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PREM 19/1207

CONFIDENTIAL FILING

LONDON ECONOMIC SUMMIT : 9-10 JUNE 1984

ECONOMIC POLICY

PE 1 May 1979

PE 15 March 1984

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PART 15 ends:-

AJL to RTA 21.5.84

PART 16 begins:-

RTA to AJL (A0884/1525) 22.5.84



File  
086  
be: Sir P. Craddock

10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG

LONDON ECONOMIC SUMMIT: DRAFT ECONOMIC DECLARATION

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

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

A. J. ODLES

21 May 1984

NR

ovb

Mr. Barclay

12. invite all those in paras 3 and 4 (the Home Secretary provisionally) and return.

Ref. A084/1515

MR COLES ✓

A. J. C. 15/5

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

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

2. The agenda might consist of the following items:
  - a. Final meeting of Personal Representatives The meeting may wish Sir Robert Armstrong to report on the discussions that will have taken place at Chevening on 20 and 21 May and, in particular, the first reactions to the various proposed Summit initiatives.
  - b. Draft Statements The meeting may wish to consider the drafts of the various proposed Summit statements in the light of the reactions of the other Personal Representatives at Chevening and developments at the OECD Ministerial meeting.
    - (i) Economic Declaration
    - (ii) Draft Statement on International Terrorism
    - (iii) Draft statement on Democratic Values
  - c. Keynote Speech A revised draft of the keynote speech, which takes into account comments received from Departments, will be circulated in advance of the meeting.
3. The Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry will need to be invited. The Home Secretary will also need to be invited if there is to be a substantive discussion on the draft statement on International Terrorism.
4. As usual, it will be helpful if Sir Robert Armstrong, Sir Julian Bullard, Sir Crispin Tickell and Mr Littler could be invited.

Mr Coles 27/5.  
 The following will come:  
 FCS  
 Chancellor  
 Mr Baker (DTI)  
 RTA  
 Sir J Bullard  
 Sir C Tickell  
 Mr Littler

2/15



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

A handwritten signature in dark ink, appearing to be 'R P Hatfield', is written above the printed name.

R P HATFIELD

18 May 1984

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love

10 DOWNING STREET

*From the Private Secretary*

MR. HATFIELD  
CABINET OFFICE

Economic Summit

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

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

A. J. COLES

18 May 1984



*file*

*Bob*

10 DOWNING STREET

*From the Private Secretary*

18 May 1984

The Prime Minister has asked me to thank you for your letter of 18 May enclosing an advance text of a letter from the Prime Minister of Australia about the forthcoming Economic Summit.

*A. J. COLES*

His Excellency Mr. A.R. Parsons





PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T83/84

PRIME MINISTER  
CANBERRA

18 MAY 1984

*My dear Margaret,*

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

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

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

As you know I have been urging countries of the Asia Pacific region to consider carefully their interests in a possible new multilateral round of trade negotiations. Following agreement by their respective countries, senior trade officials from Australia, Brunei, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Republic of Korea, Singapore and Thailand met informally from 30 April - 1 May 1984 in Denpasar, Indonesia to discuss how countries of the Western Pacific region might approach the suggestion that there should be a new round of multilateral trade negotiations. More specifically the meeting sought to identify what countries of the region might expect of any new round and to isolate the concerns and apprehensions they would want taken into account in any decision to proceed with a new round.

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

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

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

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

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

1. commitments involving trade liberalisation undertaken in the Tokyo round must move to finality within the agreed timeframe
2. any new round should not impede the rate of progress in fulfilling the objectives of the 1982 GATT Ministerial meeting and the work programme which was agreed at that meeting
3. the major industrialised countries should develop formal negotiating commitments endorsed by their Governments, to reduce existing barriers to trade and to preclude the introduction of new impediments to trade.
4. The issues for negotiation in trade liberalisation in any new round must include
  - Textiles
  - Tropical products
  - Agriculture
  - Safeguards

- Subsidies
  - Non-tariff barriers
  - Structural adjustment
  - Tariff escalation.
5. While discussions are proceeding on the possibility of a new round, countries should agree to halt the introduction of any new or additional protectionist measures.

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

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

What is needed at this juncture is strong leadership by the industrial countries represented at the Summit. More specifically, the GATT needs more political direction in the areas of safeguards/structural adjustment, non-tariff measures and trade areas of particular importance to the developing countries. Australia, for its part, would also attach particular importance to issues involving trade in agriculture given its prime significance and implications for the orderly management of international trading arrangements.

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

Yours sincerely  
Bob Hawke

R.J.L. Hawke

The Rt Hon. Margaret Thatcher  
Prime Minister  
10 Downing Street  
LONDON

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AUSTRALIAN HIGH COMMISSION

THE HIGH COMMISSIONER

AUSTRALIA HOUSE  
STRAND  
LONDON WC2B 4LA  
01-438 8000

**PRIME MINISTER'S**

**PERSONAL MESSAGE**

**SERIAL No. T 83/84** cc MASTER  
OPS

18 May 1984

*My dear Prime Minister,*

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

Text begins:

My dear Margaret,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Yours sincerely,

(R.J.L. Hawke)

Text ends.

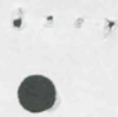
*Yours sincerely*

*A.R. Parsons*

A.R. Parsons

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





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10 DOWNING STREET

From the Principal Private Secretary

SECRET

SIR ROBERT ARMSTRONG

ACTION TO COUNTER TERRORISM

During a meeting which the Prime Minister held with the Home Secretary, Sir Brian Cubbon, the Director of the Security Service, Sir Antony Duff and yourself this morning there was discussion of proposals which the Prime Minister might make to other Heads of Government at the Economic Summit about measures to improve international co-operation in countering terrorism. It was pointed out that co-operation in the sharing of intelligence was already good, and that the main emphasis of future action needed to be on operational co-operation, of the sort which had been achieved in countering high-jacking. The Prime Minister said that she would welcome ideas about practical suggestions which she could put to Heads of Government on this aspect during the Economic Summit. The Prime Minister asked you to report back following the meetings of sherpas this weekend and said that she might wish to have a further discussion of this aspect in advance of the Summit

I am copying this minute to Mr. Appleyard (Foreign and Commonwealth Office) and to Mr. Taylor (Home Office).

F. E. R. BUTLER

18 May, 1984

SECRET

MC



10 DOWNING STREET

THE PRIME MINISTER

18 May 1984

Dear Lord Roll,

Thank you very much for your letter of 11 May; and for the memorandum on the issues for the London Economic Summit.

The analysis in your paper is similar in many ways to that which has been arrived at in the course of the final preparations for the Summit. But it is most helpful to have the benefit of the opinions and insights of the very distinguished group of people whom you assembled at Wiston House. I am very grateful to you, and to them.

Yours sincerely

Rangaraj Mahajan

The Lord Roll of Ipsden, K.C.M.G., C.B.

loc

PRIME MINISTER

ECONOMIC SUMMIT

Sir Robert Armstrong needs to distribute to the Sherpas this Sunday the texts of "The London Charter" and the draft Declaration on International Terrorism.

These have been revised in the light of your meeting and are now attached. If you are content that Sir Robert should distribute them, the Duty Clerk will arrange to get them to him on Saturday.

Content?

Yes mt.

A.J.C.

18 May 1984



DRAFT

The London Charter

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

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

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

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

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

/We



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

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

London, 9 June 1984

LONDON ECONOMIC SUMMIT: DRAFT DECLARATION ON INTERNATIONAL  
TERRORISM

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

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

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

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



SPEAKING NOTE

Waiver of Diplomatic Immunity

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

2. Arguments in favour of such an arrangement are:

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

3. Arguments against the proposal are:

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

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

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

Prime Minister.

Ref. A084/1514

MR COLBY *RA 4/5*London Economic Summit: Draft Economic Declaration

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

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

*RA*

ROBERT ARMSTRONG

*Very good mb.*18 May 1984

Draft of 18 May 1984

DRAFT ECONOMIC DECLARATION

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

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

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

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

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

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

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

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

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

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

8. We have therefore agreed -

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

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

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

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

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



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

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

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

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

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

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

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

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

London

9 June 1984

CONFIDENTIAL

Mr Giles ✓

MR 14/5.

Ref. A084/1482

NOTE FOR RECORD

Mr. Burley.

See para. 11. How much time are we allowing?

A.T.C. 21/5

Mr Giles ✓: to see

MR 21/5

P.C.

Up to 1 1/2

hours, but we have ~~not~~ not said so.

DMB 22/5

London Economic Summit: Trade Union Delegation

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

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

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

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

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

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

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

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

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

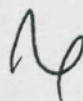
8. Mr Lea said that there were clearly areas on which the Prime Minister and the trade unions could not be expected to agree but he hoped that their meeting would concentrate on the positive elements. He hoped that the Prime Minister would be able to welcome the trade union document and commend it to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

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

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

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

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



R P HATFIELD

17 May 1984

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

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Foreign and Commonwealth Office

London SW1A 2AH

17 May, 1984

Dear John,

London Economic Summit: Draft Declarations on Terrorism  
and Democratic Values

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

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

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

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

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

Yours ever,  
Peter Ricketts

(P F Ricketts)  
Private Secretary

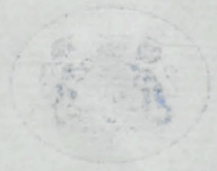
A J Coles Esq  
10 Downing Street

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Foreign and Commonwealth Office

London SW1A 2AA



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*cc/pe*



*Now see Sir R.*

PRIME MINISTER

*Amateur's minute of 18 May  
about the declaration.*

LONDON ECONOMIC SUMMIT: TRADE IN SERVICES AND SHIPPING

*A-SC 18/5*

*with C.R.*

*for*

You will recall that at your meeting on 30 April about the London Economic Summit I mentioned that it would be valuable to secure some recognition by the Summit Seven, in the context of liberalisation of trade in services, of the importance of maintaining a liberal regime for shipping. This would help to maintain the determination in developed countries to resist pressure from third world countries to divide shipping markets on an artificial bilateral basis - with an inevitable raising of costs for our traders. And it could give the political impetus we would like for the important current negotiations involving the United States, European countries and Japan (in which we play a leading role) on maintaining competitive access to shipping trades.

I have seen a draft of the declaration to be made by the members of the Summit. The shipping point could be met by amending the fifth point in paragraph 9 of the draft to read:

"to urge all trading countries to work together to resist continuing protectionist pressures and to reduce barriers to trade in goods and services (including shipping)"

May I commend this to you?

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/ Copies go to Geoffrey Howe, Norman Tebbit and to  
Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'N Ridley', written in a cursive style.

NICHOLAS RIDLEY

17 May 1984

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cc MASTER  
OPS.

cc Econ Pst: LET  
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PRIME MINISTER  
INDIA

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T/82/84

New Delhi  
May 16, 1984

Dear Prime Minister,

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

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

...2

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

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

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

With regards and good wishes,.

*Indira Gandhi*

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



File DA  
cc David Barclay  
Sir Percy C.

cc MASTER SET

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG  
CABINET OFFICE

LONDON ECONOMIC SUMMIT

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

Statement on International Terrorism

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

Statement on Democratic Values

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

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

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/ statement

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

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

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

#### UK Initiative on Industry and the Environment

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

#### Draft Economic Declaration

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

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

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

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

*A. J. Cole.*

16 May 1984  
DCAAAZ

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10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG

LONDON ECONOMIC SUMMIT: KEYNOTE SPEECH

BR

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

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

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16 May 1984

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*From the Private Secretary*

16 May 1984

PRIME MINISTER'S MEETING WITH PRESIDENT REAGAN

Thank you for your letter of 16 May.

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

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

A & COLES

Roger Bone, Esq.,  
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

16 May 1984

*John Johnson*

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

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

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

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

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

/(c)



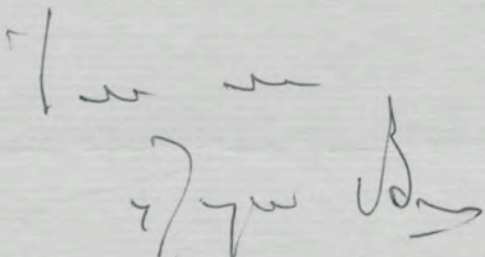
- (c) China, on which the President may like to give his impressions of his recent visit.
- (d) Northern Ireland, since the President will just have been in the Republic of Ireland and will no doubt have said something in public about the North.

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

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

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

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

  
(R B Bone)  
Private Secretary

A J Coles Esq  
10 Downing Street



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10 DOWNING STREET

*From the Private Secretary*

MR. HATFIELD  
CABINET OFFICE

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London Economic Summit: Post-Summit Briefing

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

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

A. J. COLES

16 May 1984

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MR COLES

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A.S.C. 9/5.

London Economic Summit

As in previous years, a group of financial and academic experts from the seven Summit countries has met to discuss the issues which are expected to be discussed at the Summit itself. On this occasion, since you are the host for the Summit, Lord Roll convened the meeting; and he has now sent the attached paper reflecting the opinions expressed by the participants.

2. The Prime Minister may like to write to Lord Roll on the lines of the draft attached.

RIA

ROBERT ARMSTRONG

15 May 1984

DRAFT LETTER FROM THE PRIME MINISTER TO  
THE LORD ROLL OF IPSDEN KCMG CB,  
30 GRESHAM STREET, LONDON EC2P 2EB

Thank you very much for your letter of 11 May; and for the memorandum on the issues for the London Economic Summit.

# #  
The analysis in your paper is similar in many ways to that which has been arrived at in the course of the final preparations <sup>for the Summit. but it is most</sup> ~~It is nonetheless~~ helpful, ~~however,~~ to have the benefit of the opinions and insights of the very distinguished group of people whom you assembled at Wiston House. I am very grateful to you, and to them.

W.S. <sup>17</sup>  
5.

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Ref. A084/1454

MR COLES

London Economic Summit: Keynote Speech

The Treasury have prepared a first draft of the speech which the Prime Minister would wish to make when she opens the plenary session of the London Economic Summit on the afternoon of Friday 8 June. I attach the draft herewith.

2. We were asked to circulate this in time for the Prime Minister's meeting which is now to be held on 23 May, and I do not suggest that it should be discussed at tomorrow's meeting. But those who are attending tomorrow's meeting may like to have the draft in their minds and folders at this stage.
3. If the Prime Minister thinks, as I do, that this draft provides a good basis on which to work, I suggest that comments should be sent to me by midday on Monday 21 May, so that a revised draft can be circulated for consideration at the Prime Minister's meeting on 23 May. After that, the Prime Minister will no doubt want to work on the draft herself.
4. I am sending copies of this minute and of the draft Keynote Speech to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry.

RA

ROBERT ARMSTRONG

15 May 1984

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Draft of 14 May 1984DRAFTKEYNOTE SPEECH

Welcome to London and to this opening plenary session of our Economic Summit meeting. Not quite all the Ministers here today were also present at our meeting in Williamsburg last year. Of the Heads of Government I particularly welcome Signor Craxi as the only newcomer since Williamsburg. I hope that the experience we have already had of talking together will help us to reach good understanding during these two days.

2. The recovery of the world economy has made welcome progress since our meeting last year. It is broader, and the benefits can now be seen to have been spreading. We shall want at this meeting to focus on how to sustain the recovery over the coming years, and to give particular attention to problems which still loom ahead of us.

3. At successive recent Summits we have emphasised the need to discipline monetary growth and public expenditure, as the only foundation for a recovery without renewed inflation. The recovery can be sustainable only if we can achieve it on that basis. This is not an easy or a comfortable strategy for any of us. But we know that the freedom, strength and prosperity of our societies could not survive a continuation of the lax policies, the inflation, the indulgence of the previous decade.

4. At Versailles we were meeting at what can be seen in retrospect as the nadir of the recession. Last year we were

able to welcome the first signs of recovery. Today we can say with more confidence that the recovery is strengthening and its effects are spreading widely, and that the shape of the recovery, based on the strategies we have adopted, gives good grounds for hoping it will be sustained.

5. That must surely be the first message to go out from this Summit meeting: the strategy is the right one; it is working; and we intend to stick to it.

6. Among ourselves we need to acknowledge that there is still much to be done. All our countries, in different degrees, have made progress in reducing inflation. But we have not got it out of the system yet. There are many pressures which could spark it off again. We must all be conscious of worry - for our own economies and even more for the prospects of many debtor countries - over the rising level of interest rates, especially in the United States. We cannot credibly claim to have mastered inflation and set the basis for sustained recovery while the markets are holding interest rates so high.

7. A basic problem for all of us is the need to restrain public expenditures in the face of widespread pressures and against the easy expectations which have unfortunately built up in past years and which are still powerful. We face heavy commitments and the threat of rising demands for social security provisions in most of our countries. The real humanitarian needs must not be denied. But none of us can afford more than we can effectively earn. We need to establish and keep limits. And we need to curb expectations.

8. This is another - a sterner but very necessary - message we need to convey to all our peoples.

9. Perhaps the largest task which faces us in our own economies is that of adapting our societies to a new pace of change. I would like to suggest some particular areas on which we might focus our discussion.

10. It is a striking comparison between our countries that progress in reducing unemployment has been more rapid in the United States and Japan than elsewhere, even allowing for the relatively early recovery in those countries. Could this be linked with the fact that those are the two countries in which the claims of public expenditure pre-empt a much smaller proportion of total national output than in other countries? It seems also that, especially in European countries, there is less enthusiasm for change, and there is certainly a legacy of unhelpful habits, practices and government measures and laws - many of them designed to protect employment, but now constituting obstacles to the creation of new jobs.

11. I hope we could explore together some of the ways in which we can promote a more rapid acceptance of change - indeed a welcome for it. How can we stimulate a livelier industrial response to technological change and new market demands? How can we remove obstacles and give positive encouragement to the mobility of labour and flexibility in its use? Many of us have adopted measures to encourage innovative small businesses; should we not also discourage those measures which prop up declining industries? We cannot afford short-term horizons.

12. This accent on change is another message I would like to send out strongly from the London Summit.

13. A particular area of distortion is that of international trade. We must surely face changes here in at least two interests: giving market opportunities to developing countries to earn the means to pay their debts; and ultimately strengthening the dynamic basis of our own economies.

14. Many of the same conflicts are mirrored in all our countries: short-term preservation of employment against new and growing opportunities for the future; protection of this or that sectoral interest against the wider conditions and opportunities of the economy as a whole. The backward-looking pressures are understandably at their strongest when economic prospects are depressed. Now that the recovery is stronger, I hope we might add to its future strength by committing ourselves to rely less on export subsidies and other assistance which distorts trade, to shelter less behind protection of trade in goods and in services, and to remove distorting limitations on our capital markets. I hope we can encourage specific and practical moves in these directions.

15. Finally we must all be conscious of the world outside our own countries and economies. Many developing countries have been particularly severely affected by the recession, and lack the resilience of resources for spontaneous recovery. It is clear that the benefits of our own recovery are spreading to them in a rapidly strengthening

/revival

revival of world trade. But more needs to be done, and we must convey a message which shows that we recognise this and will play our part.

16. The developing countries are a very widely varied group, and their economic experience in very recent years has shown remarkable differences. Some of the poorest in Africa have suffered not only recession but a sequence of years of drought. Some, particularly in Asia, have survived the recession robustly and shown a capacity to generate their own growth without running into unmanageable debt.

17. We need to maintain adequate flows of resources to these countries, including official and multilateral aid. We should also use our influence to encourage and give help with practical measures in those countries to conserve resources, to enhance their own production of food and energy, and to create conditions in which populations are more stable.

18. The group of major debtors presents particular problems. I am sure that we must reaffirm the strategy for dealing with these problems which we have developed since the autumn of 1982. The central need is for these countries themselves to take as promptly as possible measures of adjustment which are in any case ultimately unavoidable. There are no easy or painless solutions. But we can chart some directions in which creditors can help, debtor countries can be enabled to ease their problems, and the problems themselves be shown to be manageable.



19. I suggest we should pool our ideas, and I offer you some examples:

- what can be achieved is seen, for example, in South Korea and Indonesia - two years ago on all our lists of potentially dangerous cases, but now no longer; and in Mexico - whose strenuous efforts in cooperation with the IMF and other creditors are beginning to restore confidence;
- where debtors are beginning to restore confidence, creditors may well be willing to contemplate longer-term restructuring of debt, rather than hand-to-mouth rescheduling;
- the burden of rising interest rates is a severe threat: I welcome the indications that commercial creditors are considering possible ways of limiting the immediate damaging impact;
- many debtor countries possess substantial assets of natural and industrial resources; many potential foreign investors would be interested in a participating equity stake in those resources; the desire to retain domestic control is understandable, but the financial benefits of allowing such investment could greatly ease the burdens of debt - and it is worth noting that the countries which have welcomed such investment have tended to be among those developing most rapidly;

- for the longer-term, we should surely seek all ways of encouraging direct equity investment: it is healthier than short-term bank finance, it may well be more readily available than such finance in the future, and it brings undoubted advantages of management and technological expertise and world-wide trading connections;

- again for the longer-term, should we not look to the World Bank Group of institutions to play a larger role, to gear their lending to performance and to act as a catalyst to attract private capital.

There is no escape from handling individual problems separately - every country is different. But we must show our joint concern and show that we have a framework for action over the years ahead which gives hope to the debtor countries of overcoming their problems and restoring confidence for the future.

20. [Conclude with a suggested order of discussion].

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GCPE



Foreign and Commonwealth Office

London SW1A 2AH

15 May 1984

Dear John,

London Economic Summit: The London Charter

In your minute of 10 May to Sir Robert Armstrong you recorded that at the Prime Minister's meeting on 10 May it was agreed that the Foreign and Commonwealth Office should redraft the text of a declaration on democratic values, possibly to be known as the London Charter, on lines suggested by the Prime Minister.

I now enclose a draft with which Sir Geoffrey Howe is generally content.

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

Yours ever

Peter Ricketts

(P F Ricketts)  
Private Secretary

A J Coles Esq  
10 Downing Street

CONFIDENTIAL



*file* *bc PC* *BT*

10 DOWNING STREET

From the Private Secretary

15 May 1984

*Dear Peter,*

ECONOMIC SUMMIT:  
DRAFT STATEMENT ON DEMOCRATIC VALUES

Thank you for your letter of 15 May enclosing a redrafted text of a declaration on democratic values.

You will recall that it was decided to commission a draft also from Lord Quinton. I now enclose the latter which will be discussed at the Prime Minister's meeting on Wednesday, 16 May.

I am copying this letter and enclosure to David Peretz (HM Treasury), Hugh Taylor (Home Office), Steve Nicklen (Department of Trade and Industry) and Richard Hatfield (Cabinet Office). I am also sending to Steve Nicklen the FCO draft enclosed with your letter under reference.

*Yours ever*  
*J. L. Baker*

Peter Ricketts, Esq.,  
Foreign and Commonwealth Office

*Done*

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Ref. A084/1453

MR COLES

London Economic Summit: Draft Economic Declaration

I attach a draft of the Economic Declaration to be made at the end of the London Economic Summit on 9 June.

2. The draft incorporates comments on an earlier draft made by the Foreign and Commonwealth Office, the Treasury and the Department of Trade and Industry.
3. This is for discussion at the Prime Minister's meeting on 16 May.
4. One point to which Ministers will particularly need to address themselves is whether this draft strikes an acceptable balance between the need to express confidence about the future and the danger of appearing to be complacent. The Foreign and Commonwealth Secretary thought that the earlier draft was at too great risk of appearing to be complacent; I hope that in reflecting that thought I have not undermined the confidence which it was intended to convey.
5. The Foreign and Commonwealth Secretary also thought that the draft should not be totally silent on the importance of United States policies both for world recovery and for the handling of international debt problems. I have tried to reflect these thoughts in language which is not directly critical of the United States.
6. As to subsequent handling, subject to any comments arising from the Prime Minister's meeting tomorrow, I would propose not to circulate the draft to Personal Representatives before their meeting next weekend, but to have it available at the meeting and to circulate it there, not as something which Personal Representatives are asked to agree in detail at this stage but as an indication of the way we are thinking and as a basis for general comments as to content, balance and tone.

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7. I am sending copies of this minute and of the draft Economic Declaration to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry, who are to be at the Prime Minister's meeting tomorrow.

REA

ROBERT ARMSTRONG

15 May 1984

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ccg

Draft of 15 May 1984

DRAFT ECONOMIC DECLARATION

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

2. The primary purpose of these meetings remains, (as it was intended from the start to be,) to enable Heads of State or Government to come together to discuss (directly) with each other the economic problems, prospects and opportunities for our countries and for the world economy of which they are part. On this occasion, as in the past, we have been able to achieve not only closer understanding of each other's positions and views but also a large measure of agreement on our objectives and on the policies to be followed in pursuing them.

3. At our last meeting, in Williamsburg in 1983, we were already able to detect clear signs of recovery from world recession. That recovery can now be seen to be established in many of the industrialised countries, (and especially strongly in the United States.)

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It is the reward for the firm efforts made in the Summit countries and elsewhere over recent years to reduce levels of inflation and of interest rates, to control and where possible bring down fiscal deficits and to control monetary growth.

4. The fact that the recovery is founded on this base does not mean that its continuation can be taken for granted. We have to make the most of the opportunities with which we are now presented to reinforce the basis for enduring growth and to spread its benefits even more widely, not only within our own countries but also to other countries, including the poorer countries who stand to gain as much as any from a sustainable growth of the world economy. *If we are able to do so,* pressures to reduce inflation and interest rates still further and prudent monetary and budgetary policies of the kind that have brought us so far will have to be sustained and where necessary strengthened. We reaffirm the commitment of our Governments to those objectives and policies. [We welcome the *initial* measures recently announced by the United States Administration to limit the fiscal deficit of the United States.]



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5. Not the least of our concerns is the growing strain on public expenditure from social security provisions in many of the industrialised countries. There must of course be suitable state-funded provisions for those who are poor and in need; but those provisions have to be kept within limits of what national economies can afford. We welcome the increasing attention being given to these problems by national Governments and in international fora such as the Organisation for Economic Co-operation and Development (OECD).

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

7. At Williamsburg we defined a flexible strategy for dealing with the debt burdens of many developing countries. That strategy has served both the countries concerned and the international financial system well in the past year. In the pursuit of this strategy a key

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role has been played by the International Monetary Fund, whose resources have been strengthened for the purpose. In a climate of world recovery, growing world trade and the increasing readiness of debtor countries to accept the need to adjust their economic policies, this strategy should continue to enable the international financial system to manage the international debt problems that may still arise. But a significant rise in levels of international interest rates would both exacerbate the problems of the debtor countries and make it more difficult to sustain the strategy for managing their problems: this underlines the importance of ~~continuing to follow~~ policies which will be conducive to lower interest rates.

8. Looking to the future, the countries which we represent need to set themselves an agreed range of objectives, and to take account of the impact of their policies not only upon each other but also on the rest of the world: a point upon which we have noted the concern expressed by other countries and groups of countries. Against this background we have agreed that our Governments will -

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- continue with and where necessary strengthen policies to reduce inflation and interest rates, and to control budgetary deficits and monetary growth;
- seek to reduce obstacles to the creation of new jobs, by encouraging industrial development in response to market needs and technological change, especially among innovative small businesses, by discouraging measures to prop up declining industries, by encouraging mobility of labour and flexibility in its use, and by promoting multilateral agreement to reduce or phase out export subsidies and other assistance which distorts trade;
- promote the development of new technologies, in traditional as well as in new industries, encourage international technological co-operation and work for a more rapid and widespread acceptance of technological change;
- seek to ~~adapt and~~ improve the operation and stability of the international financial system, by means of prudent and convergent policies and performance among the major countries, particularly the reserve currency countries, by providing a consistent flow of funding to the

*adequate*

# CONFIDENTIAL

international financial institutions, and by working for ~~the removal of restrictions on~~ and improvements <sup>of</sup> international access to capital markets in industrialised countries;

- make renewed efforts to liberalise and expand international trade, in services and high technology as well as in manufactures and commodities;
- work for the maintenance of adequate flows of resources (including official development assistance) to the non-industrialised countries, seek ways of increasing the flow of private investment, and encourage practical measures in those countries to conserve resources, to enhance indigenous food and energy production, and to create conditions where populations move towards stability;
- continue to support a flexible strategy for dealing with international debt problems, and to help debtor countries to make the necessary economic and financial policy changes, taking due account of political and social difficulties;
- encourage the pursuit of research into the causes and effects of pollution and the means of limiting it, and in the light of

through  
air  
measures

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that research make greater national and international efforts to reduce pollution of air, water and ground and to minimise its effects.

