that they provide a broader and longer-term framework for our thinking and for our national policies. The world needs such a framework and needs the assurance of continuity that goes with it. And in this perspective the common ground is much greater and more important than any differences between us.

One important contribution to this wider framework was our discussion of President Mitterrand's valuable report on technology. Another is the statement of international monetary undertakings on which we have agreed. They could be a very important beginning of a way back to a more stable system. But that will depend on whether we can succeed through all our national policies in making the world a more stable place.

From Summit to Summit many themes have remained the same. That is because they have been right. We have said, at this conference as at earlier ones, that we must keep up the fight against inflation if the world is to prosper.

/We have said

We have said that both inflation and unemployment are symptoms of wider instability. We have said that we must make our enterprises more efficient, must keep down costs and improve productivity. We have encouraged oil conservation and energy diversification as part of the effort to avoid further oil shocks. We have shown our strong concern for maintaining the open trading system of the free world. We have shown our concern too for a healthy process of development in the developing countries, which have perhaps the most to gain from peace and stability and some of which have to grapple with terrible problems of poverty and population growth. In spite of great setbacks, especially the second oil price increase, we have made progress in some of these fields: on inflation, on energy, on holding back protectionism in difficult circumstances. We are at a turning point in the recession, though the turn is slow and we need to help it by pursuing consistent policies. I see encouragement here in this time of recession. That encouragement derives from our common view and shared effort at a succession of Summits, including this one.

You can imagine that throughout these two days my thoughts have been partly in the South Atlantic, on the Falkland Islands. We discussed this problem for most of the first evening and at intervals afterwards. We made no attempt to record our conclusions, but on the fundamental points I noted unanimity. We all stand for the right of self-determination laid down in the very first article of the United Nations Charter. We all know that the rule of law must be upheld throughout the world if small nations and exposed territories everywhere are not to be in danger. We are all clear that the cause of the crisis in the South Atlantic lay in the military invasion - unprovoked, unjustified and unlawful - which took place on 2 April. We all recognise the inherent right of self-defence under which Britain has responded to that invasion. We all regret that it has not been possible to reach a negotiated settlement despite many determined efforts, from those of Secretary Haig in April to the recent activity of the Secretary General of the UN. Lastly we all hope, none more fervently than I, that hostilities can soon be brought to a complete and permanent conclusion, so that the work of reconstruction - political as well as economic - can begin on the Falkland Islands, and so that our relations with Argentina can be
/freed

freed from the burden which now weighs upon them. On all these things I can say without the slightest fear of contradiction that there was unanimity.

One more thing I must add, and that is my thanks and that of my delegation to the President of the French Republic for the organisation of this Conference in its incomparable setting. These have been two days which none of us can ever forget, no matter how many international conferences we may attend. You can imagine with what regret I shall be leaving early in order to get back to London where a lot of work awaits me - and where in 24 hours I shall have the pleasure of welcoming the President of the United States and Mrs. Reagan on another leg of their European journey.

DRAFT STATEMENT BY THE PRIME MINISTER AT CLOSING PRESS
CONFERENCE ON 6 JUNE

1. Three things about this Conference have particularly encouraged me.

2. First, there is the work which we have done on the problems of our own economies, the leading industrialised western economies of the world. This has always been the main business of these annual Summits, and this is the fourth that I have attended. Today's declaration, which

President Mitterrand has just presented to you, marks a real advance in the precision and the scope and the solidity of the commitments contained in it.

3. Second, there are the decisions which we have taken in the international economic field, both north/south and east/west. Each of these areas is controversial: our national interests not only differ but actually conflict at some points. Today's texts represent a fair balance between these interests, and will undoubtedly make the problems easier to handle in the various international groupings to which we belong.

4. Third, you can imagine that throughout these two days my thoughts have been partly in the South Atlantic, on the Falkland Islands. We discussed this problem for most of the first evening and at intervals afterwards. We made no

j/attempt

attempt to record our conclusions, but on the fundamental points I noted unanimity. ^① We all stand for the right of self determination laid down in the very first article of the United Nations Charter. We ^② all know that the rule of law must be upheld throughout the world if small nations and exposed territories everywhere are not to be in danger. We are all clear ~~about~~ ^{that} the cause of the crisis in the South Atlantic ~~is~~ lay in the military invasion - unprovoked, unjustified and unlawful - which took place on 2 April. We all ^③ recognise the inherent right of self-defence under which Britain has responded to that invasion. We all regret that it has not been possible to reach a negotiated settlement despite many determined efforts, from those of Secretary Haig in April to the recent activity of the Secretary General of the UN. Lastly we all hope, none more fervently than I, that ^④ hostilities can soon be brought to a complete and permanent conclusion, so that the work of reconstruction - political as well as economic - can begin on the Falkland Islands, and so that ^{our} relations with Argentina can be freed from the burden which now weighs upon them. On all these things I can say without the slightest fear of contradiction that there was unanimity.