9. We are further agreed:

- to carry forward and develop as appropriate the procedures agreed at Versailles and at Williamsburg for multilateral monitoring and surveillance;
- to study with the appropriate international organisations policies to improve economic efficiency, incentives and flexibility, and to reduce obstacles to growth, in particular by harmonising standards, encouraging innovation and adaptation, and facilitating the mobility of labour and capital;
- to invite Finance Ministers to carry forward in the appropriate organisations their consideration of the operations of the international monetary system;
- to develop arrangements which could promote renewed economic progress by debtor countries;
- to urge all trading countries to resist continuing protectionist pressures and to reduce barriers to trade;

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- to encourage work on liberalising trade in services[, and in particular to welcome the decision by OECD Ministers at their meeting on 18 May to accelerate its programme of work in this area].
- to participate positively in the work programme laid down at the GATT Ministerial meeting in November 1982, with a view to promoting constructive decisions at the GATT Contracting Parties meeting in November 1984; and to explore with other parties to the GATT and with the Director General how best to make progress towards a new GATT negotiating round, with clearly defined objectives and guidelines, early in the second half of the decade.

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

11. We welcome the second report of the Working Group on Technology, Growth and Employment set up at the Versailles Economic Summit, and the progress made in the eighteen areas of co-operation, and invite the Group to pursue further work on [technology and the environment,] adaptation to technological

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change, the relationship between technology and trade, and the sharing of scientific facilities, and to report to the next Economic Summit.

[12. We have decided to invite the Working Group on Technology, Growth and Employment to identify specific areas for research into the causes and effects of pollution where existing knowledge is inadequate and bring together the results of research already undertaken, and to identify possible projects for international industrial co-operation to develop cost-effective techniques to reduce environmental damage. The Group is being invited to report to the next Economic Summit in 1985 on these matters.]

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

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

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progress report from the United States Administration on space station matters at the next Summit.

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

London

9 June 1984

**CONFIDENTIAL**



To confirm what I TRINITY COLLEGE  
dictated this morning. Sorry I OXFORD  
could not get it into last night's post.

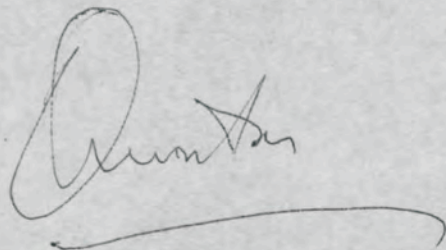
With the Compliments of  
The President

TQ.

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DRAFT STATEMENT ON DEMOCRATIC VALUES

1. As leaders of the seven major industrialised nations we affirm the principles that we share, in which genuinely democratic political institutions serve to guarantee the freedom and rights of individuals.
2. What is essential to democracy is a choice between real alternatives. Without that the formal mechanism of voting is an empty ritual. If there are to be real alternatives for voters to choose between there must be freedom to express conflicting views and freedom for groups to associate so as to compete with other groups for the endorsement of the voting public.
3. Genuine democracy is thus itself a form of freedom and it has always proved to be the best safeguard for other kinds of freedom. It makes possible the peaceful and orderly handing over of governmental power. It invites citizens to be politically active and responsible, and does not maintain them in passive and ~~undignified~~ <sup>undignified</sup> dependence. By making governments accountable to the public it ensures that governments themselves abide by the laws which it is their duty to enforce.
4. We do not seek to impose the political system we support by force or by subversion on those who live under other systems. But since we believe it to be the best system and, therefore, an ideal to which all should aspire, we shall defend it against attempts, open or covert, to destroy or undermine it. At the same time we are concerned to preserve peace, in particular by effective arms control agreements, for peace is an interest shared by all peoples, whatever political system they live under.
5. We believe that the personal freedom and security of which democratic institutions are the best guarantee foster the creativeness that is needed to identify and master the problems posed for mankind by population growth, pressure on natural resources and the effects of technical change. We believe that our economic strength can and will benefit people everywhere, those most afflicted by hunger, poverty and disease as well as our own fellow-citizens.
6. In our discussions in London we have dedicated ourselves to reaffirming the value of our principles and institutions, to strengthening the unity between the nations committed to democratic freedom and to increasing the welfare of mankind, now and in the future, by the example of political systems that endorse the rule of law and by the fruits of the economic achievements which those systems help to make possible.





ECON SUMMIT.



10 DOWNING STREET

ROBIN

Lord Quinton telephoned  
this morning to dictate the attached  
statement. He will be sending  
you a copy shortly.

Debbie Green  
15 May 1984

John

I have  
telephoned Lord  
Quinton to thank him.

FEB

15.5

15 May 1984

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cck

DRAFT STATEMENT ON DEMOCRATIC VALUES

(LORD QUINTON'S DRAFT).

As leaders of the seven major industrial nations we affirm the principles that we share, in which genuinely democratic political institutions serve to guarantee the freedom and rights of individuals.

What is essential to democracy is a choice between real alternatives. Without that, the formal mechanism of voting is an empty ritual. If there are to be real alternatives for voters to choose between, there must be freedom to express conflicting views and freedom for groups to associate so as to compete with other groups for the endorsement of the voting public.

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In our discussions in London we have dedicated ourselves to reaffirming the value of our principles and institutions, to strengthening the unity of the nations committed to democratic freedom and to increasing the welfare of mankind, now and in the future, by the example of political systems that endorse the rule of law and by the fruits of the economic achievements which those systems help to make possible.

Lord Quinton

15 May 1984



CCPC

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The London Charter

We, the Heads of State and Government of seven major industrial countries with the President of the Commission of the European Communities, assembled in London from the 7th to the 9th of June 1984, affirm our commitment to the values which underlie and bring together our societies. *sustain*

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

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

We believe in a mixed economy in which ~~individual~~ enterprise can best flourish within the social framework to promote sustained growth, and in which the discoveries of the continuing technological revolution can best be applied to the benefit of all.

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

We believe in the paramount need for peace among and between the peoples of the world. We reject the use of force

/as



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

We know that strong in these beliefs our countries enjoy unrivalled diversity, creativeness and <sup>in its own</sup> dynamism. With such a heritage we look forward to the future with confidence.



DRAFT

The London Charter (FCO ~~init~~).

We, the Heads of State and Government of seven major industrial countries with the President of the Commission of the European Communities, assembled in London from the 7th to the 9th of June 1984, affirm our commitment to the values which underlie and bring together our societies.

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

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

draft We believe in a mixed economy in which individual enterprise can best flourish within the social framework <sup>(not state)</sup> to promote sustained growth, and in which the discoveries of the continuing technological revolution can best be applied to the benefit of all.

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

We believe in the paramount need for peace among and between the peoples of the world. We reject the use of force

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We know that strong in these beliefs our countries enjoy unrivalled diversity, creativeness and dynamism. With such a heritage we look forward to the future with confidence.

W.0366

15 May 1984

PRIME MINISTER

## LONDON SUMMIT: POSSIBLE BRITISH INITIATIVE ON THE ENVIRONMENT

I strongly support the Foreign Secretary's proposal for an initiative on the environment at the London Summit, for three reasons:

1. There is currently a plethora of rather arbitrarily defined proposals for international action on environmental problems, eg the European Community directives. There is a real need for a parallel international approach on research to better define the problems and to provide an authoritative scientific background against which proposals for action can be judged and sensibly implemented.
2. The initiative also concentrates on an area in which the UK has a strong position. For example, our climatological research is extremely highly regarded, and UK scientists have made major contributions to recent international scientific debates on acid deposition.
3. The Technology, Growth and Employment Working Group Report highlights the environment as an area in which internationally co-ordinated research and development is especially significant, because of the nature of the problem. The proposed initiative would have support from the Group's Report to the Summit.

The approach suggested in paragraph 1 of this minute is, I believe, an effective counter to any allegation from other countries that our initiative is a delaying tactic, a possibility

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which the Secretary of State for the Environment rightly draws attention to in his minute of 15 May.

*RBN*

ROBIN B NICHOLSON  
Chief Scientific Adviser

Cabinet Office  
15 May 1984

15 MAY 1984



A cck



Foreign and Commonwealth Office

London SW1A 2AH

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15 May 1984

John Tanner

Handling of Terrorism at the Summit and in the Ten

At the meeting on 10 May to discuss preparations for the Summit the Prime Minister asked to see by 15 May a revised declaration on terrorism cleared with the Home Secretary.

The Home Secretary has expressed concern about the reference in para 2 of the original draft committing the Seven to "support governments faced with threats or acts of terrorism". (Hugh Taylor's letter of today's date.) We agree that this reference could perhaps lead to problems in the future with governments seeking our support against liberation movements not considered by us to fall within our definition of terrorism. We therefore suggest deleting the relevant passage and instead relying on the reference in para 1 to action "in conjunction with others" to counter the problem. A revised draft is enclosed.

We have also amended the draft discussion paper on terrorism for use at the meeting of Political Directors of the Ten on 17/18 May to take account of the Home Secretary's comments. We have some doubts about whether it would be advisable to accept in full the proposal for a waiver of immunity for crimes of violence since this could call into question the basic concept of total immunity. We suggest that the experts should be invited to consider the point carefully in the course of our review of the Vienna Convention. In the meantime, we have redrafted the paper to include as an objective that diplomatic immunity cannot be used to protect those involved in serious offences of violence directed against the host country from within the shelter of diplomatic premises. We think this perhaps meets the principle which lies behind the Home Secretary's suggestion, but leaves open the means by which we can achieve it. I enclose a revised version of the paper.

/I should

S E C R E T



I should add that, in the time available, these revisions have not been seen by the Foreign Secretary. I shall be showing him copies in tonight's box.

I am copying this letter to Hugh Taylor (Home Office), David Peretz (Treasury) and Richard Hatfield (Cabinet Office).

*You are*  
*RB Bone*

(R B Bone)  
Private Secretary

A J Coles Esq  
10 Downing Street

S E C R E T

LONDON ECONOMIC SUMMIT : DRAFT DECLARATION ON INTERNATIONAL  
TERRORISM

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

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

- to promote the strict application of the Vienna Convention as it affects the status of diplomats, the size of diplomatic missions and the number of buildings enjoying diplomatic immunity;
- to review the level of diplomatic relations and the scale of political contacts with states which sponsor terrorist acts;
- to prevent the entry of known terrorists, including persons of diplomatic status into their countries;
- to review the sale of weapons to states supporting terrorism;
- to examine, in the longer term, the implications of international terrorism for the future of the Vienna Convention.



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

DRAFT

## TERRORISM : DISCUSSION PAPER

Introduction

1. This paper deals with the particular form of International terrorism sometimes described as 'state terrorism'. The latter is a convenient name for terrorism organised and directed by governments using governmental machinery on a substantial scale and over a long period.

2. State terrorism is not new, nor is the use of diplomatic premises in support of terrorism. Although the incident in London involving the Libyan People's Bureau was uniquely outrageous (use of the premises to fire on the public), there have been comparable incidents (eg. the Iraqi Embassy in Paris) in recent years affecting other states among the Ten.

3. The Ten are particularly well placed to act in this matter, since the governments which actively support terrorism, in general value their political, economic, cultural and personal access to countries of the Ten.

4. Co-operation between the Ten in this field already takes place through TREVI. This covers exchange of information on terrorist incidents and terrorist plans and activities. There are also direct contacts between police forces of the Ten to deal with terrorist incidents. This TREVI system supplements the normal invaluable contacts through our Security Services and Interpol. Such cooperation is absolutely vital and must be maintained and developed to the maximum.

5. This paper suggests certain areas for study and possible action in the field of Political Cooperation. It deals first with opportunities for action by individual partners (the more, the better); secondly with areas appropriate for collective action by the Ten as a whole; and thirdly with modalities for future consideration of the subject.

/1.

Action by Individual States within the Tena) Diplomatic Actioni) Status of diplomats

Our principal objective should be to ensure that diplomatic immunity cannot be used to protect those involved in serious offences of violence directed against the host country from within the shelter of diplomatic premises. The notification of any person as a member of a diplomatic mission should be rigorously examined in the case of states known to be promoting or encouraging terrorism. If the individual's employment does not justify diplomatic status, or only a reduced status, then withdrawal of the notification could be requested, or the individual declared Persona Non Grata (PNG), or not acceptable if the notification is not withdrawn. When an individual is known or suspected of involvement in the commission or preparation of terrorist acts, he can automatically be refused a visa or declared PNG. Where misconduct cannot be attributed with certainty to an individual diplomat, the use of the PNG procedures as an exemplary measure against a mission should be carefully considered.

ii) Size of Mission

Similarly, the size of diplomatic missions from suspect countries can be rigorously examined with regard to what the receiving state considers reasonable and normal. If necessary, ceilings can be set; and a replacement should not automatically be allowed for anyone expelled for abuse of immunity;

iii) Break in Diplomatic Relations

In certain grave cases this may have to be applied as a last resort.

iv) Diplomatic Bags

Our object here would be to seek to rule out the import of guns and explosives through the diplomatic bag. But action under this heading clearly needs careful thought. The Vienna Convention is ambiguous on the question of 'screening' and could be interpreted so as to permit tougher measures where abuse is suspected. Partners need to safeguard their own proper use of the bag. But there may be a case for a more flexible interpretation of Article 27 of the Vienna Convention.

/v)

v) Buildings

This also needs careful study. There may be a case for challenging more closely the activities carried on in buildings for which diplomatic immunity is claimed where we suspect these are not legitimate diplomatic activities, and for limiting the number of buildings enjoying immunity;

(b) General Attitude to TerrorismRefusal to act under duress

Some states have used the threat of reprisals against foreign nationals to seek concessions from members of the Ten who hold terrorists. Whilst it is regrettable that innocent citizens should become involved, the best defence against terrorism is to ensure that the terrorist does not achieve his aims. We believe that in general no concessions should be made to those who practice terrorism.

II. Common Approach and Actions amongst the Ten

Measures by individual states will not effectively deter: they may be expensive for those imposing them, and the guilty party will still have access to the economic and social facilities of other members of the Ten. Completely uniform action may not always be either possible or advisable though the more countries which take action as appropriate on the lines already indicated, the better. Any of the Ten in conflict with a third party over state terrorism should receive maximum moral support from its partners and, as far as possible, full collective support.

The following are examples of action in the fields already mentioned which may be suitable for implementation by the Ten as a whole.

- (a) Diplomatic pressures : This might cover a wide range of actions from a collective break in diplomatic

/relations

relations to collective demarches. Much will depend on circumstances, but as a general rule it should be possible to envisage such collective action as

i) refusal to allow entry to diplomats of an offending state expelled from another member of the Ten.

ii) downgrading of political and state contacts with the offending state. This covers limiting of size of embassies of offending states and restricting high level political visits.

(b) Economic Pressures : The problems relating to sanctions are well known. But, for example, 'defence sales contracts for arms widely used by terrorists should be rigorously examined by the Ten as a whole.

(c) Protective Security : Collective measures by the Ten would include exchange of information on threats to missions of the Ten in each others', or in third countries, and the exchange of experience and research on physical protection of embassies abroad, including improvements in inter-embassy communications, and coordination of contingency planning arrangements in third countries.

(d) Police and intelligence : These continuing links are invaluable but need to be kept under close scrutiny to ensure that information about known terrorists and all those (not only diplomats) expelled is exchanged between the relevant authorities of the Ten. We should examine the feasibility of agreements between our respective authorities to identify cases in which those concerned should be denied entry to all the countries of the Ten.

### III. Modalities for future consideration of the subject

Machinery for developing a common approach and techniques already exists through Political Cooperation (Working Groups including Chefs de Protocol, Political Committee and Foreign Ministers), and TREVI.

The UK suggests that the Political Committee should :

- hold a preliminary general discussion of the subject at its meeting on 17/18 May.

- seek the comments of TREVI, through presidency channels.
- request an early report and recommendations from the appropriate Experts Group concerning the aspects lying within their competence.
- hold a second general discussion not later than at the July meeting in Dublin, with a view to submitting a report to Foreign Ministers before the summer break.

PRIME MINISTER

MEETING ON ECONOMIC SUMMIT

There is a lot to get through at this meeting. I suggest that you take the subjects in the following order. But you will need to leave plenty of time for discussion of the Economic Declaration - the last item.

Statement on International Terrorism

The Home Secretary has to leave by 3.30 pm and would be grateful if you could deal with this matter first. I attach a revised draft of the statement, which has been discussed with the departments concerned at Flag A.

Statement on Democratic Values

*Much better!*

We have two rival drafts - the one produced by Lord Quinton, the other by the FCO. It is probably heresy to say so but I think the FCO one is better. May I suggest that, rather than taking the time of the meeting, you should say that we in this office will now produce a final draft for circulation to the other Summit participants (I would submit it to you for decision on Wednesday night).

*FLAG E*

UK Initiative on Industry and the Environment

If this is to go ahead we need to take a decision at the meeting and then consult other countries rapidly (I hope it will not be necessary to wait until Thursday's larger meeting on the Environment). The proposal is that the existing Versailles group - not a new group - should be given the functions in paragraph 6 of the Foreign Secretary's minute at Flag B.

I attach (at Flag C) minutes which show that

a) Robin Nicholson strongly supports it.

/ b)

- b) The Environment Secretary supports it, though warns that our emphasis on research may be taken by some as a delaying tactic.
- c) The Trade Secretary supports it. He wants a more detailed examination through E(P). But if we are to sell the proposal to other countries we must get on with it.
- d) The Chancellor has "considerable misgivings" and on balance would prefer to avoid an initiative. But if others feel it is the only way of pre-empting more damaging initiatives he would go along with it. If you feel on this basis you can decide to go ahead, well and good. If not, there is no point in a long discussion at this meeting because some of the principal Ministers concerned will not be there. But we are short of real initiatives for the Summit and I hope you will give the go ahead.

Economic Declaration

I attach (at Flag D) the draft which Sir Robert Armstrong wants to hand to other personal representatives next weekend. You will want to look through this with your colleagues.

A.J.C.

15 May 1984



Prime Minute.

A.S.C. 15/5.

Ref. A084/1444

MR COLES

London Economic Summit

mt

Monsieur Attali rang me this morning.

2. The main purpose of his call was to stress once again President Mitterrand's keen wish to ensure that drafts of any declarations to be issued at the London Summit were fully and thoroughly prepared before the event. Monsieur Attali said that the President would also insist that the preparation of documents should be the responsibility of Personal Representatives, and centralised on them: he did not wish to see a variety of different drafting groups set up either before or during the Summit. He would be raising this matter at the meeting of Personal Representatives this coming weekend.

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

CONFIDENTIAL

RA

ROBERT ARMSTRONG

15 May 1984

Ref. A084/1458

MR COLBS ✓

AS  
5  
h.a.Prime Minister's Pre-Summit Meeting on 16 May

When we spoke this morning we agreed that the agenda for tomorrow's meeting should be as suggested in my minute to you of 11 May. At the time we spoke it was not clear whether it would be possible to deal with the proposed initiative on the environment at tomorrow's meeting or whether this would have to be taken separately at the discussion on environmental pollution the following day. I now understand that it is likely that Departments will be generally content with the proposal to pursue such an initiative in the Versailles Working Group. On this basis, it would only be necessary to invite the smaller group of Ministers to tomorrow's meeting (ie the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Home Secretary and the Secretary of State for Trade and Industry).

2. In addition Sir Robert Armstrong will be circulating a first draft of the Prime Minister's opening statement (keynote speech) although it is not proposed that this should be discussed until next week's meeting.

3. I am sending copies of this minute to the Private Secretaries of the Ministers to be invited (with copies of my earlier minute for the Home Office and the Department of Trade and Industry).

R P HATFIELD

15 May 1984

Econ. Pol  
Econ Summit  
Pt 15



CONFIDENTIAL



4

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

15 May 1984

Len Appleyard Esq  
Private Secretary to the  
Foreign and Commonwealth Secretary

*Dear Len*

HANDLING OF TERRORISM AT THE SUMMIT AND IN THE TEN

I have shown the Chancellor the enclosures to your letter of 11 May to Hugh Taylor.

He thinks that the drafts are broadly on the right lines and, on a matter of particular interest to the Treasury, accepts what is said about economic pressures.

His only other comment is that the treatment of diplomatic bags is mentioned only hesitantly in the discussion paper and does not appear at all in the draft declaration. He would hope that more could be done on this front, and considers indeed that the public would expect it.

I am copying this letter to the other recipients of yours.

*Yours ever*

*David*

D L C PERETZ  
Principal Private Secretary

SECRET

3



HOME OFFICE  
QUEEN ANNE'S GATE LONDON SW1H 9AT

15 May 1984

Dear Gen,

MM 15/5  
h-a.

HANDLING OF TERRORISM AT THE SUMMIT AND IN THE TEN

Thank you for your letter of 11 May, which we have considered with some difficulty in the limited time available.

THE DRAFT DECLARATION

Something on the lines of the proposed commitment "to separate Governments faced with threats or acts of terrorism" is obviously necessary. But is there any scope for an alternative form of words which would guard against this aspect of the declaration being exploited by, for instance, the South Africans or indeed Colonel Gadaffi, as a commitment to take action against their respective dissidents? The Home Secretary would be grateful if this could be given consideration.

We think we must talk about "preventing the entry of known terrorists". There are enough difficulties already over the definition of terrorism, and we need to retain the right to impose our own.

DISCUSSION PAPER

In this document, which presumably is not intended for publication, the Home Secretary feels that, despite the obvious negotiating difficulties, we should at least open the bidding at a high level over the status of diplomats and the screening of diplomatic bags. The document should, therefore, raise the suggestion of working towards an agreement that states would be prepared to waive diplomatic immunity for serious offences of violence directed at the host country from within the shelter of diplomatic premises. On diplomatic bags, he believes we need to say in terms that our objective is to rule out their use for the carriage of arms and explosives.

In section II(d) there are difficulties in adopting standard procedures in relation to "known agitators". Such agitation would not necessarily be sufficient to provide grounds for excluding someone from all the countries of the Ten. We would therefore suggest that this entry should be re-drafted as follows:

"(d). Police and intelligence: these continuing links are invaluable, but need to be kept under close scrutiny to ensure that information about known terrorists and all those (not only diplomats) expelled is exchanged between the relevant authorities of the Ten. We should examine the feasibility of agreements between our respective authorities to identify cases in which those concerned should be denied entry to all the countries of the Ten".

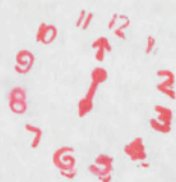
I am sending copies of this letter to John Coles at No 10, David Peretz at the Treasury and to Richard Hatfield in Sir Robert Armstrong's Office.

Yours sincerely  
H. H. Taylor

H. H. TAYLOR

SECRET

15 MAY 1984



MR. BARCLAY

c. Mr. Butler

Mr Coles *14/5*

*We also have the Chancellor,  
FCS, Sir Julian Bullard & RTA.*

*DMB  
14/5*

Economic Summit Meeting: Wednesday 16 May at 1500 hours

1. The Home Secretary wishes to be present and will not be sending a Junior Minister. He asks if international terrorism could be taken first as he has to leave for the House at 1530.
2. Paul Channon will come from Trade.
3. Sir Crispin Tickell accepted.
4. Mr. Littler from the Treasury will be in Paris and is asking the Chancellor if he wishes to bring anybody else.

*CR*

14 May 1984

The Lord Roll of Ipsden, KCMG, CB.

TELEPHONE:  
01-600 4555

30, GRESHAM STREET,  
LONDON, EC2P 2EB

11 May, 1984

My dear Prime Minister,

On behalf of Harold Lever, Jeremy Morse and myself, I am sending you the enclosed memorandum containing some views on the forthcoming Economic Summit. I do not think I need add anything to the introductory paragraphs which set out the basis on which these notes were prepared. The participants are listed at the end of the memorandum.

We hope that these ideas - or at least some of them - may be of use as additional briefing material.

Yours sincerely,

Roll

Roll

The Rt. Hon. Mrs. Margaret Thatcher, PC, MP,  
10 Downing Street,  
London SW1.

R/GP  
Enc.



Confidential

Issues for the  
Economic Summit Conference of the Seven Industrialised Nations  
7th June 1984

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As in previous years, a group drawn from the seven countries whose heads of government are shortly to meet at the Economic Summit in London have been discussing the issues which are expected to be before that meeting. The participants have experience in economic and financial matters in government and in the private sector and believe that heads of government might wish to have their views before them. This paper reflects broadly the opinions of the participants, but does not attempt to achieve unanimity on all points discussed.

We subscribe to the analysis of the world's economic and financial problems as set out in the Williamsburg Declaration after last year's Summit and endorse the policies decided upon at that meeting. We must, however, record that progress on the objectives then adopted has in a number of important respects been very disappointing.

As events have developed, the seven countries appear to be entering a year of expansion, although unemployment has reached record post-war levels in Europe and concern still runs high regarding those developing countries with debt servicing difficulties which impair their ability to contribute to world growth. There are, moreover, serious strains within the system that may interrupt the promising prospects. For example, high interest rates in the United States, low growth notably in Europe, and the forces that lie behind the Japanese export surplus, may in combination seriously inhibit further expansion for the seven countries as a whole. Further recovery and growth in Europe and Japan will be necessary if these countries are to continue as a nucleus for further expansion of the world economy and to balance the expected settling down in the recently rapid growth in the US economy.

In what we say below we have attempted to give special emphasis to those issues which we consider require early attention and on which we hope collective agreement can be achieved and action taken. A number of specific dangers for which contingency plans will be needed are also noted.

We arrange our comments under three broad heads - economic recovery, international trade and international debt - which are in fact interrelated, but separated in the text for the purpose of exposition.

I.

## ECONOMIC RECOVERY

Economic recovery is under way, especially in the USA. Although considerable progress has been made in many countries on the inflation front, governments must continue to guard against a revival of inflationary pressure. This could occur for a number of reasons, in particular, prolonged over-stimulation of the US economy through large government budget deficits and also wage cost pressures. There is also a possibility that international hostilities, or other developments, may cause a sudden interruption in the supply of Opec oil upon which our economies remain dependent, leading to a rise in oil prices. All these pressures could lead to a return to stagflation. Growth will only be sustainable if it is non-inflationary; a permanent improvement in the unemployment problem, which is especially acute in Europe, can only be brought about by sustainable rates of growth.

Three factors which threaten the maintenance of the recovery are:

- the high level of interest rates, especially in the USA;
- the low growth and rigidities in European economies;
- increasing protectionist pressures due to payments imbalances and heavy unemployment, to which Japan's export surplus has added further impetus.

### Interest Rates

High interest rates are fundamental to the concerns outlined in this paper. A reduction in interest rates, especially in the USA, would make a major contribution to resolving many of the issues identified; it would encourage growth and investment and alleviate the debt servicing problems of major borrowing countries, thus also helping to relieve the pressures giving rise to calls for protectionism.

The US economic recovery is due, at least in part, to an expansionary fiscal policy. But the fear of a continuation into the medium-term of large budget deficits relative to domestic savings is contributing to high and rising interest rates in the USA.

Progress to reduce this structural budget deficit would help to lower long-term interest rates by reducing the pressure of future government credit demands and by improving confidence in the financial markets. This would permit a moderate easing of monetary policy without impairing progress towards lower rates of inflation.

The resulting lower actual and expected rates of interest would:

- encourage an orderly retreat of the US dollar from its present level, which is widely acknowledged to be overvalued;
- stimulate investment, which has been discouraged by high interest rates and has been predominantly in short-term assets;
- permit lower interest rates elsewhere, thus encouraging investment and recovery outside the USA.

Contingent Danger: A continuation of the US current account deficit of the present order of magnitude may eventually produce the desired decline in the dollar on the foreign exchanges, and the dollar content in portfolios of internationally mobile funds may reach a level at which a slowdown of capital flows into the USA would take place. Thus a rush out of the US currency may occur with the result that the adjustment in its parity could be abrupt, and could overshoot. Such a sharp fall in the dollar threatens a revival of inflation, both imported and domestic, and thereby could provoke a rise in US interest rates with detrimental consequences for recovery in the USA and elsewhere.

Recommendation: At last year's Summit, governments agreed to "...improve consultations, policy convergence and international cooperation to help stabilise exchange markets...". Governments should be prepared to act to prevent an abrupt and disorderly fall in the US dollar, including early and concerted intervention.

#### Low Growth in Europe

In Europe, structural rigidities result in low profitability, low investment and low growth of real output and employment. They have also stimulated the growth of large "black" or "underground" economies.

These structural rigidities reflect:

- demographic changes - the European countries have ageing populations with attendant problems of slow growth in the labour force and relatively few workers to carry the financial burden of pensions and welfare schemes.
- high real wages, which are a major factor in the poor performance of Europe in creating jobs compared with the USA. Conversely, Europe has enjoyed a better performance on productivity than the USA. It is important to generate sufficient economic growth to allow rises in both productivity and employment.
- inflexibility in the labour market - the high cost of redundancy and other social benefits means that employers not only find it difficult to shed labour but are also very reluctant to hire additional workers as sales increase.

- relatively high tax and social security burdens. Taxes and social security account for some 45 per cent of GDP in Europe, compared with 34 and 29 per cent in the USA and Japan, respectively (1981 data).
- there are some technological gaps between Europe on the one hand and the USA and Japan on the other. As stated in the Williamsburg declaration, advanced technology needs to be encouraged along with the public acceptance of its role in promoting growth, employment and trade.

The above factors are all of a structural nature and require the development of positive long-term adjustment policies to deal adequately with them. The adjustment process is, of course, a global phenomenon which involves new patterns of investment and production in many developing nations as well as in mature industrialised countries. Many countries, including the European nations, need to adopt policies to reduce labour and product market rigidities and to encourage an appropriate balance in the industrial structure.

While governments need to give these long-term problems urgent consideration, there are some more immediate concerns requiring prompt attention.

European recovery has only just begun and must not be allowed to falter. The UK and German economies are in comparatively good health and their continued expansion would help foster growth in the rest of Europe. Other European countries, such as France and Italy, have further progress to make in both internal and external adjustment; a general climate of economic growth would be conducive to the success of attempts made by such countries to contain inflation and reduce balance of payments deficits.

Contingent Danger: The recently rapid rates of growth in the US economy may begin to settle down and as noted above there are fears of even higher interest rates. European countries would only exacerbate an economic downturn and prolong the existing imbalance between themselves and the USA if they were to respond to higher US interest rates by raising their own commensurately.

Recommendation: European countries should avoid a rise in their domestic interest rates even in the face of a rise in rates in the USA. If higher US interest rates are provoked by a fall in the dollar on the foreign exchanges, European countries will not need to raise their own rates in order to protect their currencies. If, as is hoped, the constraining effect of high US interest rates and a strong dollar is relaxed, European governments will be able to be more ambitious in encouraging their own recovery.

### The Japanese Export Surplus

The Japanese export surplus remains substantial. In the last year, however, there has been a welcome shift in the impetus of the recovery away from export-led growth, with a less important contribution from the trade balance, towards domestically generated growth, with increased domestic expenditure on consumption and investment.

Nevertheless, the export surplus continues to exacerbate protectionist pressures (see the next section on Trade). There is also a widespread perception of the existence of barriers to foreign investment of all forms in Japan, despite the welcome moves of the Japanese authorities to open economic and financial markets to foreigners.

Recommendation: The Japanese government should encourage all forms of foreign investment in Japan. This will help to remedy the under-valuation of the yen and ultimately to reduce the trade surplus, thus alleviating protectionist pressures.

## II.

### INTERNATIONAL TRADE

Exchange rates which are not in line with economic fundamentals and which fluctuate violently are a powerful hindrance to the free flow of trade, as much or more so than direct barriers. We support the sentiments expressed in the Williamsburg Declaration on the subject of trade barriers, but would point out that little progress appears to have been made in achieving the agreed objectives. Protectionist and other tensions continue to exist both between the industrialised countries themselves and between industrialised and developing countries. In some cases, these tensions have worsened over the last 12 months.

The causes of these tensions can be seen in the following:

- the large current account imbalances, especially the deficit in the USA and the surplus in Japan. These imbalances create tension between the major trading nations, by generating pressure for protection which would distort the flow of trade.
- the strength of the US dollar, by reducing the competitiveness of US exports and increasing the attractiveness of imports, strengthens the protectionist lobby.
- the high levels of unemployment in the industrialised countries are encouraging the governments of those countries to impose import barriers to protect their own industries and labour forces.

- the debt repayment problems of a number of LDCs have disrupted the international trade and payments system. As a result of the introduction of austerity programmes, earlier high levels of imports have been reduced sharply in some countries. LDCs are also taking steps to increase levels of exports, including the use of subsidies, to provide the required amounts of foreign exchange for foreign debt service. At the same time, however, LDCs are faced with restrictions on their exports to industrialised countries in the form of trade barriers. A vicious circle is created whereby the developing countries' subsidised exports result in the imposition by industrialised countries of higher trade barriers. This only serves to make it more difficult for developing countries to earn the necessary foreign exchange, thus resulting in additional measures which further distort trade flows.
  
- Lack of coordination with regard to politically related trade policy has created friction between the seven, particularly in the case of high technology exports to the East Bloc countries or the Trans-Siberian Gas Pipeline.

The growing incidence of managed trade, including counter and barter trade, is symptomatic of the various underlying economic problems which need to be dealt with. Although these devices are not in themselves desirable because they constitute an inefficient way of conducting international trade, they are nevertheless better than no trade at all.

Recommendation: A new round of international trade negotiations should be instituted as soon as feasible to address the underlying problems causing the tensions which exist between the world's major trading nations.

Consideration should be given to the "graduation" into the community of mature trading nations of some of the Newly Industrialised Countries since these should now be conducting trade on a normal Most-Favoured-Nation basis.

As recommended in the document prepared by a similar group for last year's economic summit conference, governments should now agree on a "standstill" on the introduction of new trade barriers during the period leading up to the next round of trade negotiations, otherwise the vested interests that grow up behind trade barriers will be difficult to remove. In addition, the liberalisation measures agreed at the talks in Tokyo should be accelerated.

Steps should be taken to establish more unified principles of control over East-West trade. A strengthening of the scientific and technical support of COCOM could contribute to this end.

III

INTERNATIONAL DEBT

So far, international debt problems have been treated on a case by case basis. This approach has been successful in providing temporary accommodations which fit the disparate nature of each individual country's debt problems, but it should not preclude governments from developing a common strategy on an issue which is of common concern.

In many cases these solutions have focused on short term remedies to ensure that debtor countries are provided with sufficient liquidity to meet their obligations, thereby preserving the international payments system from collapse. The arrangements reached have often involved a degree of involuntary lending on the part of the commercial banks. Governments also have a part to play alongside the banks in maintaining the liquidity of debtor countries. Such lending by governments should be undertaken within the existing structure of international institutions and might include guaranteed export credits in support of sound economic development.

Repayment of principal in dollars often of substantially higher real value than when the debts were contracted and also at higher real rates of interest are, together with the overall reduction in new bank lending and the maturing of the borrowings contracted in the 1970s, now resulting in some net transfer of resources from developing countries back to commercial and official lenders. In the aggregate, there are no net new money inflows to developing countries.

While it is recognised that there are no universal answers, it is essential that governments ensure a workable pattern of resource flows to developing countries. This must involve a less important role for the banks than the excessive and inappropriate one which circumstances created for them in the last decade, and the encouragement of other forms of private sector flows, especially direct investment. Governments must play their part by providing sufficient levels of development finance to allow developing countries to create wealth-producing assets.

Contingent Danger: The problems of some debtor countries may be of a long-term structural nature. In such cases, governments and institutions should, both for economic and political reasons, make contingency plans which in certain cases could include funding of outstanding debt and thus ensure that the disruptive effects of continued short-term reschedulings do not persist and that the long-term economic situation in the country does not deteriorate to such an extent that serious social and political consequences could be expected.

Recommendation: In encouraging the availability of funds suitable for the development needs of borrowing countries, direct foreign investment and the resources of international agencies will be the most appropriate sources. The IMF and IBRD should be encouraged to strengthen their cooperation in helping borrowing countries to develop longer term programmes of structural adjustment.

Direct foreign investment has the advantage of making funds available to developing countries with no fixed repayment terms and links the provision of funds to the success of the investment. Encouragement should be given to potential investors as well as to developing countries which should work to institute suitable economic regimes to foster inward investment.

It is strongly recommended that the member governments increase the lending capacity of the international institutions, by increasing their resources and relaxing gearing constraints. All of the following institutions should be encouraged to play an even larger part in providing new inflows of long-term funds to developing countries: IBRD, IDA, IFC, regional and other development banks.



Wiston House  
27th-30th April 1984

Pre-Summit Meeting for the  
Economic Summit Conference in London on 7th June 1984

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LIST OF PARTICIPANTS

Lord Roll	Chairman, S.G. Warburg & Co. Ltd. Former Permanent Under-Secretary for Economic Affairs
Professor B. Andreatta	Member of Parliament Former Minister of the Treasury
Senator G. Carli	Former Governor, Bank of Italy President UNICE
Dr. A. Greenspan	Chairman, Townsend-Greenspan Former Chairman, US Council of Economic Advisers
Mr. J-Y Haberer	Chairman, Banque Paribas Former Directeur du Trésor
Mr. T. Hosomi*	President, Overseas Economic Corporation Fund. Former Vice-Minister of Finance for International Affairs
Mr. Y. Kashiwagi	Chairman, Bank of Tokyo Former Vice-Minister of Finance for International Affairs.
Lord Lever	Former Chancellor of the Duchy of Lancaster
Mr. R. Marjolin	Former Vice-President, European Commission. Former Secretary General, OEEC.
Sir Jeremy Morse	Chairman, Lloyds Bank. Former Executive Director, Bank of England.
Mr. R.V. Roosa	Partner, Brown Brothers Harriman. Former Under Secretary of the Treasury for Monetary Affairs.
Mr. D. Spethmann	Chairman, Thyssen AG
Mr. J.H. Warren	Vice-Chairman, Bank of Montreal. Former High Commissioner to UK. Former Ambassador to USA.
Dr. Marina Whitman	Vice President and Chief Economist, General Motors Corporation. Former Member of the US Council of Economic Advisers.

\* Mr. Hosomi was unable to attend but contributed in writing to the Group's deliberations.



① *N. Townsend*

② *N. Giles* *101* *15.* *5*

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213..... 6400

Switchboard 01-213 3000

*To note*

Caroline Ryder  
10 Downing Street  
London SW1

11 May 1984

*Dear Caroline:*

I am writing to confirm that my Secretary of State would be able to attend the Prime Minister's meeting with the international trade union delegation, on Thursday 31 May at 10.30 am.

However, should the Prime Minister wish to hold a briefing meeting prior to 10.30 am on the Thursday, the Secretary of State would be unable to attend.

He is scheduled to appear at a press conference at Central Office for the European Elections at 10.00 am on that day, for approximately twenty minutes. Central Office are unable to bring this forward, as this would cause them further difficulties with their programme.

*Yours sincerely*

*Christine Van Schagen*

C M VAN SCHAGEN  
Private Secretary

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7 6 5 4  
1 2 3



CONFIDENTIAL

Mr. Spalding

AA 15/5  
v. an Mr Colles

Re. see the first sentence of para. 3 and para. 4. Could you invite those concerned and return this minute to me.

Ref. A084/1413

MR COLLES

The Home Office and the DTI will send substitutes - to be notified. Aug 11/5

A.J.C. 11/5

Prime Minister's Pre-Summit Meeting on 16 May

attached

The second of the Prime Minister's pre-Summit meetings is to be held at 3.00 pm on Wednesday 16 May. In response to your minute of 10 May to Sir Robert Armstrong, this minute contains provisional recommendations for the agenda and attendance at that meeting.

2. The agenda might consist of the following items:-

(a) Economic Declaration

Sir Robert Armstrong proposes to circulate a draft early next week. This will include reference to the various British initiatives. It would probably be better to reserve discussion of the draft of the Prime Minister's Opening Statement until the next meeting.

(b) Draft Statement on International Terrorism

This is being redrafted by the Foreign and Commonwealth Office, in consultation with the Home Office and other interested Whitehall Departments. It will be recirculated in time for the Prime Minister's meeting.

(c) Draft Statement on Democratic Values

The Foreign and Commonwealth Office is also redrafting this statement, clearing it as necessary with interested Whitehall Departments, in time for the Prime Minister's meeting.

(d) United Kingdom Initiative on Industry and the Environment

attached

Provided other Departments do not see major difficulties with the approach outlined in your letter of 10 May to Peter Ricketts it should be possible to reach agreement on this proposed initiative. If it seems that extensive discussion is required it may be better to arrange this separately, perhaps by including it in the discussion on environmental pollution the following day.

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3. The Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Home Secretary and the Secretary of State for Trade and Industry will need to be invited. It may also be necessary to consider inviting the Secretary of State for Energy, the Secretary of State for the Environment and the Secretary of State for Transport but this will depend on how it is decided to handle the possible initiative on the environment.

4. As before, it would be useful if Sir Robert Armstrong, Sir Julian Bullard, Sir Crispin Tickell and Mr Littler could be invited.

5. For the moment, I am sending copies of this minute to the Private Secretaries to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer only.

*Rp.*

R P HATFIELD

11 May 1984

CONFIDENTIAL

cc MASTER  
ops

PRIME MINISTER'S

PERSONAL MESSAGE

Mr. Coles

SERIAL No. T77/86

DD 111040Z  
BONN FROM LONDON  
CONFIDENTIAL GOVERNMENTAL 0045  
BT

AD 14/5  
f-a

MESSAGE FROM THE PRIME MINISTER TO THE FEDERAL GERMAN CHANCELLOR

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

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

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

IF YOU FEEL THAT COUNT LAMBSDORFF SHOULD COME TO LONDON IN JUNE (AND WE SHOULD OF COURSE BE DELIGHTED TO SEE HIM) AS WELL AS DR STOLTENBERG, I HOPE YOU WILL AGREE THAT THEY SHOULD ALTERNATE AT NIGEL LAWSON'S FIRST TWO WORKING MEALS (DINNER ON THURSDAY 7 JUNE AND LUNCH ON FRIDAY 8 JUNE). NIGEL WILL TRY TO TAILOR THE TOPICS FOR DISCUSSION ACCORDINGLY. THE JAPANESE, AT LEAST, WOULD THEN FOLLOW THE SAME PATTERN. THE THIRD MEAL, NIGEL'S DINNER ON THE SECOND NIGHT, 8 JUNE, WILL BE AT THE BANK OF ENGLAND. HE AND THE GOVERNOR INTEND TO INVITE TWO REPRESENTATIVES PER DELEGATION ON THIS OCCASION - NORMALLY THE FINANCE MINISTER ACCOMPANIED BY A SENIOR OFFICIAL DEALING WITH FINANCIAL MATTERS. IF YOU WISHED BOTH GERMAN MINISTERS TO ATTEND, INSTEAD OF ONE MINISTER AND ONE SENIOR OFFICIAL, THIS WOULD OF COURSE BE PERFECTLY ACCEPTABLE.

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

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

BT

C. 05

00 151330Z  
BONN FROM LONDON  
CONFIDENTIAL GOVERNMENTAL 0045  
BT  
MESSAGE FROM THE PRIME MINISTER TO THE  
FEDERAL GERMAN CHANCELLOR

WE REGRET THAT THERE WAS AN ERROR IN THE TRANSMISSION OF OUR (GOVT. 0045 111040Z). THAT TELEGRAM WAS THE TEXT OF A MESSAGE FROM THE PRIME MINISTER TO THE FEDERAL CHANCELLOR AND WAS NOT (NOT) A DRAFT. THE FULL TEXT OF THE MESSAGE IS AS FOLLOWS:

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

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

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

IF YOU FEEL THAT COUNT LAMBSDORFF SHOULD COME TO LONDON IN JUNE (AND WE SHOULD OF COURSE BE DELIGHTED TO SEE HIM) AS WELL AS DR STOLTENBERG, I HOPE YOU WILL AGREE THAT THEY SHOULD ALTERNATE AT NIGEL LAWSON'S FIRST TWO WORKING MEALS (DINNER ON THURSDAY 7 JUNE AND LUNCH ON FRIDAY 8 JUNE). NIGEL WILL TRY TO TAILOR THE TOPICS FOR DISCUSSION ACCORDINGLY. THE JAPANESE, AT LEAST, WOULD THEN FOLLOW THE SAME PATTERN. THE THIRD MEAL, NIGEL'S DINNER ON THE SECOND NIGHT, 8 JUNE, WILL BE AT THE BANK OF ENGLAND. HE AND THE GOVERNOR INTEND TO INVITE TWO REPRESENTATIVES PER DELEGATION ON THIS OCCASION - NORMALLY THE FINANCE MINISTER ACCOMPANIED BY A SENIOR OFFICIAL DEALING WITH FINANCIAL MATTERS. IF YOU WISHED BOTH GERMAN MINISTERS TO ATTEND, INSTEAD OF ONE MINISTER AND ONE SENIOR OFFICIAL, THIS WOULD OF COURSE BE PERFECTLY ACCEPTABLE.

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

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

NNNNQ



Foreign and Commonwealth Office

London SW1A 2AH

11 May 1984

2 Pol  
A  
A.J.C. 11/5  
h.a.

Dear Hugh,

Handling of Terrorism at the Summit and in The Ten

At yesterday afternoon's meeting on preparations for the Summit, the Prime Minister asked that the draft Declaration on Terrorism, revised as she had suggested, should be cleared with the Home Secretary and submitted to her on Tuesday evening, 15 May. This would allow us time to circulate the draft for comment at the meeting of Political Directors of the Seven on 18 May.

On 14/15 May, the Foreign Secretary will be attending a meeting of Foreign Ministers of the Ten. He proposes to suggest to his colleagues that Political Directors of the Ten should be instructed urgently to work out proposals for a common approach to terrorism, and especially state terrorism. He will offer, if his colleagues wish, to circulate a paper to serve as a working document at the meeting of Political Directors of the Ten on 17/18 May.

// I attach copies of both the draft declaration for the Summit and the draft working paper for the Ten. I should be grateful for any comments you may have by noon on Tuesday, 15 May.

I am copying this letter to John Coles (No 10), David Peretz (Treasury) and to Richard Hatfield (Cabinet Office).

Yours ever,

Len Appleyard

(L V Appleyard)  
Private Secretary

Hugh Taylor Esq  
HOME OFFICE



LONDON ECONOMIC SUMMIT: DRAFT DECLARATION ON INTERNATIONAL TERRORISM

1. The Heads of State and Governments recall that terrorism is a scourge which previous Economic Summits have condemned. Their predecessors adopted declarations on hijacking at Bonn in 1978, and on diplomatic security at Venice in 1980. In the Statement on Terrorism issued at Ottawa in 1981, Heads of State and Government re-emphasised the threat to aviation and to diplomats, expressed serious concern about the active support given to international terrorism by various means and resolved to strengthen and broaden action within the international community to prevent and punish terrorist acts.

2. The Heads of State and Government meeting in London note that the involvement of states and governments in terrorist acts, notably through abuse of diplomatic privilege, is a growing menace of which several of their countries have been ~~among the~~ victims. They intend to use their best endeavours, on a national basis and in conjunction with others, to combat this threat. In particular they are resolved to develop, within the scope of international law, common attitudes in the following area towards states <sup>which</sup> sponsoring terrorist acts: - *and moreover*

- the level and scale of diplomatic and political contacts with such states;
- the implementation of the Vienna Convention as it affects the status of diplomats, the size of diplomatic missions and the number of buildings enjoying diplomatic immunity;
- support to governments in time of need;
- the entry of terrorists, including persons of diplomatic status suspected of involvement in terrorism, into their countries;
- the sale of weapons to states supporting terrorism;
- in the longer term, the implications of state-supported terrorism for the future of the Vienna Convention.

3

LONDON SUMMIT: DRAFT STATEMENT ON 'DEMOCRATIC VALUES'

1. As leaders of the seven major industrialised nations, we commit ourselves to the fundamental values of plural democracy and personal liberty under the rule of law. These values constitute the basis of each of our societies and a link which transcends our individual national interests. As the champions of free peoples across the world, and of those who would be free, we welcome the responsibility that we bear for fostering the dignity of man and the power of the human spirit.
2. Together, we face with confidence the challenges which the future holds for mankind. We have faith in the vitality and creativity of our peoples for transforming the opportunities of the third industrial revolution into tangible benefits for all men.
3. We reaffirm the statement made at Williamsburg in May 1983. We will maintain the military strength necessary to deter any attack; but we reiterate too our yearning for peace and for meaningful and effective arms control agreements. We regard the security of the democratic world as indivisible and will resist any attempt to split us. We are ready to build a lasting relationship with the Soviet Union, as with all nations, on the basis of the principles of equality, moderation and mutual respect.
4. Our seven nations can and should serve as a beacon of hope and inspiration for people everywhere. We pledge ourselves to work with the poor of the world to help alleviate hunger, disease and despair. We declare our support for the universal right of self-determination, and for the right of each sovereign state to conduct its affairs free from external interference.
5. In our discussions in London, we have dedicated ourselves anew to defending the values we hold dear, to maintaining freedom through unity and to honouring our responsibilities to the generations to come.

LONDON ECONOMIC SUMMIT: DRAFT DECLARATION ON  
INTERNATIONAL TERRORISM

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

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

- to promote the strict application of the Vienna Convention as it affects the status of diplomats, the size of diplomatic missions and the number of buildings enjoying diplomatic immunity;
- to review the level of diplomatic relations and the scale of political contacts with states which sponsor terrorist acts;
- to support governments faced with threats or acts of terrorism
- to prevent the entry of terrorists, including persons of diplomatic status suspected of involvement in terrorism, into their countries;
- to review the sale of weapons to states supporting terrorism;
- to examine, in the longer term, the implications of international terrorism for the future of the Vienna Convention.

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

DRAFT

## TERRORISM : DISCUSSION PAPER

Introduction

1. This paper deals with the particular form of International terrorism sometimes described as 'state terrorism'. The latter is a convenient name for terrorism organised and directed by governments using governmental machinery on a substantial scale and over a long period.
2. State terrorism is not new, nor is the use of diplomatic premises in support of terrorism. Although the incident in London involving the Libyan People's Bureau was uniquely outrageous (use of the premises to fire on the public), there have been comparable incidents (eg. the Iraqi Embassy in Paris) in recent years affecting other states among the Ten.
3. The Ten are particularly well placed to act in this matter, since the governments which actively support terrorism, in general value their political, economic, cultural and personal access to countries of the Ten.
4. Co-operation between the Ten in this field already takes place through TREVI. This covers exchange of information on terrorist incidents and terrorist plans and activities. There are also direct contacts between police forces of the Ten to deal with terrorist incidents. This TREVI system supplements the normal invaluable contacts through our Security Services and Interpol. Such cooperation is absolutely vital and must be maintained and developed to the maximum.
5. This paper suggests certain areas for study and possible action in the field of Political Cooperation. It deals first with opportunities for action by individual partners (the more, the better); secondly with areas appropriate for collective action by the Ten as a whole; and thirdly with modalities for future consideration of the subject.

/I.

I. Action by Individual States within the Ten

(a) Diplomatic Action

i) Status of diplomats

The notification of any person as a member of a diplomatic mission should be rigorously examined in the case of states knowing to be promoting or encouraging terrorism. If the individual's employment does not justify diplomatic status, or only a reduced status, then withdrawal of the notification could be requested, or the individual declared Persona Non Grata (PNG), or not acceptable if the notification is not withdrawn. When an individual is known or suspected of involvement in the commission or preparation of terrorist acts, he can automatically be refused a visa or declared PNG. Where misconduct cannot be attributed with certainty to an individual diplomat, the use of the PNG procedures as an exemplary measure against a mission should be carefully considered;

ii) Size of Mission

Similarly, the size of diplomatic missions from suspect countries can be rigorously examined with regard to what the receiving state considers reasonable and normal. If necessary, ceilings can be set; and a replacement should not automatically be allowed for anyone expelled for abuse of immunity;

iii) Break in Diplomatic Relations

In certain grave cases this may have to be applied as a last resort.

iv) Diplomatic Bags

Action under this heading clearly needs careful thought. But the Vienna Convention is ambiguous on the question of 'screening' and could be interpreted so as to permit tougher measures where abuse is suspected. Partners need to safeguard their own proper use of the bag. But there may be a case for a more flexible interpretation of Article 27 of the Vienna Convention.

/v)

v) Buildings

This also needs careful study. There may be a case for challenging more closely the activities carried on in buildings for which diplomatic immunity is claimed where we suspect these are not legitimate diplomatic activities, and for limiting the number of buildings enjoying immunity;

(b) General Attitude to TerrorismRefusal to act under duress

Some states have used the threat of reprisals against foreign nationals to seek concessions from members of the Ten who hold terrorists. Whilst it is regrettable that innocent citizens should become involved, the best defence against terrorism is to ensure that the terrorist does not achieve his aims. We believe that in general no concessions should be made to those who practice terrorism.

II. Common Approach and Actions amongst the Ten

Measures by individual states will not effectively deter: they may be expensive for those imposing them, and the guilty party will still have access to the economic and social facilities of other members of the Ten. Completely uniform action may not always be either possible or advisable though the more countries which take action as appropriate on the lines already indicated, the better. Any of the Ten in conflict with a third party over state terrorism should receive maximum moral support from its partners and, as far as possible, full collective support.

The following are examples of action in the fields already mentioned which may be suitable for implementation by the Ten as a whole.

- (a) Diplomatic pressures : This might cover a wide range of actions from a collective break in diplomatic

/relations

relations to collective demarches. Much will depend on circumstances, but as a general rule it should be possible to envisage such collective action as

i) refusal to allow entry to diplomats of an offending state expelled from another member of the Ten.

ii) downgrading of political and state contacts with the offending state. This covers limiting of size of embassies of offending states and restricting high level political visits.

- (b) Economic Pressures : The problems relating to sanctions are well known. But, for example, defence sales contracts for arms widely used by terrorists should be rigorously examined by the Ten as a whole.
- (c) Protective Security : Collective measures by the Ten would include exchange of information on threats to missions of the Ten in each others', or in third countries, and the exchange of experience and research on physical protection of embassies abroad, including improvements in inter-embassy communications, and coordination of contingency planning arrangements in third countries.
- (d) Police and intelligence : These continuing links are invaluable, but in the current circumstances we must make sure that information about known agitators and all those (not only diplomats) expelled is exchanged between our authorities and offenders denied entry to all of the countries of the Ten.

### III. Modalities for future consideration of the subject

Machinery for developing a common approach and techniques already exists through Political Cooperation (Working Groups including Chefs de Protocol, Political Committee and Foreign Ministers), and TREVI.

The UK suggests that the Political Committee should :

- hold a preliminary general discussion of the subject at its meeting on 17/18 May.

/- seek



- seek the comments of TREVI, through presidency channels.
- request an early report and recommendations from the Working Group of Chefs de Protocol concerning the aspects lying within their competence.
- hold a second general discussion not later than at the July meeting in Dublin, with a view to submitting a report to Foreign Ministers before the "summer" break.



*Lee*

10 DOWNING STREET

*From the Private Secretary*

11 May 1984

LONDON ECONOMIC SUMMIT: BILATERAL WITH  
THE CANADIAN PRIME MINISTER

---

Thank you for your letter of 10 May.

The Prime Minister could see Mr. Trudeau at  
0830 on Friday, 8 June for three quarters of an hour.

I am copying this letter to Richard Hatfield  
(Cabinet Office).

A. J. COLES

Roger Bone Esq  
Foreign and Commonwealth Office.

*CST*

CONFIDENTIAL



FILE

hw

cc PC  
J.P.

10 DOWNING STREET

10 May, 1984

From the Private Secretary

Dear Peter,

LONDON SUMMIT: POSSIBLE BRITISH INITIATIVE ON THE ENVIRONMENT

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 8 May.

Mrs. Thatcher's preliminary reaction is that, while she would not wish the Summit to establish a new group, there might be merit in consigning to the existing Versailles Group the functions listed in paragraph 6 of Sir Geoffrey Howe's minute. The Prime Minister is further inclined to think that the arguments in paragraph 8 of that minute constitute a good case for such an initiative.

The Prime Minister would however welcome advice from the other recipients of the minute. There is a problem of timing. The Summit opens on 8 June. If we are to take an initiative on the lines proposed it will be necessary to discuss it well in advance with the other Governments concerned. The Prime Minister is holding a meeting on 16 May to take decisions on various British initiatives for the Summit and would hope to consider this matter then. Should any of her colleagues see difficulty in the proposed initiative the Prime Minister would therefore be grateful for their views by mid-day on 15 May.

I am copying this letter to John Ballard (Department of the Environment), David Peretz (HM Treasury), Michael Reidy (Department of Energy), Callum McCarthy (Department of Trade and Industry), David Normington (Department of Employment), John Graham (Scottish Office), Dinah Nichols (Department of Transport), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food), Joan Dunn (Mr. Waldegrave's Office, Department of the Environment) and to Richard Hatfield (Cabinet Office).