5. One more thing I must add, and that is my thanks and that of my delegation to the President of France for the organisation of this Conference in its incomparable setting. These have been two days which none of us can ever forget, no matter how many international /conferences

conferences we may attend. You can imagine with what regret I shall be leaving early in order to get back to London where a lot of work awaits me - and where in 24 hours I shall have the pleasure of welcoming the President of the United States and Mrs Reagan on the next leg of their European journey.

6 june 1982

DECLARATION OF THE SEVEN HEADS OF STATE AND GOVERNMENT
AND REPRESENTATIVES OF THE EUROPEAN COMMUNITIES

In the course of our meeting at Versailles we have improved our mutual understanding of the ^{growth of the} world economic situation, and we have agreed on a number of objectives for ^{urgent-} ~~our future~~ action ^{with a view to improve it}.

We affirm that the improvement of the present situation, by a further reduction of inflation and by a return to steady growth and higher levels of employment, would strengthen our joint capacity to safeguard our security, to maintain confidence in the democratic values that we share, and to preserve the cultural heritage of our peoples in all their diversity. Full employment, price stability and sustained and balanced growth are ambitious objectives. They are attainable in the coming years only if we pursue policies which encourage productive investment and technological progress ; if, in addition to our own individual efforts, we are willing to join forces ; if each country is sensitive to the effects of its policies on others, and if we collaborate in promoting world development.

In this spirit, we have decided to implement the following lines of action :

- Growth and employment must be increased.

As has been laid down in the OERJ communiqué.

This ~~cannot~~^{will} be attained on a durable basis ~~unless~~^{if} we are successful in our continuing fight against inflation. This will also help to bring down ~~the nominalised~~ interest rates which are now ~~unacceptably~~^{insupportably} high and to bring about more stable exchange rates. It is essential to intensify our economic and monetary cooperation. In this regard, we will work towards a constructive and orderly evolution of the international monetary system by a closer cooperation among the authorities representing the currencies of North-America, of Japan and of the European Community in pursuing medium term economic and monetary objectives. In this respect, we have committed ourselves to the undertakings contained in the attached statement.

This requires an increase in the achievement of fiscal policies or monetary evolution.

To achieve this growth it is necessary to ensure as a matter of urgency a faster growth of budget deficit and investment in the labour supply.

- The growth of world trade in all its facets is both a necessary element for the growth of each country and a consequence of that growth. We reaffirm our commitment to strengthening the open multilateral trading system as embodied in the GATT and to maintaining its effective operation. In order to promote stability and employment through trade and growth, we will resist protectionist pressures and trade distorting practices. We are resolved to complete the work of the Tokyo round and to improve the capacity of the GATT to solve current and future trade problems. We will also work towards the further opening of our markets. We will cooperate with the developing countries to strengthen and improve the multilateral system, to expand trading opportunities in particular with the newly industrialised countries. We shall participate fully in the forthcoming GATT Ministerial Conference in order to take concrete steps towards these ends. We shall work for early agreement on

the renewal of the OECD export credit consensus.

[Economic exchanges have an important role in the development of a stable East-West relationship. We affirm our intention so to conduct east-west economic relations as to ensure that they are mutually advantageous and that they take full account of security considerations, particularly in the technological, economic and financial areas, including the need for commercial prudence in export credits. We shall consult through the usual channels among ourselves and with existing international fora to achieving these ends.]

- The progress we have already made does not diminish the need for continuing efforts to economize on energy, particularly through the price mechanism, and to promote alternative sources, including nuclear energy and coal, in a long-term perspective. These efforts will enable us further to reduce our vulnerability to interruptions in the supply of energy and instability of prices. Cooperation to develop new energy technologies, and to strengthen our capacity to deal with disruptions, can contribute to our common energy security. We shall also work to strengthen our cooperation with both oil-exporting and oil-importing developing countries.