Yours ever  
J.P.

P. Ricketts, Esq.,  
Foreign and Commonwealth Office

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BF/

Journal

BF  
SUBJECT



FILE

67  
cc P. Q. R.

10 DOWNING STREET

cc: PC  
BI

*From the Private Secretary*

SIR ROBERT ARMSTRONG

MEETINGS  
RECORD

LONDON ECONOMIC SUMMIT

The Prime Minister held a meeting this afternoon to consider preparations for the Summit. The Chancellor of the Exchequer, yourself, Sir Julian Bullard, Sir Crispin Tickell and Mr. Littler were present (the Foreign and Commonwealth Secretary was unable to attend).

The Prime Minister said that given the shortage of time before the Summit opened she was anxious that all necessary decisions should be taken as soon as possible and preparations advanced quickly.

Thematic Paper

It was agreed that the draft of the Thematic Paper annexed to your minute of 8 May, amended in the ways suggested in your minute of 9 May, could now be circulated to other Personal Representatives.

International Terrorism

The draft statement on international terrorism enclosed with Mr. Rickett's letter of 10 May was discussed. The Foreign and Commonwealth Office was requested to redraft the statement in the light of the discussion, to ensure that it was acceptable to the Home Office and other interested Whitehall departments and to submit the new text at latest in time for consideration at a further meeting which the Prime Minister will chair on Wednesday, 16 May.

BF

67

It was pointed out that the public statement made by the Government following the recent Libyan Bureau incident had aroused considerable expectations of the action which the Summit would take with regard to international terrorism. It was important that the statement should contain sufficient substance not to disappoint those expectations.

In addition to the detailed drafting points made at the meeting, the statement should include a final paragraph to the effect that the Seven would take the lead in seeking support for the content of the statement from as many other countries as possible.

Democratic Values

*BF*  
The meeting considered the draft statement on democratic values enclosed with Mr. Rickett's letter of 10 May. It was agreed that the Foreign and Commonwealth Office should redraft the text in the light of the discussion, clear it as necessary with interested departments and submit it at latest in time for consideration at the Prime Minister's meeting on 16 May.

No.10 would also take advice from academic circles on the possible content of the statement.

Thought should be given to the title of the statement. One possibility was "The London Charter".

Initiatives in the Economic Field

Reference was made to a number of economic issues which, it had been agreed at an earlier meeting, we should seek to have tackled at the Summit. It was agreed that we should seek to cover these in the draft Economic Declaration which would be submitted to the Summit. You agreed to make this draft available for consideration at the meeting on 16 May, following which it would be considered at the final meeting of Personal Representatives.

The Prime Minister and the Chancellor of the Exchequer would then advocate our view of these issues at the Summit on the basis of speaking notes which would be prepared in due course.

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- 3 -

Possible British Initiative on the Environment

There was a brief preliminary discussion of the minute of 8 May by the Foreign and Commonwealth Secretary on this subject. I am minuting separately about this.

Meeting on 16 May

It would be most helpful if, in order to take maximum advantage of the meeting on 16 May, the Cabinet Office could make early (this week if possible) recommendations as to an agenda and the Ministers and officials who should be invited. It would then be helpful if you could arrange for the circulation of the necessary papers to those invited to attend.

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

AJC

10 May, 1984

CONFIDENTIAL

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

10 May 1984

*WR*  $\frac{10}{5}$

*Dear John,*

London Economic Summit: Political Aspects

We spoke yesterday about Sir Robert Armstrong's minute of 9 May to you on arrangements for the Prime Minister's pre-summit meeting to be held at 1600 hours today. We agreed that I would circulate before that meeting first drafts of the proposed statements on Democratic Values and International Terrorism.

I enclose drafts accordingly. Sir Geoffrey Howe has seen these and is content with their general lines.

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

*Yours ever,  
P F Ricketts*

(P F Ricketts)  
Private Secretary

A J Coles Esq  
10 Downing Street

CONFIDENTIAL





*file*

10 DOWNING STREET

*From the Principal Private Secretary*

10 May 1984

The Prime Minister has asked me to find out whether you would be willing to provide her with some assistance in preparation for the Economic Summit which will be held in London on 7 to 9 June.

As I expect you know, the Summit, which will be held under the Prime Minister's Chairmanship, will be attended by the President of the United States, the President of France, the Chancellor of the Federal Republic of Germany, the Prime Minister of Italy, the Prime Minister of Canada, the Prime Minister of Japan and the President of the European Commission. Most of its work will be concerned with economic issues. But the Prime Minister is tentatively thinking of proposing to the participants that they should jointly issue a statement on democratic values. The purpose would be to re-affirm the fundamental principles which bind the leading democratic nations of the world and provide some answers to the constant propaganda assaults of Communist countries against these principles.

Mrs. Thatcher would only wish to embark on this enterprise if she were furnished with a convincing and finely written document. And it is particularly in connection with those requirements that she has asked me to write to you.

/Would you be

*NR*

Would you be willing to try your hand at a draft? We envisage the statement being as short as possible. To give you some guidance as to length and tone, I enclose a copy of a draft which has been prepared in Whitehall. But I do not suggest that you should feel yourself bound to follow this in any way. Indeed, a completely fresh text would be very welcome.

There is, as always, a time problem. We are very much hoping to be able to look at a new draft on Wednesday, 16 May. If you are in a position to help the Prime Minister it would, therefore, be most convenient if we could receive your contribution before then.

ROBIN BUTLER

Lord Quinton.



Free

cc PC

leg

Policy

10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG

LONDON ECONOMIC SUMMIT: GERMAN THIRD MINISTER

At the Prime Minister's meeting today on the London Economic Summit, there was some discussion of your minute of 9 May and the proposed message from the Prime Minister to the Federal German Chancellor which you annexed.

The Prime Minister has now approved the attached revised version of this message. I should be grateful if you could arrange for its despatch.

I am copying this letter and enclosure to Mr. Bone (FCO) and Mr. Peretz (HM Treasury).

A. J. COLES

10 May, 1984

NR

CONFIDENTIAL

*File p.*



Foreign and Commonwealth Office

London SW1A 2AH

10 May 1984

*8.30-9.15*

*Fr. 8 June.*

*you John,*

London Economic Summit: Bilateral with the Canadian Prime Minister

/ You may have seen from Ottawa telegram no 243 (copy enclosed) that Mr Trudeau has, in the event, been unable to accept the Prime Minister's offer of a bilateral meeting at 3 p.m. on 4 June. We understand that he does not now plan to visit London before his arrival for the Summit itself on the morning of 7 June.

/ Ottawa have recommended in their telegram no 271 (copy enclosed) that we should make an effort to find an alternative time for a bilateral meeting, either in the margins of the Summit itself, or possibly, immediately prior to Mr Trudeau's departure at midday on Sunday 10 June.

We should obviously prefer to avoid a situation where Mr Trudeau was the only Summit leader not to hold a bilateral meeting with the Prime Minister. Although there is now virtually no slack in the programme, I wonder whether you are in a position to suggest any alternative time which might be put to the Canadians?

I am copying this letter to Richard Hatfield (Cabinet Office).

*you*  
*John Bone*

(R B Bone)  
Private Secretary

A J Coles Esq  
10 Downing Street

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*Enter*

GRS 70

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*New see (P)*

CONFIDENTIAL  
FM OTTAWA 192333Z APR 84  
TO PRIORITY FCO  
TELEGRAM NUMBER 243 OF 19 APRIL

REC'D  
*Amc 09/11*  
24 APR 1984

**B** YOUR TELNO 99: LONDON ECONOMIC SUMMIT

1. MR TRUDEAU IS VERY GRATEFUL FOR THE OFFER OF A MEETING WITH THE PRIME MINISTER AT 1500 HOURS ON 4 JUNE, BUT UNFORTUNATELY CANNOT MANAGE THAT DAY. CANADIAN OFFICIALS ARE NOT REPEAT NOT PRESSING FOR AN ALTERNATIVE SLOT, ON THE ASSUMPTION THAT MRS THATCHER IS NOT SCHEDULING SEPARATE BILATERALS FOR ALL PARTICIPANTS.

*✓*  
**C24/4**

MORAN

ECONOMIC SUMMIT

LIMITED

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PLANNING STAFF  
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ES & SD  
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PROTOCOL D

PS  
PS/LADY YOUNG  
PS/MR RIFKIND  
PS/MR WHITNEY  
PS/MR RAISON  
PS/PUS  
SIR J BULLARD  
SIR C TICKELL  
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TELEGRAM NUMBER 271 OF 04 MAY

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YOUR TELNO 104: <sup>(17)</sup> LONDON ECONOMIC SUMMIT

SUMMARY

1. SINCE ALL OTHER SUMMIT PARTICIPANTS WILL BE HAVING A BILATERAL WITH THE PRIME MINISTER I RECOMMEND THAT WE SHOULD MAKE A DETERMINED EFFORT TO ARRANGE ONE WITH MR TRUDEAU.

DETAIL

2. GIVEN THAT THIS WILL BE HIS LAST SUMMIT, AND IN THE LIGHT OF THE PRIME MINISTER'S VISIT TO CANADA LAST AUTUMN AS MR TRUDEAU'S GUEST, I BELIEVE WE SHOULD DEMONSTRATE TO THE CANADIANS KEENNESS TO ARRANGE A BILATERAL - BOTH AS A COURTESY AND FOR THE BENEFIT OF OUR RELATIONS.

3. PUBLIC PERCEPTION. IF WE DO NOT ARRANGE A BILATERAL THE PRESS ARE LIABLE TO GET HOLD OF THE FACT THAT TRUDEAU ALONE IS NOT HAVING ONE, AND MAKE USE OF IT.

4. TRUDEAU'S PRE-SUMMIT TIMETABLE HAS BEEN IN DISARRAY FOR THE LAST FEW DAYS AS A RESULT OF PRESIDENT MITTERRAND'S INTERFERENCE WITH THE CANADIANS PLANS TO HOLD THEIR OWN D-DAY CELEBRATIONS EARLY ON 6 JUNE, AND AN INVITATION TO LUNCH WITH THE QUEEN ON 7 JUNE. PLEASE SEE MY TELNO 270, EXPLAINING HIS CURRENT PLAN TO ARRIVE AT (HEATHROW) AT 11.00 AM ON 7 JUNE. HE IS EXPECTED TO LEAVE LONDON AT MIDDAY ON SUNDAY 10 JUNE, BUT THERE MAY BE SOME FLEXIBILITY.

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/S. 14

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5. IN THESE CIRCUMSTANCES I HOPE IT MAY BE POSSIBLE FOR YOU TO INSTRUCT ME TO TELL THE DEA THAT WE ENTIRELY UNDERSTAND MR TRUDEAU'S INABILITY TO ACCEPT THE OFFER OF A BILATERAL AT 3 PM ON 4 JUNE (YOUR TELNO 99): BUT THAT MRS THATCHER WOULD NEVERTHELESS WELCOME A BILATERAL AND VERY MUCH HOPES THAT IT WILL STILL BE POSSIBLE TO ARRANGE ONE AT A MUTUALLY CONVENIENT TIME, ALTHOUGH THIS MAY PROVE DIFFICULT GIVEN THE TIGHT TIMETABLES ON BOTH SIDES. IT WOULD BE AN ADVANTAGE IF WE COULD OFFER THE CANADIANS SOME ALTERNATIVES, EG IN THE MARGINS OF THE CONFERENCE, EVEN IF BRIEFLY: OR ON SUNDAY MORNING JUNE 10TH. (THERE IS PERHAPS A CHANCE THAT TRUDEAU MIGHT BE ABLE TO ARRIVE EARLIER THAN 11.00 AM ON 7 JUNE, BUT WE SHOULD NOT RELY ON THIS).

MORAN

LIMITED  
NAD  
ERD  
ESAU  
PROTOCOL. D.  
MR. D. THOMAS  
MR. BARRINGTON

COPIES TO:  
PS/SIR. R. ARMSTRONG.

7 N. 10

<sup>2</sup>  
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Ref. A084/1383

MR COLES

Prime MinisterContent will arrangements

in Annex A

A.S.C. 15/5

Yes not

London Economic Summit: Post-Summit Briefing

I attach at Annex A proposals for the post-Summit briefing of non-participants for discussion at tomorrow's meeting with the Prime Minister.

2. The proposals are modelled on the briefing given of the United States after Williamsburg (described at Annex B) but with more emphasis on the Commonwealth. Although this produces a fairly long list, I believe that it is important that we should not be seen to be doing less than the Americans and the exercise will, of course, need to take into account our own interests. In addition, we will need to brief our missions overseas fairly fully, particularly in countries for which we are not making individual briefing arrangements.

3. I am sending copies of this minute and attachments to Mr Appleyard and Mr Peretz.

R

Approved by  
ROBERT ARMSTRONG

and signed in his absence

9 May 1984



Post-Summit Briefing1. OECD

Sir Robert Armstrong to brief OECD Council in Paris (13 June?). Although Mr Wallis also briefed OECD Heads of Mission in Washington, this seems unnecessary duplication but if there is pressure for such a briefing, it could be carried out by Sir Crispin Tickell.

2. Non-Summit NATO Countries

If there is a political declaration, it would be appropriate to follow the Williamsburg precedent and arrange briefing for Ambassadors of non-Summit NATO countries in London. This might be done by Sir Julian Bullard and/or Sir Crispin Tickell.

3. ASEAN

Sir Crispin Tickell might brief ASEAN Ambassadors in London.

4. United Nations

Following United States precedent we should write to the Secretary General with the Summit texts and ask him to make them available at the United Nations.

5. Commonwealth

We should write a similar letter to Sir Shridath Ramphal for the Commonwealth and brief Commonwealth High Commissioners in London. Formal briefing at Ministerial level could be given at the Commonwealth Finance Ministers' Meeting in Toronto on 19-20 September.

6. Australia and India

Last year the United States sent a special emissary to Australia after the Summit. It is particularly important that we should repeat this after the London Summit in view of the sensitivity of Australian feelings following their unsuccessful efforts for inclusion in the Summit. The Indians may also feel that they deserve some special consideration as chairmen of the

Non-Aligned Movement and they were also hosts for the last Commonwealth Heads of Government Meeting which established the Commonwealth Consultative Group whose work overlaps in some respects with that of the Summit. Mrs Gandhi is said to be preparing a pre-Summit message to Western leaders. Delhi and Canberra could be combined in the same visit and Sir Crispin Tickell would be able to do this after the European Council on 25/26 June.

7. British Missions

For some countries, which have shown a particular interest in the Summit (for example Mexico and New Zealand), it might be appropriate for the Prime Minister to send a personal message to the Head of State or Government for our Head of Mission to deliver. In addition a full report should be circulated to British Missions to allow them to respond to requests for briefing from host Governments, particularly in Latin America.



US BRIEFING ACTIVITIES AFTER WILLIAMSBURG

1. Mr Allen Wallis (President Reagan's Personal Representative) briefed:
  - (a) The OECD Council in Paris
  - (b) The Australian Government in Canberra
  - (c) The New Zealand Government in Washington
  - (d) ASEAN Ambassadors in Washington.
2. Mr Richard Burt briefed Non-Summit NATO Ambassadors in Washington.
3. Mrs Kirkpatrick passed a copy of the Williamsburg Declaration to the UN Secretary-General for circulation to members.
4. US missions were given full guidance to enable them to brief or respond to requests for briefing.

010

Prime Minister.

①

We must try to settle this matter now.

2. Agree message to Chancellor Kohl?

A.J.C.  $\frac{9}{5}$ .

Ref. A084/1377

MR COLES

London Economic Summit: German Third Minister

--- As we agreed, I enclose a draft message for the Prime Minister to send to Chancellor Kohl to follow up their discussion at Chequers.

2. The draft, as you will see, spells out the arguments, suggests some ways as a compromise in which Lambsdorff could have some role at the Summit and even hints at the possibility that he could sit in the German official's chair at the Finance Ministers' meeting at Lancaster House, though I do not think we should suggest this ourselves.

3. The Chancellor of the Exchequer agrees with the proposals in the draft message. I hope the message can go fairly soon. I have recently had another message from my German opposite number and it is clear that the Germans, like us, want decisions to be made as soon as possible.

REA

ROBERT ARMSTRONG

9 May 1984

If it is only Germany to open who have the pattern of Finance Ministers -

Surely we can lay two under pattern. Who objects to that? no

DRAFT MESSAGE FROM THE PRIME MINISTER TO  
THE FEDERAL GERMAN CHANCELLOR

We discussed briefly at Chequers the question of the number of Ministers who will accompany Heads of Delegation to the London Summit in June. ~~You said that~~ <sup>We agreed</sup> ~~you understood~~ that there would be only Heads of State or Government plus two Ministers at plenary meetings and meals. <sup>you suggested</sup> ~~but~~ that for the separate meals and meetings of Finance Ministers it should be possible to add another chair to the table <sup>to provide for another</sup> ~~German Minister.~~

~~Only you can decide the composition of the German team.~~ The trouble is, I am afraid, that a number of our colleagues are <sup>concerned</sup> ~~very sensitive on the point~~ that everything done at Summits should be on a basis of parity between national delegations, ~~so that if you were to insist on having two Ministers instead of one at any event, others would follow.~~ The Japanese have made it quite clear to us that if you decide to bring more than two Ministers with you to London their MITI Minister will also come. We would be on weak ground in limiting any additions to you and the Japanese, because other countries have divided economic responsibilities and there are many Ministers, Ministers of State and senior officials (the dividing line is sometimes thin) who would like to be included in Summit functions.

(and we should of course be delighted to see him)

If you feel that Count Lambsdorff should come to London in June, ~~therefore~~, as well as Dr Stoltenberg, I hope you will agree that they should alternate at Nigel Lawson's first two working meals (dinner on Thursday 7 June and lunch on Friday 8 June). Nigel will try to tailor the topics for discussion accordingly. The Japanese, at least, would then follow the same pattern. The third meal, Nigel's dinner on the second night, 8 June, will be at the Bank of England. He and the Governor intend to invite two representatives per delegation on this occasion - normally the Finance Minister accompanied by a senior official dealing with financial matters. If you wished both German Ministers to attend, instead of one Minister and one senior official, this would of course be perfectly acceptable.

As far as the Finance Ministers' meeting planned for the morning of 8 June is concerned at Lancaster House, I am afraid that we have been able to make provision (seats, headphones etc) for only one place per delegation at the table, and one seat for a senior adviser/notetaker at the side of the room. It is clearly for you to decide by whom the Federal Republic of Germany is to be represented at the meeting.

I hope that what I am proposing will commend itself to you as a reasonable solution to the problem. If so, I should be very grateful if you could let me know as soon as possible, since the Japanese and others will need to be told.



July 1984. So done. <sup>11/15</sup> ~~11/15~~  
Pl. invite Sir Julian Bullard and  
Mr. Little to the meeting at  
1600 hours tomorrow.

Ref. A084/1375  
MR COLLES

AL 10/5.  
p.a. AL 4/5.

Pre-Summit Meeting: 10 May 1984

The first of the Prime Minister's pre-Summit meetings is to be held this Thursday. You have already said that the Prime Minister will wish to discuss our objectives on international terrorism and a first draft on the proposed statement on democratic values. The Foreign and Commonwealth Office have these matters in hand, and will report direct.

2. In addition, this first meeting could usefully:

FLAG A

(a) take note of the revised Thematic Paper;

FLAG B

(b) consider how we wish the Summit to reflect the British initiatives that were agreed at the Prime Minister's meeting on 30 April;

FLAG C

(c) have a preliminary discussion on the Foreign and Commonwealth Secretary's suggestion in his minute of 8 May for an initiative on the environment;

FLAG D

(d) consider what we plan to do in the way of post-Summit briefings for non-participants. I will submit a note on this in advance of the meeting.

3. It would be useful if Sir Julian Bullard, Mr Littler and Sir Crispin Tickell could be invited to the meeting.

4. I am sending copies of this minute to Mr Appleyard and Mr Peretz.

*AL*

Approved by  
ROBERT ARMSTRONG  
and signed in his absence.

9 May 1984



Ref. A084/1384

MR COLES

London Economic Summit: Thematic Paper

Thank you for your minute of 9 May.

2. The references to the United States have already been toned down from earlier versions, and I think that it would be difficult and unrealistic (given the size of the United States economy and its impact on the rest of the world) not to include some references to the levels of the budget deficit and of interest rates in the United States: matters on which the Chancellor of the Exchequer suggested (in his minute of 18 April) we needed to focus from the point of view of British interests.

3. To meet the Prime Minister's point I make the following suggestions:

- (1) in paragraph 4.4, no change (the reference is in any case to "North America");
- (2) in paragraph 4.5, delete "notably the United States";
- (3) in paragraph 4.7, no change (it is a statement of fact);
- (4) in paragraph 9, last sentence to be amended to read: "Recovery combined with present fiscal policies should help to limit budget deficits in most countries; in the United States the Administration is giving priority to curbing public expenditure";
- (5) in paragraph 11, second sentence to read: "The influence on the United States dollar of the level of the current United States balance of payments deficit and fears of rising inflation could be offset by the high rate of return on assets in the United States".





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

RIA

ROBERT ARMSTRONG

9 May 1984

conqueror

PRIME MINISTER

Meeting on Economic Summit

We have arranged weekly meetings between now and the Summit. But my impression is that if we are to have an effective Summit, we have got to make rapid headway on the substance - and you may need to be rather emphatic on this point at tomorrow's meeting. There is less than a month to go.

I suggest you take points in the following order.

a) Thematic Paper (Flag A)

As you asked, I have suggested to Sir Robert Armstrong that the references to America be made less pointed. I attach his minute in response to this suggestion. Are you content that he should now circulate the Thematic Paper? I do not think you should spend long at this meeting on the Paper - this now needs to be circulated rapidly to Summit participants.

b) British Initiatives

You decided at a previous meeting that a number of initiatives should be pursued. But there are two others which need to be considered urgently. Everyone is expecting the Summit to produce something on international terrorism. A FCO draft of a possible statement will be available before your meeting but not, I regret, tonight. You will need to consider whether the draft is sufficiently substantial, given the expectations that have been aroused. If not, perhaps we should begin to dampen down expectations.

The FCO draft statement on democratic values will also

Now attached:  
Flag C.

Flag D.

be available before the meeting (but not tonight). Unless we can produce a really good text - and agree it at the Summit without endless argument - we run the risk of a good deal of sniping criticism from the media. You will therefore wish to satisfy yourself that the draft is worth proceeding with. And we must quickly put it to the other Governments concerned.

c) Initiative on the Environment?

We should discuss the Foreign Secretary's minute of 8 May (Flag B) and decide whether to pursue this initiative.

Sir Robert Armstrong has also suggested that we should consider what to do in the way of post-Summit briefings for non-participants. This seems to me to be a very low priority at the present stage and I do not think you should spend much time on it.

A. J. C.

9 May 1984

Cabinet Office  
70 Whitehall  
London SW1A 2AS

9 May 1984

PS(84) 9

Dear Private Secretary,

London Economic Summit: 7-9 June 1984

This letter sets out the briefing arrangements for the London Economic Summit on 7-9 June 1984.

The list of briefs to be prepared, with an indication of Departmental responsibility, is at Annex A. This list may need to be amended in the light of events nearer to the Summit. Instructions on format are at Annexes B and C. Those preparing briefs should note carefully the details on the format of briefs set out in Annex B. The Steering Brief will need to cover British objectives at the Summit and attitudes and objectives of the other nations involved.

70 copies of each brief should be sent to the Cabinet Office as soon as they are ready. In any event they should reach the Cabinet Office by 12.00 noon on Thursday 24 May and be addressed to Mrs M C Wagner in Committee Section, who should be consulted (tel no 233 7343) about any technical points arising.

I am sending copies of this letter to the Private Secretaries to Sir Antony Acland, Sir Peter Middleton, Sir Anthony Rawlinson, Sir Kenneth Stowe, Sir George Moseley, Sir Brian Hayes, Sir Clive Whitmore, Sir Brian Cubbon, Sir Kenneth Couzens, Sir Michael Franklin, Mr M E Quinlan, Mr R J Andrew and Dr Robin Nicholson, and to John Coles at No 10.

Yours sincerely

(Signed) LINDSAY WILKINSON (Miss)

LIST OF BRIEFS FOR LONDON ECONOMIC SUMMIT  
7-9 JUNE 1984

<u>FMV(84)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
1.	Steering Brief	Cabinet Office	FCO
<u>Economic Subjects</u>			
2.	Thematic Paper	Cabinet Office	FCO
3.	British Initiatives	Cabinet Office	FCO
4.	World Economy: Economic and Monetary Policies	Treasury	FCO DTI
5.	International Monetary Matters	Treasury	FCO DTI
6.	Trade	DTI	FCO Transport Treasury
7.	Developing Country Issues	FCO	Treasury DTI ODA
8.	Energy	Energy	FCO
9.	East/West Economic Relations	FCO	as appropriate
10.	Impact of Technology	Cabinet Office	DTI Treasury
<u>Political Subjects</u>			
11.	East/West (including Afghanistan)	FCO	as appropriate
12.	Arms Control (including non-proliferation)	FCO	as appropriate
13.	Regional Crises:		
	(a) Central America	FCO	as appropriate
	(b) Iran/Iraq	FCO	as appropriate
	(c) Southern Africa	FCO	as appropriate
	(d) Lebanon	FCO	as appropriate
	(e) Arab/Israel	FCO	as appropriate
	(f) South East Asia	FCO	as appropriate

<u>FMV(84)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
14.	Terrorism	FCO	as appropriate
15.	Other Issues:		
	(a) Acid Rain	DOE	-
	(b) Life Sciences	Cabinet Office	-
	(c) United States Manned Space Station	FCO	as appropriate
	(d) Hong Kong	FCO	as appropriate
	(e) Falklands/ Argentina	FCO	as appropriate
	(f) Gibraltar	FCO	as appropriate
<u>Others</u>			
16.	1985 Summit (including participation)	FCO	as appropriate
17.	Bilaterals (excluding United States/Japan)	FCO	as appropriate
18.	Statistics	Treasury	-
19.	Personality Notes	FCO	-

THE FOLLOWING INSTRUCTIONS ABOUT FORMAT SHOULD BE FOLLOWED CAREFULLY

All briefs should be laid out in the same way with a top page in accordance with the specimen layout at Annex C. Those preparing briefs should pay particular attention to ensuring that the following instructions are fully observed:

Content

- (a) Briefs should be concise. Each brief should whenever possible be no more than two sides long.
- (b) The main body of each brief should comprise three sections: a very brief statement of the United Kingdom Objective (normally no more than a couple of lines); a concise list of Points to Make; and a factual Background section which distinguishes clearly between information which can be freely used and information which should not be disclosed.
- (c) Briefs should be complete and self-contained with all the information required on that particular subject.

Lavout

- (d) Briefs should be typed in double spacing, using both sides of the paper. Pages should be numbered at the foot of each page.
- (e) As shown in the specimen at Annex C, the top page only of each brief should contain the following details: the symbol and number of the brief in the top left-hand corner (eg FMV(84) 10) with the date of circulation below: a copy number in red at the top right-hand corner; the visit heading; the title of the brief (in capitals) and the name of the Department responsible.
- (f) At the foot of the last page and on the left-hand side, briefs should bear the name of the originating Government Department and the date of origin.

Reproduction

- (g) Briefs should be reproduced throughout on plain white paper, with each page bearing a security classification at top and bottom (as in Annex C). Care should be taken that the reproduction method employed results in clear readable copies.
- (h) It is important that, on arrival at the Cabinet Office, briefs should be complete in all detail - collated, stapled and copy numbered and ready for immediate circulation.

Updating

- (i) If late developments require a brief to be amended or updated, a revise should be prepared. It should be set out in the form described at (e) above, with the brief number amended to show that it is a revise (eg FMV(84) 10 (Revise)). Subsequent revises should be numbered (eg FMV(84) 10 (Revise 2); etc). If it is a question of adding material to the brief rather than revising its existing contents, an addendum may be prepared, in the form described at (e) above with the brief number (eg FMV(84) 10 Addendum) and title to which it relates at the top of the front page. The Private Secretary to the Secretary of the Cabinet should be informed when a revise or an addendum is in preparation and also about corrigenda to briefs.
- (j) Additions to the list of briefs in Annex A require the authorisation of the Private Secretary to the Secretary of the Cabinet.



[CLASSIFICATION]

ANNEX C

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

leave  
" [Serial No as specified in Annex A] COPY NO [in red]  
origin] [Date]

LONDON ECONOMIC SUMMIT  
7-9 JUNE 1984

[SUBJECT] [Insert subject in capitals]

Brief by [name of originating Department, eg Foreign and  
Commonwealth Office]

[At foot of last page on left-hand side:-]

[Originating Government Department, eg Foreign and Commonwealth  
Office or Department of Energy, not a subordinate section or  
division]

[Date of origin]

[CLASSIFICATION]

CONFIDENTIAL



10 DOWNING STREET

*From the Private Secretary*

Sir Robert Armstrong

London Economic Summit: Thematic Paper

Thank you for your minute of 8 May. The Prime Minister has considered the slightly amended version of the Thematic Paper which you enclosed. Her only comment is to ask whether it is really necessary to hit the United States so hard. She has in mind paragraphs 4.4, 4.5, 4.7, 9 (last sentence), and 11 (second sentence). Mrs. Thatcher believes that we could be less specific in our references to the United States.

I should be grateful for your comments.

I am sending copies of this minute to Roger Bone (Foreign and Commonwealth Office), David Peretz (HM Treasury), Callum McCarthy (Department of Trade and Industry), and Dinah Nichols (Department of Transport).

A. J. COLES

9 May, 1984.

CONFIDENTIAL

CONFIDENTIAL

*ce. P.C.*



Foreign and Commonwealth Office

London SW1A 2AH

8 May, 1984

*Dear John,*

*A.J.C. <sup>10</sup>/<sub>5</sub>*

*f.a.*

London Summit: Possible British Initiative on the  
Environment

The Foreign Secretary has minuted this evening to the Prime Minister on the above subject. This is just to confirm that the minute takes account of the discussion between the Prime Minister and the Foreign Secretary on the flight back from Paris on 4 May.

*Yr ever,*

*Peter Ricketts*

(P F Ricketts)  
Private Secretary

A J Coles Esq  
10 Downing Street

CONFIDENTIAL

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file  
cc PC

B.M.

10 DOWNING STREET

*From the Private Secretary*

8 May 1984

✓ cc AUSTRALIA: Visit of Mr Hawke  
Jan 84

AUSTRALIA

Thank you for your letter of 1 May.

The Prime Minister has considered whether to extend now an invitation to the Prime Minister of Australia to visit the United Kingdom but has decided, on reflection, to consider this again later in the year.

Peter Ricketts, Esq.,  
Foreign and Commonwealth Office

CONFIDENTIAL

FILE

REV

1. MR. FLESHER
2. MR. COLES

ECONOMIC SUMMIT STATEMENT

I have blocked out Tuesday, 12 June.

The guests from the Summit leave on 10 June and I suppose really that the Prime Minister should make a statement on 11 June. But this is out of the question. She is entertaining the Prime Minister of Japan to talks and lunch and then we must keep free the afternoon for a major speech she is making that evening. I hope therefore from a Parliamentary point of view it will not matter if she makes it the following day?

CR

8 May, 1984

CONFIDENTIAL



*like* *Bot*

10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG

LONDON ECONOMIC SUMMIT:  
THEMATIC PAPER

The Prime Minister has seen the redrafted paper enclosed with Mr. Peretz's letter of 4 May to Mr. Hatfield,

Mrs. Thatcher thought that the redraft (the longer version) was excellent and you are free to proceed with this unless you wish to make further comments.

I am copying this minute to Mr. Peretz (HM Treasury) and Mr. Bone (Foreign and Commonwealth Office).

8 May 1984

CONFIDENTIAL

*e*

Do we really wish to  
hit the U.S. so hard?

I have highlighted the amendments,  
which Sir Robert has suggested, the  
first three paragraphs apart. They do not  
amount to much.

Ref. A084/1358

MR COLES

I should have  
thought we could be  
less specific.

Agree that the paper may now be  
sent to Personal Representatives?

London Economic Summit: Thematic Paper

A.J.C. 8/5

---

The Chancellor of the Exchequer's Private Secretary sent  
Mr Turnbull with his letter of 4 May two alternative further  
versions of the draft Thematic Paper, prepared for the Prime  
Minister's meeting on 30 April.

2. In dealing with this I hope that the Prime Minister will  
bear with us on the fact that the other countries concerned have  
already seen and commented on a first draft of the Thematic  
Paper, which was approved by the Prime Minister and discussed  
at the meeting of Personal Representatives early in April.  
For this reason I hope that we can concentrate at this stage on  
the longer of the two versions attached to the Chancellor of  
the Exchequer's Private Secretary's letter, which broadly follows  
the form and structure of the Paper as earlier circulated. The  
shorter version will be very useful for the purposes of preparing  
the draft Declaration.

3. In the revised version attached to this minute I have  
broadly followed the Chancellor of the Exchequer's longer version.  
I have, however, restored a shortened version of the three  
introductory paragraphs from the earlier draft: if we curtail  
the introductory material which the other countries have seen as  
drastically as the Chancellor of the Exchequer's first paragraph  
implies, I am afraid that we shall have a very tedious discussion  
at the next meeting of Personal Representatives, in which other  
countries will be suspicious of our motives and will seek to  
restore references to the main themes as they see them and in  
their language.

4. For the rest, I have followed the Chancellor of the  
Exchequer's revised version, though I have made minor alterations  
and additions in certain places to reflect points or wording to  
which importance was attached in early discussion among Personal  
Representatives.

5. I hope that the Prime Minister will be content that I should now circulate the revised draft to Personal Representatives. Time is getting very short before their next meeting on 20/21 May, and they will need to be given enough time to go through the draft and make comments on it.

6. I am sending a copy of this minute and of the revised draft to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry and the Secretary of State for Transport.

RA

ROBERT ARMSTRONG

8 May 1984



**CONFIDENTIAL**

LONDON ECONOMIC SUMMIT  
7-9 JUNE 1984

THEMATIC PAPER

	Paragraphs
<u>Introduction and Background</u>	1 - 8
<u>Prospects</u>	9-12
<u>Medium Term Objectives and Policies</u>	13
<u>Immediate Measures</u>	14
<u>East/West Economic Relations</u>	15
<u>Science and Technology</u>	16-18

Cabinet Office

8 May 1984

**CONFIDENTIAL**

Introduction and Background

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

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

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

4. The main developments over the past year have been -

4.1 - economic growth - especially strong in North America and Japan, somewhat less so in certain European countries. This variation has helped to avoid some of the pressures seen in earlier, more rapid, recoveries;

4.2 - improvements in productivity, meaning that recovery has so far had only a limited impact on employment. Experience on job creation has varied widely in the Summit countries, with a particularly strong rise in employment in the United States;

4.3 - significant reductions in inflation, although it remains high in some countries;

X 4.4 - a tendency to increasing budget deficits in North America but reductions elsewhere;

X 4.5 - a revival in world trade, with a marked rise in the imports of some Summit countries, notably the United States, helping to spread the benefits of the recovery;

4.6 - continued strength of the dollar;

X 4.7 - increases in nominal interest rates in the United States, with real rates remaining high in a number of countries;

4.8 - a reduced rate of growth of monetary aggregates, consistent with a prudent rise in nominal income;

4.9 - significant payments imbalances between Summit countries. The rising Japanese surplus has been more than offset by the United States deficit so that the group as a whole has been in deficit - in contrast to its traditional surplus;

4.10 - reductions in current account deficits elsewhere, still leaving many debtor countries with substantial debt servicing costs and increased political and social strains.

5. The future facing the poorest countries remains daunting. Official aid is constrained by budgetary pressures in donor countries. The outcome of negotiations to replenish the International Development Association (IDA) has so far disappointed many governments. The prospects for the poorest countries, especially in sub-Saharan Africa, remain bleak.

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

7. [Some progress has been made in implementing the commitments to resist and reverse protectionism made last year at the OECD Ministerial meeting and at Williamsburg. All Summit governments have agreed to accelerate implementation of the Tokyo Round and to ease restrictions on imports from the poorest countries.]\* Nevertheless, there has been no easing of protectionist pressures, reflecting high unemployment and slow recovery in some cases, and a high exchange rate and growing trade deficit in the United States. The newly industrialised countries and others in the course of industrialisation have done little to dismantle their own trade barriers or to reduce internal constraints on competition.

8. Oil prices have remained relatively stable but the market balance is still fragile. Other commodity prices have risen modestly.

---

\* Note: depends on the outcome of the OECD Ministerial meeting on 18 May.

Prospects

9. Most forecasters expect that on present policies the recovery in the Summit countries should continue over the next year or so. Output in North America may rise more slowly after the rapid recent increases, but activity in Japan and the European economies should strengthen. Unemployment seems likely to fall further in the United States, but the recovery may not be rapid enough to bring more than a slight reduction elsewhere, particularly where market rigidities persist. So long as the recovery in activity proceeds at a moderate pace, it should be possible to avoid an early resurgence of inflation. Recovery combined with present fiscal policies should help curb budget deficits in most Summit countries; they may remain high in the United States though the United States Administration is giving priority to curbing public expenditure.

10. Prospects for interest rates are uncertain. In the United States, a more moderate growth of output could help to hold the rise of interest rates in check; but an increase in the rate of inflation and concern about financing the budget deficit could work in the opposite direction. Elsewhere, further progress in curbing inflation and budget deficits may ease interest rate pressures.

11. Exchange rate prospects are also uncertain. The United States current deficit and faster inflation could tend to depress the dollar but that could be offset by the high rate of return on assets in the United States. Japan's growing surplus and strong macroeconomic performance could lead to upward pressure on the yen, but capital market rigidities could limit any appreciation. The stability of EMS countries' exchange rates, both among themselves and with the rest of the world, will depend on their success in bringing their inflation rates together at a low level.

12. Current account imbalances among Summit countries could increase. But rising exports and higher commodity prices will go some way to help many of the non-oil countries to service their debts and begin to reduce their current account deficits. The prospect of only a modest increase in energy demand should help towards achieving stable nominal oil prices.

Medium Term Objectives and Policies

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

- 13.1 - to continue with, and where necessary strengthen, prudent monetary policies, supported by strict control of public expenditure and fiscal deficits, aiming at still lower rates of inflation. Especially firm action will be needed in countries where inflation remains relatively high;
- 13.2 - to create the conditions for lower nominal and real interest rates, by reducing inflationary expectations and putting structural budget deficits onto a sustainable basis;
- 13.3 - to reduce obstacles to higher employment by encouraging industrial adaptation and labour mobility, discouraging measures to prop up declining industries and reducing or phasing out export subsidies and other assistance which distorts trade. As demand expands, it will be important to ensure that wherever possible the unemployed are drawn into productive employment; this will also reduce the strains on public expenditure from social security provisions, which seem likely otherwise to rise to insupportable levels in many industrialised countries;
- 13.4 - to promote the development of new technologies, in traditional as well as in new industries, and to encourage international co-operation and a more rapid and widespread acceptance of technological change;
- 13.5 - to promote conditions which favour productive investment and private enterprise, especially among innovative small businesses;

- 13.6 - to make renewed efforts to liberalise and expand trade, in services and high technology as well as in manufactures and commodities;
- 13.7 - to complete current trade liberalisation programmes, in cooperation with other trading partners, and to explore with them the possibility of a new negotiating round early in the second half of the decade;
- 13.8 - to maintain adequate flows of resources (including official development assistance) to the non-industrialised countries; and to encourage practical measures to conserve resources, enhance indigenous food and energy production, and create conditions where populations move towards stability;
- 13.9 - to find ways of increasing the flow of private investment, through the removal by all countries of impediments to capital flows and by encouraging a climate of confidence for investment;
- [13.10 - to adapt and improve the operation of the international financial system. This entails creating a more stable medium term financial environment by prudent and convergent policies and performance among the major countries, particularly the reserve currency countries, providing a consistent flow of funding to the international financial institutions and removing restrictions on and improving international access to capital markets in industrialised countries;]\*

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\* Note: depends on the outcome of the April IMF and May G10 Meetings.

- 13.11 - to help debtor countries to make the necessary economic and financial changes, taking due account of political and social difficulties; for them as for the industrialised countries, success will depend on sustained world recovery and adequate but not excessive world liquidity;
- 13.12 - to pursue policies which will avoid, wherever possible, sudden and de-stabilising movements in either direction in international oil markets;
- 13.13 - to pursue research into the causes, effects and means of limiting pollution; in the light of such research, to make greater national and international efforts to reduce pollution of air, water and ground; and to work on measures to minimise the effects of pollution.

Immediate Measures

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

- 14.1 - to carry forward and develop as appropriate the agreed procedures for multilateral monitoring and surveillance of national economic and financial policies, and to make further progress on prudent fiscal and monetary policies, so as to achieve lower inflation and interest rates and greater exchange rate stability;
- 14.2 - to study with the appropriate international organisations, notably the OECD, policies to improve economic efficiency, incentives and flexibility; and to reduce obstacles to growth, in particular by harmonising international standards, encouraging innovation and adaptation, facilitating the mobility of labour and capital and increasing public understanding and acceptance of the need for technical development;



- 14.3 - to invite Finance Ministers to carry forward in the appropriate organisations their consideration of the operations of the international monetary system, including exchange rates, surveillance, international liquidity and the role of the IMF;
- [14.4 - to confirm the strategy on debt and to continue to implement it flexibly, welcoming the progress made by many debtor countries and the extensive international cooperation which has supported them, and recognising that continued recovery, lower interest rates and trade liberalisation, will help further;
- 14.5 - to develop arrangements which could foster renewed economic progress by debtor countries. These might include the encouragement of private direct investment, closer co-operation between the IMF (and the IBRD; IBRD operations which can help to attract long-term capital investment; and improvements in the supervision of lending by commercial banks, notably in their overseas operations;]\*
- 14.6 - to urge all trading countries to resist continuing protectionist pressures and to reduce barriers to trade, [following the decision taken at the meeting of OECD Ministers on 18 May 1984];
- 14.7 - to promote at the GATT meeting in November 1984 a successful outcome of the work programme laid down at the meeting in 1982; and to consult with other GATT Parties and with the Director General with a view to reaching a consensus for a high level meeting of GATT before the end of 1985 to consider launching a new GATT round, with clearly defined objectives and guidelines, early in the second half of the decade.

East/West Economic Relations

15. The Summit countries note, with approval, that work continues in the appropriate organisations on the economic and security implications of relations with Eastern countries.

---

\* Note: depends on outcome of April IMF and May G10 meetings.

Science and Technology

16. The Summit countries welcome the second report of the Working Group on Technology, Growth and Employment created by the Versailles Summit, and the progress made in the 18 areas of co-operation. They invite the Group to pursue further work on technology and the environment, adaptation to technological change, the relationship between technology and trade, and the sharing of major scientific facilities, and to report to the next Economic Summit.

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

18. They also welcome the invitation from the United States Administration to other Summit countries to co-operate in the development of an international manned space station; to agree that other Summit countries will actively examine the possibility of taking part in the programme, directly or collectively; and the intention of the United States to report progress on space station matters to the next Summit.



10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG

ECONOMIC SUMMIT

The Prime Minister wishes to make maximum use of the month which remains before the Summit to ensure that it is a success. She has asked that all the departments concerned should give high priority to the necessary work.

2. The Prime Minister intends to hold a weekly meeting to review progress. Participation in the meetings will vary according to the subjects under discussion but the Prime Minister hopes that the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and you yourself will be present at each meeting. We shall make arrangements separately but our plan is to hold these meetings on Fridays - 11, 18, 25 May and 1 June.
3. The first one or two meetings will be devoted to the principal policy issues on which we hope to make progress at the Summit. The conclusions of the Prime Minister's meeting of 30 April, set out in Mr. Turnbull's minute of 30 April to you, are relevant. The Prime Minister would like to consider inter alia at the first meeting what our objectives should be at the Summit with regard to international terrorism and a first draft of the proposed statement on democratic values.
4. I should be grateful if you could provide by 23 May the first draft of the Prime Minister's opening statement for the Summit.
5. I have agreed with your office that briefs should be available by 25 May. The final briefing meeting will take place on 1 June.
6. Could you please circulate two days before each meeting an agenda of the points to be discussed, together with such papers as are relevant.
7. I am copying this minute to Mr. Appleyard (Foreign and Commonwealth Office) and Mr. Peretz (HM Treasury).

A. J. COLES

8 May 1984



Sir Antony Acland KCMG KCVO  
Permanent Under-Secretary of State

Foreign and Commonwealth Office

London SW1A 2AH

4 May 1984

R P Hatfield Esq  
CABINET OFFICE

*pa  
DMS  
9/5  
all done  
c/r  
9/15  
Mrs Ryder  
Please ask these  
Ministers' offices to  
keep their diaries  
free for the TUC  
meeting.*

*DMS  
8/5*

CABINET OFFICE
A 3260
8 MAY 1984
FILING INSTRUCTION
FILE No. ....

*Dear Richard.*

LONDON ECONOMIC SUMMIT: TRADE UNION DELEGATION

Please refer to David Barclay's minute to you of 24 April. You asked for a list of those who might attend the Prime Minister's meeting on Thursday 31 May with an International Trade Union Delegation. As you know, a meeting of this kind with the leader of the host country has become a tradition in the approach to the Economic Summit. It is likely to be widely reported.

I should like to suggest that the FCO be represented by Lady Young (in Sir Geoffrey Howe's absence in Washington), supported by Sir Crispin Tickell. It might be appropriate for the Chancellor of the Exchequer and the Secretary of State for Employment also to attend. The meeting will provide a good opportunity to demonstrate to trade unionists that the Government is taking seriously its responsibilities as host to this year's Summit; including its responsibility to hold the traditional meeting between the host government and a Trade Union Delegation.

If you agree with the list, I think it would be best for you or David Barclay to invite other Ministers.

*Yours em.*

*Michael.*

M H Jay  
Private Secretary



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

Duty Clerk  
4/5

4 May 1984

Richard Hatfield Esq  
Private Secretary to  
Sir Robert Armstrong  
Cabinet Office

Dear Richard

**LONDON ECONOMIC SUMMIT: THEMATIC PAPER**

The Chancellor wanted to make further changes to the redraft of this paper attached to Sir Robert Armstrong's minute of 1 May.

The Chancellor asked me to send you the two attached alternative further versions. I am afraid that in the longer of the two there were more changes than could sensibly be marked in manuscript on the 1 May draft, and we have had it retyped. The second version, as you will see, is very much shorter.

I am also sending copies to Andrew Turnbull in No 10.

Yours ever,

David

D L C PERETZ  
Principal Private Secretary

Excellent - it flows  
beautifully - and can  
even be understood!  
not

**CONFIDENTIAL**

LONDON ECONOMIC SUMMIT  
7-9 JUNE 1984

THEMATIC PAPER

	Paragraphs
<u>Introduction and Background</u>	1-6
<u>Prospects</u>	7-10
<u>Medium Term Objectives and Policies</u>	11
<u>Immediate Measures</u>	12
<u>East/West Economic Relations</u>	13
<u>Science and Technology</u>	14

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Introduction and Background

1. Over the past two years, inflation has fallen and output has increased, particularly in the United States. The main concern is now to reinforce the basis for growth, without provoking a resurgence of inflation.
  
2. The main developments over the past year have been:-
  - 2.1 Economic growth<sup>-</sup> especially strong in North America and Japan, somewhat less so in certain European countries. This variation has helped to avoid some of the pressures seen in earlier, more rapid, recoveries;
  
  - 2.2 Improvements in productivity, meaning that recovery has so far had only a limited impact on employment. Experience has varied widely, with a particularly strong rise in employment in the United States;
  
  - 2.3 Significant reductions in inflation, although it remains high in some countries;
  
  - 2.4 Increases in budget deficits in North America but reductions elsewhere;
  
  - 2.5 A revival in world trade, helping to spread the benefits of the recovery;
  
  - 2.6 Continued strength in the dollar;
  
  - 2.7 Increases in nominal interest rates in the United States, with real rates remaining high in a number of countries;
  
  - 2.8 A reduction in the growth of the monetary aggregates, consistently with a prudent rise in nominal income;

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2.9 Significant payments imbalances between Summit countries. The Japanese surplus has been more than offset by the United States deficit so that the group as a whole has been in deficit - in contrast to its traditional surplus;

2.10 Reductions in current account deficits elsewhere, still leaving many debtor countries with substantial debt servicing costs and increased political and social strains.

3. The future facing the poorest countries remains daunting. Official aid is constrained by budgetary pressures in donor countries. The outcome of negotiations to replenish the International Development Association has so far disappointed many governments. The prospects for the poorest countries, especially in sub-Saharan Africa, remain bleak.

4. World economic recovery has helped the debtor countries. An increasing number have accepted the need to adjust their economic policies, and are seeing the benefits. A key role has been played by the IMF, whose resources have been strengthened. But there is still a long way to go.

5. [Some progress has been made in implementing the commitments to resist and reverse protectionism made last year at the OECD Ministerial meeting and at Williamsburg. All Summit governments have agreed to accelerate implementation of the Tokyo Round and to ease restrictions on imports from the poorest countries];\* nevertheless, there has been no easing of protectionist pressures, reflecting high unemployment and slow recovery in some cases, and a high exchange rate and growing trade deficit in the United States. The newly industrialised countries and others in the course of industrialisation have done little to dismantle their own trade barriers or to reduce internal constraints on competition.

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\*Note: depends on the outcome of the OECD Ministerial meeting on 18 May.

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6. Oil prices have remained relatively stable but the market balance is still fragile. Other commodity prices have risen modestly.

Prospects

7. Most forecasters expect that on present policies the recovery in the Summit countries should continue over the next year or so. Output in North America may rise more slowly after the rapid recent increases, but activity in Japan and the European economies should strengthen. Unemployment seems likely to fall further in the United States, but the recovery may not be rapid enough to bring more than a slight reduction elsewhere, particularly where market rigidities persist. So long as the recovery proceeds at a moderate pace, it should be possible to avoid an early resurgence of inflation. Recovery combined with present fiscal policies should help curb budget deficits in most Summit countries, but they may remain high in the United States.

8. Prospects for interest rates are uncertain. In the United States, a more moderate growth of output could help to hold the rise of interest rates in check; but an increase in the rate of inflation and concern about financing the budget deficit could work in the opposite direction. Elsewhere, further progress in curbing inflation and budget deficits may ease interest rate pressures.

9. Exchange rate prospects are also uncertain. The United States current deficit could tend to depress the dollar, but the high rate of return on assets in the United States could be an offsetting factor. Japan's growing surplus and strong macroeconomic performance could lead to upward pressure on the yen, but capital market rigidities could limit any appreciation.

10. Current account imbalances among Summit countries could increase. But rising exports and higher commodity prices will go some way to help many of the non-oil countries to service their debts and begin to reduce their current account deficits. The prospect of only a modest increase in energy demand should help towards

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achieving stable nominal oil prices.

Medium Term Objectives and Policies

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

- 11.1 To continue with, and where necessary strengthen, prudent monetary policies, supported by strict control of public expenditure and budget deficits, aiming at still lower rates of inflation. Especially firm action will be needed in countries where inflation remains relatively high;
- 11.2 To create the conditions for lower nominal and real interest rates, by reducing inflationary expectations and putting structural budget deficits onto a sustainable basis;
- 11.3 To reduce obstacles to higher employment by encouraging labour mobility, discouraging measures to prop up declining industries, and reducing or phasing out export subsidies and other assistance which distorts trade. As demand expands, it will be important to ensure that wherever possible the unemployed are drawn into productive employment; this will also reduce the strains on public expenditure from social security provisions, which seem likely otherwise to rise to insupportable levels in many industrialised countries;
- 11.4 To promote the development of new technologies, in

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traditional as well as in new industries, and to encourage international co-operation and a more rapid and widespread acceptance of technological change;

- 11.5 To promote conditions which favour productive investment and private enterprise, especially among innovative small businesses;
- 11.6 To liberalise and expand trade, in services and high technology as well as in manufactures and commodities;
- 11.7 To complete current trade liberalisation programmes, in co-operation with other trading partners, and to consider with them a new negotiating round early in the second half of the decade;
- 11.8 To maintain adequate flows of resources (including official development assistance) to the non-industrialised countries, to encourage practical measures to conserve resources, enhance indigenous food and energy production, and create conditions where populations move towards stability;
- 11.9 To find ways of increasing the flow of private investment, through the removal by all countries of impediments to capital flows, and by encouraging a climate of confidence for investment;
- [11.10 To adapt and improve the operation of the international financial system. This entails creating a more stable medium term financial environment by prudent and convergent policies and performance among the major countries, particularly the reserve currency countries, providing a consistent flow of funding to the international financial institutions and improving international

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access to capital markets in industrialised countries];\*

- 11.11 To help debtor countries to make the necessary economic and financial changes, taking due account of political and social difficulties;
- 11.12 To pursue policies which will avoid, wherever possible, sudden and de-stabilising movements in either direction in international oil markets;
- 11.13 To pursue research into the causes, effects and means of limiting pollution; and in the light of such research, to make greater national and international efforts to reduce pollution of air, water and ground; and to adopt measures to minimise the effects of pollution.

Immediate Measures

12. In order to attain these objectives within a framework of sustained growth, Summit countries can agree on the following measures:

- 12.1 To carry forward and develop as appropriate the agreed procedures for multilateral monitoring and surveillance of national economic and financial policies, and to make further progress on prudent fiscal and monetary policies, to achieve lower inflation and interest rates and greater exchange rate stability;
- 12.2 To study with the appropriate international organisations, notably the OECD, policies to improve economic efficiency, incentives and flexibility; and to reduce obstacles to growth, in particular by harmonising international standards, encouraging innovation and adaptation, and facilitating the mobility of labour and capital;

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\*Note: depends on the outcome of the April IMF and May G10 meetings.

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- 12.3 To invite Finance Ministers to carry forward their consideration of the operations of the international monetary system, including exchange rates, surveillance, international liquidity and the role of the IMF;
- 12.4 To confirm the strategy on debt and to continue to implement it flexibly, welcoming the progress made by many debtor countries and the extensive international co-operation which has supported them, and recognising that continued recovery, lower interest rates and trade liberalisation will help further;
- 12.5 To develop arrangements which could foster renewed economic progress by debtor countries. These might include the encouragement of private direct investment; closer co-operation between the IMF and the IBRD; IBRD operations which can help to attract long-term capital investment; and improvements in the supervision of lending by commercial banks, notably in their overseas operations;\*
- 12.6 To urge all trading countries to resist continuing protectionist pressures and to reduce barriers to trade; following the decision taken at the meeting of OECD Ministers on 18 May.
- 12.7 To promote at the GATT meeting in November 1984 a successful outcome to the agreed work programme; and to aim at a high level meeting of GATT before the end of 1985 to consider launching a new GATT round, with clearly defined objectives and guidelines.

East/West Economic Relations

13. Work continues on the economic and security implications of relations with Eastern countries.

Science and Technology

14. The Summit countries welcome the second report of the Working

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Note: depends on outcome of April IMF and May G10 meetings.

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Group on Technology, Growth and Employment created by the Versailles Summit, and the progress made in the 18 areas of co-operation: the Group will pursue further work on technology and the environment, adaptation to technological change, the relationship between technology and trade, and the sharing of major scientific facilities. It will report to the next Economic Summit.

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

16. They also welcome the invitation from the United States Administration to co-operate in the development of an international manned space station; and the intention of the United States to report progress on space station matters to the next Summit.

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## **LONDON ECONOMIC SUMMIT**

### **Background**

Inflation has fallen and output is growing, particularly in the US.

2. Over the last year, there has been a revival in world trade. So far improvements in productivity have meant there has been only a limited impact on employment. Monetary growth has slowed, but real interest rates remain high. Prospects have improved in a number of debtor countries, but there is still a long way to go.

3. Most forecasters expect the recovery to continue.

### **Policies and Objectives**

4. Our main policies and objectives are:-

(i) to reduce inflation further, by pursuing sound monetary and financial policies, with strict control of public expenditure and budget deficits. Firm action will be needed where inflation remains high;

(ii) to create the conditions for lower interest rates, by reducing inflationary expectations and keeping budget deficits to manageable proportions;

(iii) to reduce obstacles to higher employment by encouraging labour mobility, discouraging measures to prop up declining industries, and reducing export subsidies;

(iv) to promote new technologies;

(v) to create an environment which favours investment and private enterprise; and to remove impediments to the free movement of capital;

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(vi) to promote free trade, exploring the possibility of a new round of tariff reductions;

(vii) to maintain adequate flows of resources to the non-industrialised countries, encouraging conservation, food and energy production, and stabilisation of population;

(viii) to develop the existing multilateral monitoring and surveillance of national economic policies;

(ix) to help debtor countries make the necessary changes, encouraging private investment and co-operation between the IMF and IBRD, and taking account of political and social constraints;

(x) to avoid so far as possible, shocks in oil markets;

(xi) to tackle pollution.