- The growth of the developing countries and the deepening of a constructive relationship with them are vital for the political and economic well being of the whole world. It

* Ce texte a été approuvé ad referendum par certaines délégations.

is therefore important that a high level of financial flows and official assistance should be maintained and that their amount and their effectiveness, should be increased as far as possible, with responsibilities shared broadly among all countries capable of making a contribution. The launching of global negotiations is a major political objective approved by all participants in the Summit. The latest draft resolution circulated by the G77 is helpful, and a discussion at Versailles showed general acceptance of the view that it would serve as the basis for consultations with the countries concerned. We believe that there is now a good prospect for the early launching and success of the global negotiations. At the same time, we are prepared to continue and develop practical cooperation with the developing countries through innovations within the World Bank, including in the area of energy, and sustaining the strength of the IDA and other multilateral development institutions. We are ready to support international arrangements to improve the conditions for private investment ; programmes designed to increase indigenous food and energy production and programs to address the implications of population growth. We are also ready to support economically sound measures to help reduce, and counter the effects of, instability in the commodity ^{export} ~~export~~ earnings of those developing countries especially dependent on them. Finally we favour to a further concentration of official assistance towards poorer countries.

- Revitalisation and growth of the world economy will depend not only on our own efforts but also to a

large extent upon cooperation among our countries and with other countries in the exploitation of scientific and technological development. We have to exploit the immense opportunities presented by the new technologies, particularly for creating new employment opportunities. We need to remove barriers to, and to promote, the development of and trade in new technologies both in the public sector and in the private sector. Our countries will need to train men and women in the new technologies and to create the economic, social and cultural conditions which allows these technologies to develop and flourish. We have considered the report presented to us on these issues by the President of the French Republic. In this context we have decided to set up promptly a working group of representatives of our governments and of the European Community to develop, in close consultation with the relevant international institutions, especially the O.E.C.D., proposals to give effect to these objectives. ~~These~~ ~~proposals~~. The group will be asked to submit its report to us by 31 December 1982. The conclusions of the report and the resulting actions will be considered at the next Economic Summit to be held in 1983 in the United States.

6 june 1982

STATEMENT OF INTERNATIONAL MONETARY UNDERTAKINGS

1. We accept a joint responsibility to work for greater stability of the world monetary system. We recognize that this rests primarily on convergence of policies designed to achieve lower inflation, higher employment and renewed economic growth ; and thus to maintain the internal and external value of our currencies. We are determined to discharge this obligation in close collaboration with all interested countries and monetary institutions.

2. We attach major importance to the role of the IMF as a monetary authority and we will give it our full support in its efforts to foster stability.

3. We are ready to strengthen our cooperation with the IMF in its work of surveillance ; and to develop this on a multilateral basis taking into account particularly the currencies constituting the SDR

4. We rule out the use of our exchange rates to gain unfair competitive advantages.

5. We are ready, if necessary, to use intervention in exchange markets to counter disorderly conditions, as provided for under article IV of the IMF articles of agreement.

6. Those of us who are members of the EMS consider that these undertakings are complementary to the obligations of stability which they have already undertaken in that framework ~~and recognize the role of the System in the further development of stability in the international monetary system.~~

7. We are all convinced that greater monetary stability will assist freer flows of goods, services and capital. We are determined to see that greater monetary stability and freer flows of trade and capital reinforce one another in the interest of economic growth and employment.


LEBANON/ISRAEL: SPEAKING NOTE FOR PRIME MINISTER

1. Must respond at once to request from UN Secretary General.
2. Draft closely follows language of last night's resolution adopted unanimously by Security Council.
3. Draft is acceptable to Britain.
4. Hope it can be agreed very soon so that Presidency can release at once to the press. Not wait until tonight when Summit Declaration will be ready.
5. More important is action by each of us on basis of final paragraph of draft. Time for each of us to use every ounce of influence we possess. Need for action with Israel and PLO in first place, but also with Arab governments of the region including Cairo.
6. Main influence on ~~Israel~~ Israel must be that of United States. Glad to learn that Habib is being sent back to the region with personal instructions from President Reagan.

STOP PRESS

Press Association quotes a UN spokesman as saying that Israeli tanks have entered southern Lebanon and are advancing on Tyre.

8.6.82

 PART 8 ends:-

M Jay to Lord Bridges 5.6.82
(5)

PART 9 begins:-

Lebanon/Israel: Speaking with
for 14

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