5. Work is continuing on:-

(a) the economic and security implications of relations with Eastern countries;

(b) technology, growth and employment;

(c) life sciences;

(d) the development of an international manned space station.



4 MAY 1984



MS

PRIME MINISTER

Economic Summit

Time is now short before the Summit.  
I suggest that from now on you should  
have a weekly meeting on Fridays to  
prepare the event.

If you agree, I will send the attached  
minute to the Cabinet Office. Agree?

Yes  
MS

A.S.C.

P.S. In the light of these  
arrangements Bernard will put to you  
early next week proposal for press  
arrangements.

4 May, 1984

F.R.

MR. COLES

CF  
This is all set up.  
Do you have right  
dates! CR 5/15

Economic Summit

We discussed this morning weekly meetings between now and when the Summit starts. It was agreed that these would take place on Fridays, and I list below times available:

Friday, 11 May	:	1030-1200
Friday, 18 May	:	1100-1230
Friday, 25 May	:	1500-1630
Friday, 1 June	:	0930-1100

-16<sup>h</sup>  
wed 23rd  
1700-18.30

11.00-12.30

FRI 5 June

There is already a meeting crossed p. 16 May  
1500-1600.

4 May, 1984.

Caroline.

Pl. see my minute to Sir R. Armstrong. If we can get a meeting on 18 May, we don't need the one on 16 May.

A.S.C.  $\frac{5}{5}$ .

cc P/c

cc: AUSTRALIA: Visit of Mr Hawke  
Jan 80



Foreign and Commonwealth Office

London SW1A 2AH

I think we should wait - I saw a lobby here at the

Comments conference  
1 May 1984

Dear John,

Prime Minister:  
Agree to an invitation to Mr Hawke?

Australia

Thank you for your letter of 11 April about Britain's relationship with Australia and the possibility of inviting Mr Hawke to visit the United Kingdom later this year or early next year.

Sir Geoffrey Howe agrees that this would be worthwhile. His reasons are as follows. Although our relations with Australia are generally in good repair, the Prime Minister has not as yet had the opportunity for a broad-ranging discussion with Mr Hawke. It would be most useful to make arrangements for such a meeting soon to pre-empt criticism that Australia's exclusion from the London Economic Summit, and the Prime Minister's visit to South East Asia but not Australia in the autumn, mean that the Prime Minister's relations with Mr Hawke are not as close as those she maintained with his predecessor, Mr Fraser.

An early invitation from the Prime Minister to Mr Hawke to visit Britain looks the best way of proceeding. It may not be easy to find convenient dates in the late summer or autumn, but we see every advantage in tendering an invitation. We know that Mr Hawke will be much preoccupied with the Australian Labour Party Conference in July and the presentation of the budget in August. He has said that he will call a general election late this year or early next year: 1 or 8 December or 23 February are the dates being canvassed. It will be regrettable if we cannot find a date which would suit Mr Hawke before February or March of next year.

Yours ever,

(P F Ricketts)  
Private Secretary

Peter Ricketts

A J Coles Esq  
10 Downing Street

ECM R. A 15

Foreign Commission Office  
L/E/S  
London W1A 2AB



1984

12 1 2 3 4 5 6 7 8 9 10 11

File

088

cc: Sir P. Craddock

C. AUSTRALIA

Visits of Aust.  
Foreign Ministers Feb 81

1 May 1984

AUSTRALIA

Thank you for your letter of 27 April.  
The Prime Minister could see Mr. Hayden at  
1600 hours (for 30 minutes) on 14 May.

A. L. BONES

Roger Bone, Esq.,  
Foreign and Commonwealth Office.

088

E. R.

PRIME MINISTER

There may not be time to discuss with you personally your diary which you wished to do in light of a request from the FCO to see Mr. Bill Hayden, the Australian Minister for Foreign Affairs.

I attach an up-to-date diary which goes up to Friday 18 May. Also attached is the original letter from the FCO. You mentioned that you felt disinclined to see Mr. Hayden.

Is that still your view?

I will see before lunch for the  
CR. almost

30 April 1984

1600-1630

14 May —

FILE  
MJ

Subject

cc Master



10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG  
CABINET OFFICE

---

London Economic Summit

The Prime Minister held a meeting today to discuss the London Economic Summit. Present were the Foreign Secretary, the Chancellor of the Exchequer, the Secretaries of State for Trade and Industry and Transport and yourself. The meeting had before it the draft thematic paper prepared by the Personal Representatives, circulated under cover of your minute of 25 April (reference A084/1240); and a paper on possible British initiatives circulated under your minute of 26 April (reference A084/1263).

BF | The Prime Minister was dissatisfied with the language of the thematic paper which contained too much economists' jargon. The danger was that its obscure wording would permeate the discussion and possibly even the final Communique. Even though it would not be circulated under her name, she could not allow it to go out in this form. She asked the Chancellor of the Exchequer, in conjunction with yourself, to re-write it in a more direct style. You said you would be preparing the first draft of the Communique and would ensure that it was in a style which would make it accessible to the wider public.

On the substance of the paper, the Prime Minister said she was sceptical about prolonging the life of the Working Group on Technology, Growth and Employment, which had been established at Versailles two years ago, for a further year. Its continued existence illustrated the danger of setting up bodies in the Summit framework. You said the Group had done useful work without absorbing significant time or resources. It was a useful forum for considering environmental questions and was consistent with our emphasis on establishing a proper scientific basis for decisions. It was noted that President Reagan was anxious to secure co-operation for the international space station. The attitude of the UK Government to this should be considered carefully by Departments.

The Prime Minister said it was important not to allow the Summit to become a forum for criticism of President Reagan's policies. The climate on the Federal deficit was changing and a deficit reduction package was likely to be settled soon. The tone of the Summit should not be criticism but encouragement for these developments. The Chancellor of the Exchequer said

da



the change of climate in the United States had come about because the Republicans themselves recognised that an uncontrolled deficit was an electoral liability. The package was still inadequate in relation to the size of the problem but this was recognised by labelling it as a down-payment, with an implied commitment to further measures later.

The discussion then turned to the political dimensions of the Summit. The Foreign Secretary asked whether there would be a political declaration and how extensive the political discussion should be. Representatives of Foreign Ministries would be meeting on 18 May to consider these points. It was noted that Williamsburg was the first time there had been a declaration on a full range of political questions; earlier Summits had issued statements in response to specific international issues. While the French were reluctant to expand the political content, Germany, Japan and the United States were in favour. Germany was seeking a full text, partly to counter the atmosphere which might be created by the anniversary of D-Day landings.

The Prime Minister thought there should be a declaration which should certainly contain an important statement on international terrorism. The other points should be responsive to current concerns and the declaration should not become a tour d'horizon, taking up subjects merely because they had featured in the discussion at earlier Summits. The Foreign Secretary should resist efforts by Germany to prepare a long text in advance, and ensure that the UK had an opportunity to make the first draft of the statement on terrorism.

The Foreign Secretary raised the question of Ministerial attendance by those countries where Ministerial responsibility for the economy was divided. While it was generally accepted that only one Economic Minister could attend plenary sessions, a problem arose for the two working dinners and the special session for Finance Ministers. This was most acute for Germany who might want both Stoltenberg and Lambsdorff to attend. Japan was not pressing its case but would certainly do so if concessions were made to Germany.

After discussion it was agreed that no attempt should be made to prevent Count Lambsdorff from attending the Summit but that the rule should be that only one Minister could attend any session or working dinner. The choice should be left to the Head of Government concerned. The Prime Minister said she would put this to Chancellor Kohl. Could you consider how this rule would operate in relation to the Palace banquet where invitations are restricted to two Ministers.

The meeting then considered the UK paper on Summit initiatives. The recommendations in your minute to pursue items 2a, b, c, e and f but not 2d were agreed. The UK should take up the question of liberalisation of Japanese capital markets as this would maintain the pressure following the US/Japanese bilaterals. On trade in services, it was agreed that the best approach was that set out in

/para 13b

para 13b i.e. the Summit Seven should seek to work through OECD rather than through GATT or by setting up their own apparatus. On shipping, the Secretary of State for Transport said our objectives should be to secure a declaration in favour of a liberalised regime. This would help to resist pressure from third world countries to allocate shipping on a bilateral basis and would strengthen the position of those in the US favouring a liberalised regime.

Work on harmonisation of international standards should be pursued though this left open the question of whether harmonisation should be secured in Europe first in order to create a stronger bargaining position for Europeans. On export subsidies, it was agreed that little progress was likely. It was important to avoid a declaration which would tie the UK more than less scrupulous competitors. The aim should be to tackle all forms of concessionary trade finance not just those labelled mixed credits.

I am copying this letter to Len Appleyard (Foreign and Commonwealth Office), David Peretz (HM Treasury), Callum McCarthy (Department of Trade and Industry) and Dinah Nichols (Department of Transport).

AT

Andrew Turnbull

30 April 1984

↳ AUSTRALIA  
VISITS of Aust.  
Foreign Ministers  
Feb 81

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CCP



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister (1)

27 April 1984

You could see Mr Hayden for  
30 minutes at 1600 on 14 May.

Agree?

Yes Sir,

DMS  
27/4

I will need  
to see the thing  
first. I am  
disinclined to  
see him.

In your letter of 11 April you said that the Prime Minister would like us to consider whether we should give more attention to our relationship with Australia. A good opportunity to do so has now arisen.

The Hon William (Bill) Hayden, the Australian Minister for Foreign Affairs, will be in London between 12 - 15 May, before attending the OECD meeting in Paris. In Sir Geoffrey Howe's absence, Mr Hayden will have talks with Mr Luce on Monday 14 May, and possibly with Mr Raison too: we are still arranging the details. It would be greatly appreciated by Mr Hayden if the Prime Minister could also agree to a brief meeting. This would underline the importance we attach to our relations with Australia and would perhaps help to mollify Australian disappointment at not being invited to the Economic Summit. If the Prime Minister agrees, would you kindly let me know whether there is any time on the 14th which would be convenient?

*[Handwritten signature]*

(R B Bone)  
Private Secretary

A J Coles Esq  
10 Downing Street

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Prime Minister

~~CCAO~~  
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MR TURNBULL

27 April 1984

LONDON ECONOMIC SUMMIT 1984: POSSIBLE BRITISH INITIATIVES

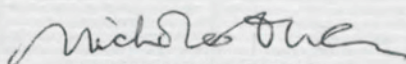
In our capacity as hosts, we have the opportunity to influence the theme and character of the Summit. The discussion on Monday ought therefore to establish a strong theme. We suggest that it should be: making markets work more effectively, nationally and internationally.

Two specific suggestions about the treatment of initiatives flow from this:

(i) Export Subsidies: why restrict the discussion to "export" subsidies? Subsidies to any sector producing tradeable products or services has the same damaging effects on economic efficiency, public expenditure and standards of living. Subsidising inefficient domestic producers prevents tax reductions and strengthens dependent relationships of parts of industry on Government. Subsidies are also a (comparatively) covert form of protectionism, which has increased as tariffs have been reduced. They are a cause of international disputes eg with the USA over steel, agriculture.

There is a tactical case, too for widening this topic. As Sir Robert Armstrong points out in his note, the French are likely to resist a reference in the communiqué to phasing out export subsidies unless mention is made of other forms of subsidy. They have a good point, which it would be in our own interests to meet by including industrial subsidies in general.

(ii) expenditure on social services: the treatment of this subject in the paper is somewhat incongruous. The other topics quite rightly address problems which are inherently international in character; expenditure on social services are more a matter of national preference. A way to link this topic to the general theme suggested above, and to the problem of reducing protectionism, would be to emphasise the role of labour markets - the need to make them work better, to allow more rapid structural changes without driving up unemployment, and its expenditure costs.

  
NICHOLAS OWEN

CONFIDENTIAL

MINADF

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Ref.A084/1263

PRIME MINISTER

London Economic Summit 1984: Possible British Initiatives

As promised in my minute of 25 April (A084/1240), I attach a note on the advantages and disadvantages of raising certain subjects at the Summit at British initiative and the kind of reference that it might in each case be worth seeking in the final declaration or communique. The note has been prepared by the Cabinet Office on the basis of contributions from the Treasury and the Departments of Trade and Industry and of Transport. I suggest that the Secretaries of State for Trade and Industry and for Transport should be invited to attend the meeting at which the note is discussed.

2. On the basis of discussions to date between Personal Representatives and in the light of the Cabinet Office note, I would summarise the scope for British initiatives at the Summit as follows:

(a) Liberalisation of capital markets

The Chancellor of the Exchequer deals with the question of Japanese capital markets and of the role of private direct investment in developing countries in the international debt context in his minute of 18 April to you. In addition, I agree with the conclusion of the note (paragraphs 9 to 11) that some general Summit discussion of liberalisation, and an appropriate reference in the communique, could contribute to the improvement of the overall climate.

not  
included ←

(b) Liberalisation of trade in services

As a minimum, we should seek to incorporate in the Summit communique a reference to the importance of the services sector in international trade. The three options for a more ambitious initiative are set out in paragraph 13 of the note, none of which is without difficulty. I do not see overriding objection to option (b) (an acceleration of work in OECD). I

←

recognise that option (c) (commissioning work on the extent to which Summit countries themselves maintain restrictions against each other's services exports) has presentational value, but am not sure how far we wish to go in 'institutionalising' Summits by commissioning further work among Summit bureaucracies. Finally, I am not convinced that we should raise the question of shipping services; the Secretary of State for Transport, if he attends, will have views on this.

(c) The burden of expenditure on social services

A reference in the communique to common longer term public expenditure problems, as recommended in paragraph 30, seems desirable and attainable.

(d) Further deregulation of air transport

For the reasons given in the note (notably paragraph 36), this idea seems to be a non-starter.

(e) Harmonisation of international standards

A general reference in the communique to the importance of harmonising international standards, in the context of reducing structural rigidities to sustained growth, could be useful and ought to be negotiable. This is likely to be reinforced by a detailed spelling out of the danger of allowing different standards and testing procedures to fragment markets in new high technology industries in the Second Report of the Versailles Working Group on Technology, Growth and Employment. The relevant extract from the latest draft of this Report, which is unlikely to be further amended, is attached to this minute. The intention is that the Report should be published, although this remains to be agreed among the Summit countries.

But these are all very general exhortatory proposals on the desirability of harmonising standards. They may well be accepted because people do not expect anything to come of them. Nothing will happen unless the Summit

invites or instructs Ministers (or an international organisation) to do something specific. For instance, the Summit might invite Trade Ministers to meet to consider in what areas and by what means harmonisation of standards should be pursued. You will want to consider whether the prospect of progress is sufficiently bright to justify the creation of a new piece of international bureaucracy.

(f) Phasing out of export subsidies

I agree that, as recommended in paragraph 46 of the note, we should aim to secure an endorsement in the Summit communique of the new OECD initiative. However, I doubt whether this will be easy to achieve. It was clear from discussion at the last meeting of Personal Representatives that there are wide differences of approach to subsidies in general. The French in particular take the view that this is a difficult area because subsidies arise throughout the production process, whether manufacturing or agricultural, and that in consequence the whole fiscal situation needs to be taken into account to produce a fair comparison between the United States, Japan and Europe. They are therefore likely to insist that any reference to phasing out export subsidies should be linked to eliminating other forms of assistance which distort trade, as in paragraph 6.3 of the Thematic Paper.

3. I am sending copies of this minute, together with the Cabinet Office note, to the Secretary of State for Foreign and Commonwealth Affairs and the Chancellor of the Exchequer. It would be helpful to have an early decision on the attendance of the Secretaries of State for Trade and Industry and for Transport, to whom I should like also to send copies of the paper in advance of the meeting if they are to be invited to attend.

*Re*  
Approved by  
ROBERT ARMSTRONG  
*and signed in his absence*

26 April 1984



OBSTACLES TO THE INTRODUCTION OF NEW TECHNOLOGIES

6. In removing obstacles to the introduction of new technologies, two issues face our Governments: -

i. the maintainance of a free flow of international trade in high technology products, whilst having regard to national interests;

ii. the acceptability of new technologies generally in society and particularly in the work place.

7. The free flow of high technology products is influenced by the general climate for trade which will be discussed at the London Economic Summit. But there are also two special factors: -

i. The effect on scientific, technological and trading relationships between Summit countries of controls intended to regulate the transfer of high technology to Eastern Bloc countries. The utility of high technology components and products developed for military use in civilian environments and the lead in these products enjoyed by OECD, particularly Summit countries, has persuaded governments of the need for controls over the destination of such products. Their proper protection is not in dispute, but an unfortunate by-product of the recent application of controls has been a limitation on trade in advanced technological products between Summit countries. Of equal concern to the Working Group has been the associated trend towards inhibition of open discussion and exchange of scientific ideas between scientists in the Summit countries. These two observable, if unintended, consequences can only be to the detriment of scientific progress and technological innovation.

ii. the wish of countries to develop and maintain their own indigenous high technology capacity. There is a temptation for countries to erect tariff and non tariff barriers to trade especially whilst high technology industries are in their infancy. There are presently a number of such barriers affecting the free flow of high technology goods between Summit countries and the Working Group urges that measures be taken to reduce and eventually eliminate these barriers. In particular, the application of different standards and testing procedures fragments the market, which in turn inhibits the growth of dynamic new industries. It also provides the conditions for the establishment of private and state monopolies and standards with consequential damage to international competition. One welcome feature of the international collaboration instigated by the work of the Working Group has been the opportunity it has created to establish common standards at an early stage in the development of certain technologies, eg advanced materials, advanced robots and photovoltaic solar energy. One way forward lies in sustaining science and technology collaboration through to the point of industrial competition.

LONDON ECONOMIC SUMMIT: POSSIBLE BRITISH INITIATIVES

Note by the Cabinet Office

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ANNEX A - EXTRACTS FROM THE THEMATIC PAPER

ANNEX B - EXCHANGE CONTROL ARRANGEMENTS IN SUMMIT COUNTRIES

ANNEX C - SERVICES AND INTERNATIONAL TRADE

Cabinet Office

26 April 1984

BACKGROUND

1. At the Prime Minister's meeting with the Secretary of State for Foreign and Commonwealth Affairs and the Chancellor of the Exchequer on 23 March, it was decided that Ministers would meet after Easter to consider a paper on possible British initiatives at the summit. Meanwhile, the Thematic Paper under discussion between Personal Representatives should be amended to provide pegs on which such initiatives could, if necessary, be hung.

2. The Prime Minister's meeting on 23 March identified six possible areas for initiatives -

- i. liberalisation of capital markets (6.9 and 6.10)\*;
- ii. liberalisation of services (6.6);
- iii. the problem of the burden of expenditure on the social services (6.3);
- iv. the further deregulation of air transport (6.6);
- v. harmonisation of international standards (7.2);
- vi. phasing out export subsidies in the context of world trade revival (6.3).

3. Department of Transport officials argue that shipping should be included under the general heading of liberalisation of services (see paragraph 7 of Annex C). Otherwise, there have been no suggestions for additions to this list.

4. The advantages and disadvantages of raising these subjects at the Summit, and the kind of wording that it might be worth seeking in any Summit declaration or communique, are examined below seriatim.

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\* Note: references in brackets are to the latest version of the Thematic Paper - extracts at Annex A.

LIBERALISATION OF CAPITAL MARKETS

Present proposals

5. In the Summit preparations so far, thinking in this area has focused on liberalisation of capital markets in two main respects -

i. as regards developed countries, merit has been seen in pressing for further liberalisation of inward investment to Japanese financial markets, primarily in order to strengthen the yen. The creation of a Treasury Bill market and commercial paper market would, for example, increase the attraction of Japan for short term investors. The US had held bilateral talks with Japan on financial liberalisation, but, notwithstanding some indications of progress in the euro-yen market, there has been little new movement. The US has lately contrasted Japan's reluctance to liberalise further with its aspirations to being the second largest IBRD shareholder; the general atmosphere is currently rather sour, which may inhibit further progress.

ii. as regards developing countries, merit has been seen in seeking the agreement of Summit partners to the desirability of debtor nations opening up their markets to inward direct investment, as an alternative to bank finance. There is a spectrum of possibilities here, ranging from seeking equity in existing assets and using the proceeds to reduce foreign currency debt, to reducing barriers to foreign investment in new projects. Some countries, notably Mexico, have made some recent moves in this direction. But others remain relatively hostile.

These issues are being pursued separately.

Wider application?

6. There are two main angles from which a broader Summit initiative on capital market liberalisation could be approached -

i. general liberalisation of capital markets by Summit countries;

ii. as a counterpart to encouragement to LDCs to be receptive to foreign investment, removal of barriers to outward investment erected by Summit countries.

7. On (i), Canada, Germany, the United Kingdom and the United States already have virtually no exchange controls. Any pressure towards liberalisation would therefore be directed at France, Italy and Japan. A summary of exchange control arrangements in Summit countries at Annex B. The OECD's Capital Movements and Invisible Transactions Committee monitors exchange restrictions and exerts pressure on member states to liberalise, although its powers are limited. The European Commission is pressing for intra-EC liberalisation, and France and Italy have hinted that some modest steps might be possible. But they are both likely to argue that balance of payments constraints inhibit any far-reaching measures. Nevertheless, United Kingdom financial institutions are among the world's most important, and it is worth pressing for changes which would enable them to exploit their existing comparative advantages further. The increased integration of world financial markets also leads to better global allocation of funds and greater choice for investors.

8. On (ii) - which may of course be pursued at the same time as (i) - it has been argued that it may be easier to try to persuade developing countries to be more receptive to foreign investment if developed countries can be seen to be reducing barriers to the flow themselves. While Canada, Germany, the United Kingdom and the United States have no restrictions on direct investment overseas, the French, Italian and Japanese authorities impose certain conditions, although these are not generally particularly stringent (see Annex B for details). So in practice there appears to be little scope for material relaxations, although there might be some presentational value in being seen to be free from restrictions in the case of some countries, and to be moving in that direction in the case of others. All Summit countries (except Italy) offer various facilities to assist and encourage direct investment overseas, and our own approach is currently being reviewed in a Working Group chaired by the DTI. We would be against proposals to increase financial support for overseas direct investment; but this matter is in any case peripheral to the matter of capital movements liberalisation.

Conclusions and possible Summit treatment

9. The Summit communique may be expected to contain an appropriate reflection of the outcome of discussion of the two issues outlined in paragraph 5 viz the liberalisation of Japanese capital markets and the inward investment regime of developing countries. These are being pursued separately.

10. As regards any wider initiative, it is unlikely that Summit discussions would persuade the French and the Italians of the value of substantial early liberalisation of their capital markets. But only persistent pressure in every forum possible, including the Summit, will eventually bear fruit. Similarly some consideration of barriers in developed countries to outward investment, while offering little scope for material changes, could have value.

11. In short, some general Summit discussion of liberalisation, and an appropriate reference in the Communique, could contribute to the improvement of the overall climate.

LIBERALISATION OF TRADE IN SERVICES

What could the Summit do?

12. The Summit declaration could point to the importance of services in the wealth-creation process: liberalisation would work to the benefit of both producers and users of services. A background note on the contribution that services make to international trade is at Annex C.

13. As regards international action to promote liberalisation, Ministers may wish to consider whether it would be possible for the Summit to -

a. press the case for an extension of GATT disciplines to services - and for the acceptance of these disciplines by all GATT members (including the newly industrialised countries);

b. seek an acceleration of work under way in OECD designed to establish a framework for liberalisation of trade in services across the board (intra-OECD);



c. commission work on the extent to which Summit countries themselves maintain restrictions against each others' services exports - with a view to agreeing a programme for the removal of such restrictions (as among Summiteers).

14. None of these options is without difficulty.

15. In the first place, it is not certain that all Summiteers will have the same perspective as the United Kingdom (and United States). Japan's efforts to open its services market have been halting: France and Italy appear sceptical about the need for formal international liberalisation. At the practical level, the best hope for early useful progress lies in further opening of the internal EC market: the Summit cannot help directly with this.

16. On the individual options -

a. could give the impression of seeking to pre-judge the outcome of a new GATT round. Non-Summiteers - and particularly the developing countries - could be irritated if they perceived such an initiative as an attempt by the Summit countries to impose their interests on the wider GATT constituency. Negotiations in the GATT could be made more difficult;

b. likewise involves some risk of pre-empting the work of a wider body (OECD). The risk is not as great as with GATT - and a common view as among the Summit countries would have a powerful influence on the formation of OECD policy. But concentration on an OECD exercise could be interpreted by the ldc's as recognition by the developed world that liberalisation of trade in services was a matter for the "rich and strong". The United States (and United Kingdom) may not wish to let the NICs off the hook that easily;

*Handwritten notes:*  
Lubricate the...  
Shipping - maintain liberal conditions.  
(Rajan + Pittman)

c. might have some presentational value but would probably not lead very far on its own. The United Kingdom would have less to fear than most other Summiters: and we could highlight restrictive practices in other Summit countries (including, for instance, United States restrictions in the shipping field)\*. But, without an institutional umbrella like GATT or OECD, an initiative among Summiters might well not bring about the required legislative changes in "offending" countries. The United States Administration in particular finds it easier to persuade Congress to make concessions when there is a package (preferably of a binding character within GATT) under which others have made concessions to the United States.

Conclusions and possible Summit treatment

17. It will not be easy to get all Summiters to agree to "forward-looking" language on the liberalisation of trade in services. But a Summit reference of some kind to the importance of the services sector could provide some leverage over fellow Summiters in future discussions.

18. Specific proposals for international initiatives in GATT or OECD should respect the sensitivities of non-Summiters and avoid being counter-productive. The impression that the Summiters are simply trying to promote their own economic self interest should be avoided. In particular, any reference to services in the context of a new GATT round should recognise that the content of such a round will be a matter for negotiation among all GATT members - including the developing countries. It would be counter-productive to antagonise the already sceptical NICs by appearing to pre-empt GATT discussions. The recent ES discussion laid down the general approach which the United Kingdom should adopt to the references to a new GATT round in the Summit communique.

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Note: See paragraph 7 of Annex C for a fuller explanation of the shipping point

19. There might be some mileage in option c. - if only as a means of engaging the attention of all Summiteers. The exercise would probably not proceed beyond the information-gathering phase (perhaps with suggestions for remedies): and any conclusions would ultimately have to be fed into GATT or OECD. The EC Commission (plus France and Italy) might resist on the grounds that the Community should work out its own position first. But a Summit exercise might be a way of keeping up the pressure on the Community: and self-mortification by Summiteers could prove salutary in itself.

#### THE PROBLEM OF EXPENDITURE ON THE SOCIAL SERVICES

##### The problem

20. Public expenditure on social programmes (health, education, pensions and other income maintenance programmes) has grown almost twice as fast as GDP in OECD countries over the last twenty years. The main factors have been demographic changes, higher uptake of existing benefits, higher real benefits and relative price increases. But higher social expenditure has brought higher taxes and insurance contributions. This process can not continue indefinitely.

##### OECD work

21. The OECD held a Ministerial Conference on 13-14 February 1984 to consider the Longer Term Performance of OECD Governments: Challenges Facing Governments. By prior agreement there was no final communique. The material presented to that conference showed that pension costs accounted for over 40 per cent of social expenditure in the seven major OECD countries in 1981. Expenditure on health care came to 23 per cent of social spending while education took 20 per cent. Unemployment insurance represented around 5 per cent.

22. The ad hoc OECD committee that collated this information noted that, in the OECD as a whole, if there are no further attempts to expand the coverage of social programmes and if cost increases in health and education can be held to the overall rate of inflation plus one per cent, it should be possible to hold on to the gains in coverage and benefits made during the 1960s and

1970s and to improve on these approximately in step with, but no faster than, economic growth. However, even on the optimistic scenario considered by the committee, it was difficult to foresee increases in the scope or coverage of any of the main social programmes. Yet, the committee concluded, there are likely to be pressures to do just that. A number of them will be associated with the difficulties individuals find in obtaining security and support from the labour market. The ageing population and changing family and life cycle patterns will also make greater demands on the social system.

23. In the longer term (beyond 1990) the main challenge facing social welfare systems may be to accommodate the demands on the social budget of an ageing population. An increase in the proportion of old people in the population requires higher pension transfers and places heavy demands on the health system. The thrust for equality of treatment between men and women will also exert pressure on governments to improve the social security coverage of women. The rise in divorce rates, longer life expectancy and more one-parent families mean more family units having little or no income from employment. If these trends are not reversed, further demands on public welfare programmes seem inevitable.

#### The next ten years

24. The Chancellor of the Exchequer presented, in March, a Green Paper on the Next Ten Years: Public Expenditure into the 1990s. The Green Paper identified a number of pressures on public expenditure, notably demographic and technological changes. For example, the number of people in the United Kingdom over 75 is expected to increase from 3.3 million in 1981 to 3.9 million in 1991, while health care costs are nine times higher for those over 75 than for those of working age. Technological advance will yield substantial cost savings in some areas; but it can also open up new possibilities for improved levels of service and therefore new demands. Rising expectations as incomes of the working population increase will provide other pressures.

25. Over a wide range of services demands are literally limitless because they are not restrained by the price mechanism which forces those making demands to balance them against costs. In these cases the only means of controlling costs is for government to limit the supply. <sup>determine priorities</sup> Wherever it is possible and sensible to do so, the UK Government is seeking to transfer the provision of services into the market sector. In other areas, it may be possible to use charges as a more direct way of testing demand. There may, too, be a case for hypothecating revenues to individual expenditure programmes, particularly in the social field, in order to bring home the costs.

Other countries' experience

26. In the United States the social security retirement and disability funds faced a shortfall \$150-200 billion between 1983-1989. As a result, the bipartisan Greenspan Commission proposed revenue increases and planned expenditure reductions of about \$165 billion over this period. Measures adopted included a 6 month delay in cost of living adjustments for Social Security benefits, higher contributions and reduced benefits for those who retire early. According to recent press reports, the Social Security trustees have warned that Medicare funds may be exhausted by 1989 unless measures are taken to curtail rapidly rising costs.

27. There will also be serious demographic pressures on public spending programmes in Japan. It has been estimated that the proportion of over 65s will rise from around 9 per cent at present to 16 per cent by the year 2000. These pressures, on the basis of the current social security program, might lead to the share of social security transfers in national income rising from just under 13 per cent in FY1980 to 23 per cent in FY2000.

28. The German government has already taken measures to curb planned expenditure and in particular social security spending. It has recently adopted a target of holding the growth of nominal public expenditure to 3 per cent a year from now until 1988. If successful this would appear to allow little or no room for growth in the volume of public expenditure. The measures already taken include reductions in some unemployment benefits and delays in pension increases. In future the government intends that pensions should only rise as fast as wages, rather than rising faster as they have in recent years.

29. The French government has attempted to reduce the growth in public expenditure as part of the austerity programme first adopted in 1982. The government reduced planned expenditure by FF 15 billion in the package of austerity measures announced in March last year. It has also taken measures to curb social security spending, including cuts in pre-retirement benefits.

Possible Summit outcome

30. It may be feasible to refer to common longer term public expenditure problems in all or most of the Summit countries and common approaches to these problems. The OECD might be most suitable international organisation to develop specific areas of particular interest.

FURTHER DEREGULATION OF AIR TRANSPORT

Background

31. Under international law national sovereignty extends to the airspace over a country's territory. International air services can therefore only operate with the permission of the various governments on the route.

32. Almost all countries attach importance to maintaining a national airline (generally State owned) to safeguard their international communications rather than needing to depend on foreign airlines for the purpose. Many countries (including some industrialised as well as almost all third world and state trading countries) are prepared if necessary for their State airlines to be unprofitable.

33. Scheduled international air services are regulated through a series of multilateral and bilateral agreements which impose strict controls on the routes which may be served by individual airlines, the capacity which may be deployed and the tariffs which may be charged. Even these restrictions would not, however, safeguard the position of many international airlines. In practice therefore many (particularly third world and state trading) countries adopt additional protective devices such as -

(i) Capacity sharing arrangements (under which the foreign airline is allowed to deploy only the same capacity on the route as the national airline).

(ii) Pooling arrangements (under which the airlines share their income from the route between the two countries).

(iii) Exchange control restrictions operated (contrary to international agreements) so as to deprive foreign airlines of the opportunity to compete for international traffic originating in the domestic market (either by preventing nationals from buying tickets on foreign carriers or preventing foreign carriers from repatriating their earnings).

(iv) Illicit charging of uneconomically low fares in order to attract custom in overseas markets.

(v) Retaliatory action, consistent with bilateral agreements, by countries such as the United Kingdom whose airlines are deprived of their rights in other countries by action such as that in (iii) or (iv).

34. Different problems exist on the North Atlantic. The United Kingdom has deliberately set out to encourage the maximum competition consistent with the effective survival of British airlines. As a result, the North Atlantic is the most competitive market in the world, offering scheduled services from Concorde on the one hand, to People Express on the other, plus substantial charter services which are exempt from price controls. United States airlines however have an enormous advantage over their British (and other European) competitors because of their size and because of their ability to serve the entire United States market through domestic services connecting with their trans-Atlantic flights. (British and other European carriers can only serve a limited number of "gateways" beyond which passengers for other United States destinations must use domestic services provided in many cases by their United States trans-Atlantic competitors). United Kingdom and other European countries need therefore to retain their existing controls over United States operations in order to offset the enormous commercial advantages enjoyed by United States carriers.

35. The United Kingdom Government is pressing its Community partners to liberalise the restrictions on intra-Community air traffic. Even here, however, progress is very slow since the majority of our partners prefer to maintain the present controls which are convenient to their State airlines. The aim therefore is to seek in advance, wherever possible, to liberalise bilateral relations with other member states, particularly with the Dutch, in the hope that such bilateral experiments will demonstrate the advantages of liberalisation and encourage progress on an EC-wide basis.

The scope for action of the Summit

36. There seems practically no scope for worldwide deregulation of international air transport. Third world and state trading countries could not face the damage which their airlines would suffer from deregulation; and in the absence of generalised deregulation, countries need to maintain their existing regulations in order to offset the unfair competition to which they are exposed.

HARMONISATION OF INTERNATIONAL STANDARDS

Background

37. The United Kingdom recognises the importance of standards for assisting the competitiveness of United Kingdom trade and commerce, and the need to employ internationally accepted standards. The Government's proposals to enhance the status of United Kingdom standards system were published in a White Paper, "Standards, Quality and International Competitiveness" (Cmd 8621) in 1982.

State of existing discussion

38. The United Kingdom is active, through the British Standards Institution, a non-governmental body, in international standards committees. In Europe, the EC Commission is pursuing an initiative to strengthen and co-ordinate the role of European standardisation, key factors in which are the information exchange directive (83/189/EEC) adopted in 1983 and a boosting of the role of European standards organisations. A committee of senior government officials of the EC member states develops policy and implements it nationally.



39. Internationally, the pace of standardisation is determined by the need for consensus among the many national delegations to international standards committees. Governments contribute in the main by seeking to influence national standards organisations and as members of national delegations. It is important to devote national resources to those areas of high priority trade and industry, and ensure that the British Standards Institution seeks and where possible obtains the secretariats and chairmanships in important areas.

Possible Summit treatment

40. The United Kingdom might usefully invite the Summit to identify and endorse greater harmonisation of international standards as a means of reducing structural rigidities to sustained economic growth. (Note: the dangers of developing different standards and testing procedures in the field of high technology products will be dealt with in the Second Report of the Versailles Working Group on Technology, Growth and Employment).

PHASING OUT OF EXPORT SUBSIDIES

Background

41. Export subsidies, especially mixed credits, are an increasing distortion of international trade. Following the Williamsburg commitment to roll back protectionism as the recovery proceeds, there is a case for a further international initiative to phase out the use of mixed credits and other forms of associated financing.

42. The need for a new initiative is currently being discussed within OECD after it was raised at the Ministerial meeting in February. The current aim is to report to the OECD Ministerial in May and to seek a firm commitment to a new initiative then.

Why not restrict mixed credits only?

43. A prerequisite to establishing discipline in soft financing lies in the need to cover the wide variety of mechanisms employed which can have the same effect as 'mixed credits'. With United Kingdom aid predominantly in grant form, the United Kingdom's retaliation to such techniques is relatively transparent, whereas devices such as 'pre-blending', 'associated financing' - as practiced by Germany, Japan, Austria, Sweden, Switzerland, and others - can have comparable consequences either by themselves or worked alongside normal export credit.

United Kingdom's record on mixed credits

44. United Kingdom activity in concessionary finance is transparent and within existing definitions; the United Kingdom's share of all such concessionary finance, rather than that caught by present definitions, would be relatively small. Even on mixed credits caught by present definitions, the apparently high incidence in 1982 arises because a number of major commitments fell due for reporting that year. 1983 statistics should show a very different picture. It should also be noted that whilst the number of notified 'mixed credits' have increased from 37 in 1980 to 147 in 1983, United Kingdom notifications have fallen by 30 per cent.

Newly industrialised countries (NICs)

45. Export subsidies are used in a trade distorting manner by the NICs, and notably by a major debtors. This might be dealt with by tightening up the conditions on export subsidies in IMF packages, which precede debt rescheduling. The NICs' activities should not be allowed to prevent an effective agreement between OECD members to phase out associated financing.

Possible Summit treatment

46. The aim might be an endorsement of the new OECD initiative by the Summit countries. This would be particularly useful in helping to bind the French, who are heavy users of mixed credits, to the new initiative. Otherwise, they will block any attempt to agree to a Community line on a matter which is partly one of Commission competence.

### Medium Term Objectives and Policies

6. Increased confidence and economic recovery offer the opportunity to move to a period of sustained growth. But if this is to be achieved, Summit countries need to set themselves a common range of medium-term objectives, entailing a wide range of interrelated policies, and to take account of the impact of their policies on each other and on the rest of the world. Other countries and groups of countries have already expressed their concern in this respect. The objectives can be summarised as -

6.3 - to devote greater attention to reducing the structural obstacles to higher employment by encouraging labour mobility, more flexible labour costs and industrial adaptation, by discouraging short term sectoral support measures, reducing and, if possible, phasing out export subsidies and other forms of assistance which distort trade. As demand expands, it will be particularly important to ensure that wherever possible the unemployed are drawn into productive employment; this will also reduce the strains on public expenditure from social security provisions, which seem likely otherwise to rise to insupportable levels in many industrialised countries;

6.6 - to consolidate the basis for sustainable non-inflationary growth and job creation by renewed practical efforts to liberalise and expand trade, in services and high technology as well as in manufactures and commodities, and to consolidate the open trading system;

6.9 - to find ways of increasing the flow of private investment, through the removal by all countries of impediments to capital flows generally and by encouraging countries to create a climate of confidence for investment;

[6.10 -to adapt and improve the operation of the international financial system. This entails creating a more stable medium term financial environment by prudent and convergent policies and performance among the major countries, particularly the reserve currency countries, providing a consistent flow of funding to the international financial institutions and removing restrictions on and improving international access to capital markets in industrialised countries;]\*

#### Immediate Measures

7. In order to attain these objectives within a framework of sustained recovery and growth, Summit countries can agree on the following range of immediate measures -

7.2 - to study structural adjustment with the appropriate international organisations, notably the OECD, and to adopt further measures to reduce structural rigidities to sustained growth, in particular by harmonising international standards, by encouraging innovation and industrial adaptation to technological change and greater labour and capital mobility, thus maximising job creation and job training opportunities, and by increasing public understanding and acceptance of the need for advanced technical development;

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\* Note: depends on the outcome of the April IMF and May G10 Meetings.

EXCHANGE CONTROL ARRANGEMENTS IN SUMMIT COUNTRIES

Canada

1. No exchange controls currently exist on any capital receipts or payments by residents or non-residents. There are no controls on outward direct investment; but inward direct investment is subject to some restrictions and proposed projects are vetted by the Foreign Investment Review Agency.

France

2. Capital movements between France and all countries except Monaco and the "Operations Account countries" (which comprise various former colonies) are subject to exchange control approval. The general aim of the restrictions is to prevent excessive capital outflows. Their main characteristics are as follows -

i. there are various restrictions on portfolio operations of non-residents in French securities, and on operations by residents in foreign securities markets. The issue in France by non-residents of franc-denominated securities, and trading in them, is subject to government authorisation; and the sale in France by non-residents of foreign currency denominated securities is prohibited. Residents may purchase abroad securities denominated in foreign currencies only with foreign exchange resulting from the sale of similar securities;

ii. lending by residents to non-residents is subject to government authorisation, except for foreign currency loans made by banks and financed by foreign currency borrowing or from their own funds. Lending to non-residents in francs is generally prohibited;

iii. French security issues abroad are subject to government authorisation, as is lending from non-residents to residents generally (there is a FF50 million ceiling on such loans to any individual);

iv. residents may not make deposits with banks abroad;

v. there are extensive restrictions on inward direct investment in France. French direct investment abroad requires government authorisation, and must generally be 75 per cent financed by foreign currency borrowing;

vi. the purchase by residents of property abroad is generally prohibited.

Germany

3. No exchange controls are currently in operation. However, non-resident bond issues in Germany are monitored by the Central Capital Market Committee; and DM bonds issued abroad must be made through a consortium lead-managed by a German bank.

Italy

4. Outward investment generally is inhibited by a requirement that transfers of resident-owned capital abroad must usually be matched by a lira deposit equivalent to 50 per cent of the amount transferred in a non-interest bearing account with the bank effecting the transfer. Besides this, various other controls exist -

i. residents may generally purchase and sell securities in foreign markets; but issues of securities abroad by residents are subject to government approval;

ii. non-residents may generally purchase and sell Italian securities; but issues by non-residents on the Italian market are generally restricted to international institutions;

iii. lending abroad is subject to restrictions, except for short and medium term loans to EC residents. Authorisation is required for certain categories of inward loans;

- iv. residents may not generally make deposits with banks abroad;
- v. inward direct investment is generally free from restrictions, as is outward direct investment in OECD member states; but direct investment from other countries is in certain cases subject to authorisation. Outward direct investment transactions have generally been given ad hoc exemption from the lira deposit requirement;
- vi. there are restrictions on the purchase of property abroad by residents.

Japan

5. In recent years, Japan has been gradually reducing exchange restrictions. The main kinds of international capital transactions by residents which require authorisation are -

- i. issues of securities abroad;
- ii. overseas lending;
- iii. direct investment abroad;
- iv. foreign currency deposits overseas;
- v. borrowing and lending in foreign currencies between residents.

6. Both yen and foreign currency operations by Japanese banks are fairly free from restriction.

7. For non-residents, inward direct investment is closely vetted by the authorities, and care taken not to allow substantial erosion of the position of national companies. While non-resident portfolio operations, and operations by foreign banks, are generally fairly free from restrictions in principle, the main problem is not exchange controls per se but the underdevelopment of the Japanese financial market. For example, markets in Treasury bills, bankers' acceptances and commercial paper do not exist; and the CD market is relatively underdeveloped. While steps have been taken to liberalise the euro-yen market, a withholding tax on interest payments will be a disincentive to its development. The Japanese authorities appear particularly keen to resist a diminution of the market share of domestic financial institutions.

CONFIDENTIAL

United Kingdom

8. No exchange controls.

United States

9. No exchange controls.

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SERVICES AND INTERNATIONAL TRADE

1. Services now make a major contribution to international trade. Existing service sectors are expanding, and new services are being developed. The new technologies are revolutionising communications. The economies of the advanced industrial countries are becoming proportionately more reliant on service industries: through the process of structural adjustment, certain types of manufacturing activity are passing to the newly industrialised countries. The United Kingdom has particular skills in certain service sectors and is one of the world's leading exporters of services. Statistics for services are imperfect. IMF figures (1980 basis) show the United States as the largest single exporter on a value basis (\$34.9 billion) - closely followed by the United Kingdom (\$34.2 billion), France (\$33.0 billion) and Germany (\$31.9 billion). Services now account for 56 per cent of United Kingdom GDP (but internationally-traded services represent a much smaller proportion - around 10 per cent).

2. United Kingdom sectors involved in international trade include -

Accountancy  
Advertising agencies  
Banking  
Civil aviation  
Commodity trading and other merchanting  
Computer services  
Construction and consultancy services  
Distribution services  
Educational services  
Films and television  
Insurance  
Legal services  
Medical services  
Shipping  
Stock Exchange  
Telecommunications and Postal services  
Travel and Tourism

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3. The United Kingdom has a liberal domestic regime for services and a long standing interest in promoting the removal of other countries' restrictions. The United States and some of the other advanced industrialised countries share the United Kingdom view. The United States has for some time been active in promoting formal liberalisation of trade in services through the GATT. GATT disciplines, which have contributed so much to the liberalisation of trade in goods over the last 30 years, do not currently apply to services. The developing countries are allowed derogations even from the open trading system in goods.

4. One United Kingdom objective in a new GATT round would be to integrate the newly industrialised countries into the open trading system (thus reserving preferential status for the poorer developing countries). It is time for the NICs to open their markets to British goods and services - in return for the inroads which they have made into the markets of the developed world. But the NICs will want to exact a high price in return - probably a wholesale dismantling of the protectionist measures which the developed world now maintains against their textiles etc. They are hostile to the idea of including services in any overall package. They think liberalisation would work only for the benefit of the developed countries - and they want to retain the right to protect their airlines, insurance companies etc. They see more advantages in working through UNCTAD - where the concept of prescriptive rights for developing countries (usually by way of exception from the open trading system) is well-established. Some developed countries, notably France (but also probably Italy) are likewise unenthusiastic about GATT involvement in services: these countries would probably not want to go beyond existing work in OECD (where there are already Codes for invisible transactions and capital movements).

5. Because of the opposition of developing countries, the GATT Ministerial in 1982 was unable to agree to a work programme on services. It was left that individual GATT members with an interest in services would submit national studies: the United States and Canada have already done so. The United Kingdom national study will be presented to the GATT shortly. The GATT Contracting Parties meeting in November will review the national studies: but any decision on future work will have to await the next GATT Ministerial (probably late 1985). By that time, discussion will be focussing on the shape of a new GATT round.

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6. The chances of negotiating worthwhile disciplines for services in the GATT appear to be slim although the effort must be made. The opposition of the developing countries - and the doubts of certain developed countries - will be difficult to overcome. The United Kingdom nonetheless hopes to achieve a liberalisation of the internal EC market in services, perhaps accompanied by an extension of OECD's role in relation to services generally. It could be argued that such an outcome would be less disadvantageous to the United Kingdom than to other developed countries. Perhaps as a legacy of Empire, United Kingdom service industries have achieved a widespread presence in developing country markets: they do face restrictions but they seem to have learned to circumvent these rather more successfully than their competitors. By implication, formal liberalisation could thus be proportionately more beneficial to the competition than to us.

#### Shipping

7. Department of Transport officials argue that it would be useful to obtain the endorsement and encouragement of the Summit for the important negotiations which are now in progress between the United States and European countries, on maintaining competitive access to one another's shipping trades. These discussions are an essential element in the preservation of the open world trading system, and concern a service industry which is important not only in its own right, but also as the one which carries most international trade. At present, however the negotiations are in danger of getting becalmed for lack of high-level political support, especially in the United States, and a renewed political impetus would help them forward.

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cc B1  
**CONFIDENTIAL**

Ref. A084/1240

PRIME MINISTER

London Economic Summit 1984

Personal Representatives met from 7 to 9 April, to discuss the draft thematic paper which I sent to you on 21 March.

2. In general, Personal Representatives agreed that the paper was comprehensive, and very much on the right lines. Points of emphasis and detail apart, such general differences of approach as emerged tended to be self-cancelling. Thus some of the Europeans found the tone of the paper too optimistic, and wanted greater prominence to be given to features like the level of interest rates and the size of budget deficits in the United States. Conversely, the American delegation regarded the paper as already too critical of the United States and wanted more about the negative features of the performance of the European economies, such as the conspicuous failure to create more jobs. Predictably perhaps, the French displayed especial sensitivity to the concerns of the third world, although much of their criticism (eg that those parts of the paper dealing with developing countries were patronising and paternalistic in tone) was vague and imprecise.

3. I attach a revised version of the thematic paper which takes these and other points raised at the meeting into account. There will be an opportunity to discuss it at the meeting planned for 30 April with the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer. Prior to that, I will circulate the paper on possible British initiatives at the Summit which was requested in Mr Coles's minute of 23 March to me. The latest version of the thematic paper includes suitable pegs on which to hang any or all of the possible initiatives mentioned by Mr Coles if, in the event, it is decided to pursue them. I will also advise on whether other Ministers might be invited to that meeting and, if so, who they should be.

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4. I am sending copies of this minute and of the revised draft thematic paper to the Foreign and Commonwealth Secretary and to the Chancellor of the Exchequer.

RA

ROBERT ARMSTRONG

CONQUEROR

25 April 1984

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LONDON ECONOMIC SUMMIT  
7-9 JUNE 1984

THEMATIC PAPER

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Cabinet Office

25 April 1984

**CONFIDENTIAL**

Introduction

1. The London Summit forms part of a continuing process of consultation among the major economies. Through successive recent Summits, governments have worked to bring down levels of inflation, nationally and internationally, to promote soundly-based growth in their own countries and to spread the benefits more widely, and to promote greater stability in international monetary and exchange conditions. Over the past two years, inflation has fallen and output has begun to recover, particularly in the United States. The work to sustain and spread this recovery continues. As we approach the mid 1980s, the London Summit provides a vantage-point from which to review and chart policies to guide the major industrialised economies successfully into the second half of the decade.

2. The main concerns in the years ahead are likely to be: to reinforce the basis for enduring growth, [transcending the customary cyclical recovery phases,] without provoking [a resurgence of] inflationary pressures] and to disseminate the benefits of that growth throughout our societies; to <sup>disseminate</sup> promote structural adjustment in our economies and to create the conditions for a sustained improvement in employment, especially for the young; to strengthen and liberalise the international trading system and capital markets; to [improve the prospects for] managing the international debt problem and fostering conditions for adequate financial flows to non-industrialised countries; and to co-operate with the wide range of those countries in their efforts to place their economies on a more secure and self-reliant basis. The Summit countries share a profound commitment to the fundamental values of political liberty and the free market system, with justice and responsibility. They are convinced that these principles alone provide a sure foundation for long term economic development.

Macroeconomic Background

3. Over the past year the recovery in the industrialised nations, discerned at Williamsburg, has strengthened [and deepened.] In many respects the recovery is more soundly-based than in [some] previous cycles, founded as it is upon real and often painful structural changes against a background of firm efforts to reduce underlying [fiscal] deficits and control monetary growth [in most countries.] But its continuation cannot be taken for granted. In the industrialised countries, failure to sustain policies to reduce inflation [and

damp down inflationary expectations) could put recovery at risk. Many other countries, including relatively advanced economies with substantial debt burdens as well as (endemically) low income countries, are still encountering severe difficulties. In considering the contribution which the Summit countries can best make to help these countries, it is essential to recognise the wide diversity of their circumstances and requirements.

4. The principal features of macroeconomic developments over the past year can be summarised as -

- 4.1 - growth has revived strongly in North America and Japan, and somewhat less strongly in certain European countries. This phased recovery has helped to avoid some of the pressures seen in earlier, more rapid, recoveries;
- 4.2 - recovery has been accompanied by productivity gains. So far, it has had only limited impact on employment. Experience on job creation has varied widely in the Summit countries with a particularly strong rise in employment in the United States;
- 4.3 - significant success has been achieved in lowering inflation rates, although they remain high in some individual countries;
- 4.4 - underlying structural budget deficits have tended to rise in North America but good progress has been made in other countries in bringing about a reduction, reflecting both measures designed to cut planned public spending and, where necessary, a readiness to increase taxes;
- 4.5 - there has been a perceptible revival in world trade, with a marked rise in the imports of some Summit countries, notably the United States, helping to spread the benefits of the recovery to other countries;
- 4.6 - exchange rates were dominated until the turn of the year by the strength of the dollar although this has recently declined;



- 4.7 - nominal interest rates have risen sharply recently in the United States and real rates remain historically high in a number of countries;
- 4.8 - the overall growth of monetary aggregates in Summit countries, despite some volatility, has slowed after the rapid rises early last year, and is now more consistent with a prudent rise in nominal income;
- 4.9 - significant payments imbalances have emerged between Summit countries. A large and rising Japanese surplus has been more than offset by the very large United States deficit so that the group as a whole has been in deficit - in contrast to its traditional surplus;
- 4.10 - most other countries have reduced their current account deficits, benefitting from a recovery in their export markets and rising commodity prices. Nevertheless many of the debtor countries among them still face the consequences of import reductions, substantial debt servicing costs, increased political and social strains and a level of net bank lending which is low compared to the position a few years ago;
- 4.11 - the future confronting endemically low-income countries remains daunting. Levels of official aid are constrained by budgetary pressures in donor countries and the outcome of IDA 7 so far has disappointed many governments. The prospects for the poorest countries, especially in sub-Saharan Africa, remain bleak;
- 4.12 - the flexible strategy on debt evolved during the last few years has worked well so far. Threats of global financial crisis have been averted. World economic recovery has played an important part. The central objective of encouraging necessary, often severe, adjustment of the economic policies of debtor countries has been achieved in a growing number of cases. This has involved a key

role for the IMF, whose resources have been strengthened, and substantial co-ordinated support measures by creditor governments and their central banks, other financial institutions and private banks. But there is still a long way to go and problems and risks remain;

4.13 -[some progress has been made in implementing the commitments on resisting and reversing protectionism made last year at the OECD Ministerial meeting and at Williamsburg. All Summit governments have agreed steps to accelerate implementation of the Tokyo Round and to ease restrictions on imports from the poorest countries;]\*

4.14 - nevertheless, protectionist pressures in the industrialised countries have not abated, associated with high unemployment and slow recovery in some cases and a high exchange rate and growing trade deficit in the United States. There has been little movement among the newly industrialised countries and others in the course of industrialisation to dismantle their own trade barriers or to reduce internal constraints upon competition;

4.15 - oil prices have remained relatively stable but the market balance is still fragile, poised between the twin dangers of over-production and sharply reduced supplies due to political events. Other commodity prices have risen modestly.

#### Prospects

5. Most forecasters expect that on present policies the recovery in activity in the Summit countries should continue over the next year or so -

5.1 - output in North America may rise more slowly after the rapid recent increases but activity in Japan and the European economies should gradually strengthen. A phased recovery of this kind can be a helpful basis for sustained growth;

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\* Note: depends on the outcome of the OECD Ministerial meeting on 18 May.

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- 5.2 - unemployment seems likely to fall further in the United States but the recovery may not be rapid enough to bring more than a slight reduction elsewhere, particularly where market rigidities persist;
- 5.3 - the moderate overall pace of recovery in activity should prevent an early resurgence of inflation but prices could rise more rapidly than last year in the United States. Others may either manage to keep inflation close to present levels or achieve some further reduction;
- 5.4 - world trade seems likely to rise rather faster than the recovery in activity;
- 5.5 - current account imbalances within the Summit group seem likely to increase and the Summit countries as a whole may remain in deficit with the rest of the world;
- 5.6 - recovery combined with present fiscal policies should help curb budget deficits in most Summit countries. The United States Administration is giving priority to curbing public expenditure but the structural deficit may remain at a high level;
- 5.7 - prospects for interest rates are uncertain. In the United States, more moderate output growth could help check interest rate pressures but any resumption of inflation, particularly if allied to concern about financing the budget deficit, could work in the opposite direction. Elsewhere, further progress in curbing inflation and budget deficits may ease interest rate pressures;
- 5.8 - exchange rate prospects are also uncertain. The growing United States current deficit, particularly if coupled with faster inflation, could put further downward pressure on the dollar although a continued high rate of return on assets in the United States could be an offsetting factor. In the case of the yen,

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Japan's growing surplus and strong macroeconomic performance may lead to upward pressure but capital market rigidities could limit the extent of any yen appreciation. The stability of EMS countries' exchange rates, both among themselves and with the rest of the world, will depend importantly on their success in bringing their inflation rates together at a low level;

5.9 - rising exports, higher commodity prices and effective adjustment are likely to help many of the non-oil countries to service their debts and begin to reduce their current account deficits;

5.10 - the prospect of only a modest increase in energy demand should help towards achieving stable nominal oil prices, though resulting limits on the revenues of oil producers will reduce the scope for import growth in oil producing countries. Rising activity may also lead to further modest increases in other commodity prices;

5.11 - in the medium term, the prospects for sustained recovery depend on avoiding a resurgence of inflation, achieving lower real interest rates and a strong recovery in investment, sustaining structural adjustment efforts and maintaining the growth of world trade on which the prospects for poor countries in particular depend.

#### Medium Term Objectives and Policies

6. Increased confidence and economic recovery offer the opportunity to move to a period of sustained growth. But if this is to be achieved, Summit countries need to set themselves a common range of medium-term objectives, entailing a wide range of interrelated policies, and to take account of the impact of their policies on each other and on the rest of the world. Other countries and groups of countries have already expressed their concern in this respect. The objectives can be summarised as -

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- 6.1 - to continue with, and where necessary strengthen, prudent monetary policies, supported by strict control of public expenditure and fiscal deficits, in particular aimed at still lower rates of inflation, especially through firm action by countries where inflation rates remain relatively high;
- 6.2 - to adopt policies to create conditions for lower nominal and real interest rates. This mainly entails further progress to reduce inflationary expectations and resolute action to put structural budget deficits onto a prudent and sustainable basis;
- 6.3 - to devote greater attention to reducing the structural obstacles to higher employment by encouraging labour mobility, more flexible labour costs and industrial adaptation, by discouraging short term sectoral support measures, reducing and, if possible, phasing out export subsidies and other forms of assistance which distort trade. As demand expands, it will be particularly important to ensure that wherever possible the unemployed are drawn into productive employment; this will also reduce the strains on public expenditure from social security provisions, which seem likely otherwise to rise to insupportable levels in many industrialised countries;
- 6.4 - to promote the development of new technologies, in traditional as well as in new industries, international co-operation and a more rapid and widespread acceptance of technological change, recognising its importance to long-term growth;
- 6.5 - to promote conditions conducive to productive investment and private enterprise, especially among innovative small businesses;
- 6.6 - to consolidate the basis for sustainable non-inflationary growth and job creation by renewed practical efforts to liberalise and expand trade, in services and high technology as well as in manufactures and commodities, and to consolidate the open trading system;

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6.7 - with this aim in view and as recovery proceeds, to complete current trade liberalisation programmes, in cooperation with other trading partners, and to explore with them the need for and possibility of a new negotiating round early in the second half of the decade;

6.8 - to maintain adequate flows of resources (including official development assistance) to the non-industrialised countries, taking into account the diversity of their requirements, and in particular to stimulate the development and application of practical measures to improve the environment of those countries in a fashion that conserves non-renewable resources for the future, enhances indigenous food and energy production, and creates conditions where populations move towards stability;

6.9 - to find ways of increasing the flow of private investment, through the removal by all countries of impediments to capital flows generally and by encouraging countries to create a climate of confidence for investment;

[6.10 -to adapt and improve the operation of the international financial system. This entails creating a more stable medium term financial environment by prudent and convergent policies and performance among the major countries, particularly the reserve currency countries, providing a consistent flow of funding to the international financial institutions and removing restrictions on and improving international access to capital markets in industrialised countries;]\*

6.11 - to continue to encourage and assist the efforts of economic and financial adjustment by debtor countries, taking due account of political and social difficulties. Such adjustment is the essential condition for them to establish the basis for sound growth and of

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\* Note: depends on the outcome of the April IMF and May G10 Meetings.

confidence on which they once again attract new capital. Sustained world recovery which presupposes adequate but not excessive world liquidity will continue to be a prerequisite for success;

6.12 - to pursue policies, wherever possible, best designed to avoid sudden and de-stabilising movements in either direction in international oil markets;

6.13 - to pursue the necessary scientific research to establish the causes, effects and means of limiting pollution; in the light of such research to make greater national and international efforts to reduce pollution of air, water and ground; and to work on countermeasures to minimise the effects of pollution.

Immediate Measures

7. In order to attain these objectives within a framework of sustained recovery and growth, Summit countries can agree on the following range of immediate measures -

7.1 - to intensify multilateral surveillance procedures and make further progress (in all our countries) on prudent fiscal and monetary policies (with a view) to achieving <sup>lower</sup> reduced levels of inflation and interest rates and greater exchange rate stability;

7.2 - to study structural adjustment with the appropriate international organisations, notably the OECD, and to adopt further measures to reduce structural rigidities to sustained growth, in particular by harmonising international standards, by encouraging innovation and industrial adaptation to technological change and greater labour and capital mobility, thus maximising job creation and job training opportunities, and by increasing public understanding and acceptance of the need for advanced technical development;

Can this be translated into English  
MS.

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7.3 - to note, with approval, the progress report of Finance Ministers on their consideration of the operations of the international monetary system and the work of G10 Ministers on exchange rates, surveillance, international liquidity and the role of the IMF and to invite Finance Ministers to take forward these studies in the appropriate organisations;

[7.4 - to confirm the basic strategy on debt and to <sup>apply it -</sup> continue to implement it flexibly) on a case by case basis, recognising (with satisfaction) the progress made by many debtor countries and the (extensive) international cooperation which has helped to encourage and support them;

7.5 - to note that (continued world economic recovery,) reduced interest rates and trade liberalisation, all desirable general aims, are also (particularly) important to the resolution of debt problems;

7.6 - to urge Finance Ministers, international institutions and the debtor countries themselves to seek and develop arrangements which could foster renewed economic progress by debtor countries on a sustainable basis. These might include:

7.6.1 - encouragement of private direct investment;

7.6.2 - closer co-operation and compatibility between the IMF (focussing on shorter-term financial and economic adjustment) and the IBRD (focussing on structural and longer-term development needs);

7.6.3 - scope for developing the kind of IBRD operations which can be a catalyst to attract long-term capital investment;

7.6.4 - further development of international cooperation for improving the supervision of lending by commercial banks, 'notably in their overseas operations;]\*

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\* Note: depends on outcome of April IMF and May G10 meetings

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7.7 - [to note [with approval] the decision taken at the meeting of OECD Ministers on 18 May 1984 concerning the initial phase of the OECD and Williamsburg commitments and the OECD Secretary General's initiative]\*, and to urge all trading countries to resist continuing protectionist pressures and to reduce barriers to trade;

7.8 - to promote at the GATT Contracting Parties meeting in November 1984 a successful outcome of the work programme laid down at the GATT Ministerial meeting in November 1982; and to broaden consultations with Contracting Parties and with the Director General with a view to obtaining a consensus for a high level meeting of GATT before the end of 1985 to consider launching a new GATT round on the basis of clearly defined objectives and guidelines, at the appropriate moment in the second half of the decade.

#### East/West Economic Relations

8. To note, with approval, the ongoing work on the economic and security implications of relations with Eastern countries and to endorse the need to continue the work in progress in the appropriate organisations.

#### Science and Technology

9.1 To note, with approval, the second report of the Working Group on Technology, Growth and Employment created by the Versailles Summit; to endorse the progress made in the 18 areas of co-operation; and to invite the Group to pursue further work on technology and the environment, adaptation to technological change, the relationship between technology and trade and the sharing of major scientific facilities, and to report to the next Economic Summit.

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\* Note: depends on outcome of the OECD Ministerial meeting on 18 May.

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

9.3 To note the invitation from the United States Administration to cooperate in the development of an international space station; and to agree that other Summit countries will actively examine the possibility of taking part in the programme, directly or collectively; and to welcome the intention of the United States to report progress on space station matters to the next Summit.

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Mr. Bradley. There is no problem  
that I can see here.

Potential 2/7/4

Davis  
25/4

MR TAYLOR

Please see my note to  
Richard Hatfield attached about  
the Trade Union Delegation which  
the Prime Minister will be  
receiving on 31 May.

I imagine that it will be  
possible for this meeting to take  
place in one of the State Rooms.  
But I should be grateful to know  
whether you see any difficulties  
in this.

Davis

24 April 1984



10 DOWNING STREET

*From the Private Secretary*

MR HATFIELD

Economic Summit: Trade Union  
Delegation

John Coles recorded in his minute to you of 9 February that the Prime Minister had agreed to receive an International Trade Union Delegation on Thursday 31 May.

You will wish to know that Mr. David Lea of the TUC telephoned me just before Easter to say that the delegation would number approximately 20 people. He apologised for bringing such a large team, but said that this was inevitable given the number of countries involved.

I am sending copies of this minute to David Peretz (HM Treasury), Roger Bone (Foreign and Commonwealth Office) and David Normington (Department of Employment).

David Barclay

24 April 1984



10 DOWNING STREET

*From the Private Secretary*

24 April 1984

The Prime Minister has now seen the Chancellor's minute of 18 April about the subjects on which British interest might focus during the Economic Summit. Mrs Thatcher agrees in general terms with the Chancellor's proposals. She has commented, however, that we must avoid criticism of President Reagan at what will be a very difficult time for him. Anything we say could be distorted and misunderstood. She would therefore prefer not to direct attention specifically towards "US Policies". The Prime Minister's only other comment on the subject headings suggested by the Chancellor was that she would prefer to avoid the phrase "Supply Side" wherever possible. Mrs Thatcher very much agreed, however, with the approach to the international debt problem suggested in the paper annexed to the Chancellor's minute.

Timothy Flesher

David Peretz, Esq.,  
H.M. Treasury.



Prime Minister

Content with this selection of topics?

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

PRIME MINISTER

LONDON ECONOMIC SUMMIT

At our meeting on 23 March I promised you a note on subjects on which I would like to see the Summit focus from the point of view of British interests. I think there are six:-

- (i) World Economic Recovery
- (ii) US Policies
- (iii) Supply Side Policies
- (iv) Japanese Capital Markets
- (v) Trade Policies and Protectionism
- (vi) International Debt

World Economic Recovery

2. The keynote should be one of satisfaction with progress so far and emphatic confirmation of the basic non-inflationary strategy. As a leading exponent of the strategy - in theory and practice - we can take particular satisfaction.

United States Policies

3. My major worry - which my European colleagues strongly, and Canada and Japan only slightly less strongly, share - is the risk that we face a continuing rise in United States interest rates this year and into next year and/or a resurgence of domestic inflation in the United States. I believe the United States Administration and Congress are coming to recognise

We must not take any action to criticise Reagan at this difficult time for him. Anything we say could be distorted and misunderstood.

Yes - but (ii) must be expressed differently. and present careful phrase - supply side - 19/4  
Very much like the paper on internationalisation



more clearly the need for action on the fundamental imbalance of the federal fiscal deficit.

4. We shall of course not get the President, at this stage, to acknowledge mistakes or take substantial new action. Repetition of the long-standing debate among Finance Ministers in Washington last week got us nowhere, and the same would happen again at the Summit. I did, however, try on Don Regan at my private talk with him at the end of my visit the idea that, both to avoid an unresolved dispute at the Summit and to try for a message of some reassurance both to the United States and others, he might try to draft a statement which would take credit for the "down payment" measures now being adopted (insufficient but in the right direction) and express determination to carry on the good work after the Election. I shall pursue this idea with him when we meet again in May.

#### Supply Side Policies

5. This is an area where there is an opportunity for giving credit to the United States, while European countries including the United Kingdom are the ones which primarily need change - but change of a kind we are trying to make. I envisage focus on two areas, and I would not expect any dissent at the Summit:

- the need to reduce public expenditure as a share of GDP (the two most resilient economies in terms of pace of growth and reduction of unemployment, the United States and Japan, have something like 35 per cent of GDP absorbed by public expenditure; the figure for European economies lies in the 45-50 per cent range);
- cultivation of more flexible labour markets and industrial behaviour.



### Japanese Capital Markets

6. We need to keep pressure up on Japan on the trade front; but we do not have straight-forward targets of identifiable tariff and non-tariff barriers. But I believe we should join the Americans in attacking Japanese arrangements which obstruct inflow of capital to that country, and which keep the yen artificially low. I attach a short separate note.

...

### Trade Policies and Protectionism

7. President Reagan is under heavy pressure from sectors of United States industry and it would be particularly helpful - he is indeed likely to agree with this - for him to recommit himself at the Summit to resisting those pressures and moving in the direction of freer trade. We hope for progress at the OECD meetings in May, but will need to carry it forward in both OECD and the GATT.

### International Debt

8. Late last year and early this year, the climate was improving. But with the actual and threatened rise in US interest rates, and the possible implications of the recent Argentina rescue package, that is no longer true. I attach a separate note on what might be said and done. This includes a push on foreign private participation in local assets and industry, and a larger role for the World Bank.

...

9. Of the other Summit participants, I think that Germany are probably closest to the approach I have outlined. France, Italy and Canada will continue to find the disciplined strategy irksome but will go along with it; they will also be pressing the interests of developing countries generally and may link this with unwelcome ideas of "helping" debtors. We shall





have differences with the United States on some issues and with Japan over their capital markets. But I think we would have good support on each of the headings I have given.

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

*N.L.*

N.L.  
18 April 1984

JAPANESE CAPITAL MARKETS

These markets are very tightly controlled, by administration as much as, and usually more than, by law. During recent years capital outflow for various kinds of investment has been liberalised, indeed encouraged, offsetting the trade surplus but tending to prevent the currency from strengthening and thus keeping Japan very competitive in international trade.

2. Among the most significant controls are:

- entry and operations in Japanese markets by foreign institutions are limited, in marked contrast to the UK, US and some other markets;
- public availability of investment instruments, and the terms attached to them, inhibit free inflow from abroad;
- interest rates are controlled, in many cases at unattractive levels;
- operations in Euro-yen markets are similarly circumscribed, and suffer from discriminatory withholding taxes;
- even where opportunities are formally and theoretically granted, networks of arrangements between Japanese institutions can be an obstacle to entry by foreigners.

3. There are signs of a change of sentiment in parts of the Japanese authorities, but against much opposition and in part frustrated by differences among the progressives between those preferring to open domestic markets and those preferring first to liberalise Euro-yen markets.

4. The United States Treasury has been pressing the Japanese authorities vigorously in bilateral negotiations. Reports of progress so far are confined to suggestions of very small changes, many of them likely to be ineffective because other barriers remain untouched, and the time-scale envisaged seems to be very long.

5. It is particularly frustrating for UK financial institutions that their Japanese competitors operate as freely as they do in London markets, while they have only limited access to Tokyo.

INTERNATIONAL DEBT

Since Williamsburg the number of debtor countries in manifestly dangerous positions has diminished, helped by world economic recovery, but mainly through the efforts of some, such as Mexico and Indonesia, to restore a better balance of domestic policies. In other countries, where there has been little or no effort to adjust, the prospects have inevitably been getting worse (Argentina, Philippines, Brazil, Peru, Chile, perhaps Nigeria).

2. Ideas which could usefully figure at the Summit are:

✓ (a) Insistence on strategy of adjustment: this needs to be:

- publicly restated, to convince debtors that they cannot opt for an easy way out;
- privately agreed again between the major creditor countries - to reduce the risk that the United States may be unduly prepared to shield Latin American countries, which could lead to disaster.

(b) Looking to the future: two lines of thought:

- to show the debtor countries that their battles are winnable;
- to steer towards healthier future financing compared with the excessive reliance on short-term bank lending of the past decade.

(c) Specific ideas: these might include:

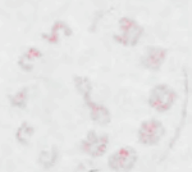
- some realisation of assets or admission of foreign private participations in local industry could give valuable easement of the total outstanding debt burden;
- a larger role for the IBRD, including both conditionality more closely linked with that of the IMF and more effectively applied and a bigger scale of net lending (on present prospects net flow from the IBRD to developing countries will diminish to zero within two or three years);
- the feared hump of maturities of debt resulting from initial rescheduling can be eased - if and only if the debtor is making good progress - by the negotiation of a

CONFIDENTIAL

longer and more even pattern of payments; this could be regarded as one of the "rewards for success";

- the much greater value for developing countries, on all counts, of private direct equity investment rather than the short-term bank lending on which they relied excessively for much of the last decade.

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Exam P2 PT 15  
LIETS

19 APR 1984



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RR RO,E  
GRS 206  
RESTRICTED  
FM FCO 181230Z APR 84  
TO ROUTINE PARIS  
TELEGRAM NUMBER 302 OF 18 APRIL  
AND TO ROUTINE BONN, ROME, UKREP BRUSSELS  
FROM BARRINGTON.

LONDON ECONOMIC SUMMIT: BILATERAL MEETINGS

1. AS IS CUSTOMARY THE PRIME MINISTER WOULD LIKE TO OFFER BILATERAL MEETINGS TO THE PARTICIPANTS AT THE SUMMIT WHILE THEY ARE IN LONDON. SHE WILL BE MEETING MR TRUDEAU ON 4 JUNE, PRESIDENT REAGAN ON 5 JUNE AND MR NAKASONE, WHO IS STAYING ON AFTER THE SUMMIT, ON 11 JUNE. THE OTHERS WILL HAVE TO BE FITTED INTO GAPS IN THE SUMMIT PROGRAMME ITSELF.
2. THE PRIME MINISTER PROPOSES THEREFORE THAT HER MEETING WITH PRESIDENT MITTERRAND SHOULD BE AT 6.15 P.M. ON 8 JUNE, WITH CHANCELLOR KOHL AT 8.30 A.M. ON 9 JUNE, WITH MR CRAXI AT 5.30 P.M. ON 9 JUNE, AND WITH M. THORN AT 6.15 P.M. ON 9 JUNE. I SHOULD BE GRATEFUL IF INVITATIONS FOR MEETINGS AT THESE TIMES COULD NOW BE CONVEYED TO THE APPROPRIATE QUARTERS.
3. WE ARE ASSUMING THAT ALL THE MEETINGS WILL BE AT NO 10, WITH THE POSSIBLE EXCEPTION OF THAT WITH PRESIDENT MITTERRAND. IF THE FRENCH INSIST THIS SHOULD BE AT THEIR RESIDENCE WE MAY HAVE TO AGREE, BUT WE SHOULD NEED TO CONSULT THE PRIME MINISTER FIRST.
4. I SHOULD BE GRATEFUL TO HAVE CONFIRMATION AS SOON AS POSSIBLE THAT THESE TIMES ARE ACCEPTABLE.

CR  
Please check times  
Dmb  
19/4

7. Barclay.  
are checked  
@ OK.  
Pl. confirm  
no further  
action  
required?

CR  
25/4

Mr Hyde  
None for now

Dmb  
25/4

HOWE

ECONOMIC SUMMIT

LIMITED

ERD	PS
ESID	PS/LADY YOUNG
WED	PS/MR RIFKIND
FED	PS/MR WHITNEY
NAD	PS/MR RAISON
ECDs	PS/PUS
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TRED	SIR C TICKELL
ES & SD	MR RENWICK
EED	MR J THOMAS
SOVIET D	MR WILSON
NEWS D	
PROTOCOL D	MR ADAMS
	MR BARRINGTON

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TO PRIORITY FCO  
TELEGRAM NUMBER 381 OF 17 APRIL  
INFO ROUTINE WASHINGTON PARIS

SECRET

*THOMAS  
18/4*

YOUR TELNOS 232-33: QUADRIPARTITE CONSULTATIONS: LONDON  
ECONOMIC SUMMIT

1. WHEN I SAW MEYER-LANDRUT LAST EVENING THE IDEA OF A POLITICAL DECLARATION FROM THE LONDON SUMMIT WAS CLEARLY AT THE TOP OF HIS MIND. HE SPOKE PARTICULARLY OF THE NEED FOR SOMETHING TO BALANCE, BY EMPHASIS ON THE DEMOCRATIC DEDICATION OF THE FRG, ITALY AND JAPAN, THE D DAY ANNIVERSARY CELEBRATIONS WHICH INEVITABLY WOULD HAVE AN ALLIES-VERSUS-FORMER-ENEMY ANGLE. HE MADE CLEAR THAT THE GERMANS KNEW THAT MITTERRAND WAS LIKELY TO BE THE MAJOR HURDLE IN THE WAY OF A POLITICAL DECLARATION. THE AMERICANS, TOO, HAD MADE THIS POINT TO THE GERMANS.
2. MEYER-LANDRUT TOLD ME THAT THE GERMANS WOULD WANT TO DISCUSS THIS QUESTION AT THE QUADRIPARTITE POLITICAL DIRECTORS MEETING IN LONDON ON 24 APRIL. IN THE MEANTIME THE GERMANS WILL NO DOUBT BE TRYING HARD TO FIND OUT MITTERRAND'S LIKELY VIEWS.
3. UNLESS MITTERRAND IS FIRMLY NEGATIVE, I WOULD EXPECT GENSCHER - ENCOURAGED BY HIS SUCCESS IN INITIATING THE DECLARATION BY NATO FOREIGN MINISTERS LAST DECEMBER - TO PERSIST IN GOING FOR A DECLARATION FROM LONDON.
4. I HAVE A TACTICAL SUGGESTION. SO LONG AS THE EC BUDGET PROBLEM REMAINS UNSOLVED IT IS LIABLE TO CAUSE DIFFICULTIES BETWEEN US AND THE GERMANS: THIS GIVES US AN INTEREST IN AVOIDING DIFFICULTIES IN OTHER FIELDS WHERE POSSIBLE. EQUALLY, OUR NEED FOR GERMAN COOPERATION ON THE BUDGET GIVES US AN INTEREST IN WINNING POINTS WITH THE GERMANS ON OTHER SUBJECTS. I THEREFORE SUGGEST THAT WE SHOULD BE AS SUPPORTIVE AND WELL-WISHING AS POSSIBLE IN DISCUSSION OF GENSCHER'S DECLARATION IDEA, LETTING THE FRENCH GET THE ODIUM IF THEY DECIDE TO RESIST IT.

TAYLOR  
LIMITED  
HD PLANNING STAFF  
HD ERD  
PS:  
PS/ PUS  
SIR J BULLARD  
SIR C TICKELL  
MR J THOMAS  
MR BARRINGTON

COPIES TO  
SIR R ARMSTRONG,  
CABINET OFFICE  
MR COLES, NO 10 DST.

SECRET



file ECL

10 DOWNING STREET

*From the Private Secretary*

cc Sir PC

Sir Robert Armstrong

London Economic Summit: Media Handbook

Thank you for your minute of 6 April.

I attach the message, signed by the Prime Minister, for the media handbook which is to be given to journalists who come to London to cover the Summit.

AJC

13 April 1984

MP





10 DOWNING STREET

THE PRIME MINISTER

I welcome you to London for the occasion of the tenth Summit of Industrialised Nations.

Since 1975 Economic Summit meetings have allowed the leaders of the major industrialised countries to engage in forthright discussion, sharing opinions freely and frankly on matters vital to the future prosperity of the world. London is once again the forum for these exchanges and Lancaster House, a historic building which has been host to many important international conferences, provides a good working environment for our meetings.

I hope this handbook and the facilities we have installed in the Press Centre at the Connaught Rooms will assist your coverage of the Summit, and I hope that your time in London will be both productive and enjoyable.

*Margaret Thatcher*

June 1984



DRAFT MESSAGE FROM THE PRIME MINISTER TO BE  
REPRODUCED ON THE FIRST PAGE OF THE MEDIA HANDBOOK

London Economic Summit: Media Handbook

I welcome you to London for the occasion of the tenth Summit of Industrialised Nations.

Since 1975 Economic Summit meetings have allowed the leaders of the major industrialised countries to engage in forthright discussion, sharing opinions freely and frankly on matters vital to the future prosperity of the World. London is once again the forum for these exchanges and Lancaster House, a historic building which has been host to many important international conferences, provides a good working environment for our meetings.

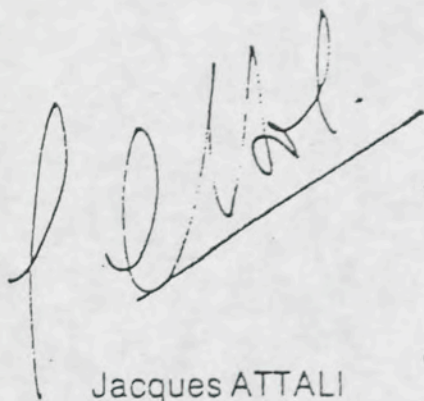
I hope this Handbook and the facilities we have installed in the Press Centre at the Connaught Rooms will assist your coverage of the Summit, and I hope that your time in London will be both productive and enjoyable.

Welcome.

On behalf of the President of the Republic, I welcome all the journalists who have come to report on this Summit of industrialized countries.

This guide has been prepared specially for your use. It contains the Summit programme and the arrangements made for the Press, as well as a description of the facilities provided to make your work easier.

I wish you a very pleasant stay in France.



Jacques ATTALI

Special Adviser  
to the President of the French Republic

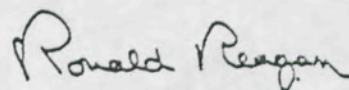


## The White House Washington

I am delighted to welcome you to Williamsburg, Virginia, for the 1983 Summit of Industrialized Nations.

Williamsburg holds a special place in America's history. Many of the concepts of freedom and justice that guide us today were developed and nurtured here. As you will see from walking around the village, there was no great wealth and little pomp in our infant nation. What I think you will see in this restoration of an early American town is a simple dignity and goodwill, which we Americans believe we carry with us to this very day.

Our hope is that the basic values and openness which Williamsburg represents will set the tone for the Summit and guide our deliberations. Again, all America joins me in welcoming you.



Ronald Reagan

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de RM  
be Sir R.C.

10 DOWNING STREET

From the Private Secretary

11 April, 1984

Dear Peter,

ECONOMIC SUMMIT: AUSTRALIAN PARTICIPATION

The Prime Minister has seen your letter of 6 April and other correspondence about briefing the Australians in advance of the London Economic Summit. She discussed this question with the Foreign and Commonwealth Secretary today.

The Prime Minister and Sir Geoffrey Howe agreed that it was unlikely that any action to mollify Mr. Hawke in connection with this issue would have the desired effect. This would apply to the despatch of an emissary, briefing given to the Australians at the OECD ministerial meeting in Paris and an invitation to Mr. Hawke to comment on the draft 'thematic paper' for the Summit (the Cabinet Secretary's minute of 9 April).

Thus, the Prime Minister is inclined to take no further action at the present time in relation to Australia and the Economic Summit.

Mrs. Thatcher has however asked whether we should not give more attention to our relationship with Australia. The Foreign and Commonwealth Secretary undertook to provide advice on whether we should invite Mr. Hawke to pay a visit to the United Kingdom, perhaps later this year. If this seemed a good idea, it might be wise to deliver the invitation before the Economic Summit. I should be grateful for advice in due course.

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

Yours ever  
for W.C.

P. Ricketts, Esq.,  
Foreign and Commonwealth Office

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*ajc*

Ref. A084/1109

MR COLES ✓

*see letter to F/C.O. M 13/4.*

Economic Summit: Australian Participation

In your minute of 29 March you asked for a draft reply to Mr Hawke's letter to the Prime Minister on this subject.

2. I recommend that the Prime Minister should not send any reply. Mr Hawke's letter was itself a reply to the Prime Minister's letter. I read Mr Hawke's letter as accepting that he is not going to be invited to the London Economic Summit, but keeping his hat in the ring for future years. On the assumption that Germany chairs next year's Summit, it will be for the Federal Chancellor to take the lead in deciding whether Australia should be invited next year. If he does not weaken, it seems very likely that the Japanese Prime Minister in 1986 will find the argument for greater Pacific representation irresistible. So it is probably only a matter of time. In the meantime I do not see how the Prime Minister can assure Mr Hawke that he "can rely on Britain's continuing support" in pressing the case for Australian participation. All things considered, it seems best not to engage in further dialogue on the subject.

*with KJc*

3. We shall have, however, to decide how we give effect to the Prime Minister's wish, expressed in her message to Mr Hawke, to have an opportunity of knowing his views, before the Summit, on the world economic prospect and on what impetus he would like to see the Summit give to the direction of events. As the Foreign and Commonwealth Secretary has indicated (his Private Secretary's letter of 6 April), last year the Americans sent a special emissary to Australia after the Summit; and Mr Hawke was in Washington shortly before the Summit, and saw the President himself. The United States Personal Representative has already been to Australia earlier this year, and has met Mr Hawke. I saw Mr Hawke in December, when I was in Australia, but we had very little discussion about the Summit, and I do not think that Mr Hawke would regard that visit as in itself enough.

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4. The Foreign and Commonwealth Secretary has suggested that the Prime Minister should send out a senior official acting as a personal emissary before the Summit, and hopes that I might take this on. If instructed to do so, of course I will, though I cannot pretend that it would be welcome to have to fit a visit to Australia into the timetable in advance of the Summit. Mr Littler also has a heavy programme of international meetings in the coming weeks; I do not know whether Sir Crispin Tickell would find it easier to fit in a visit to Australia.

5. If on the other hand the Prime Minister shares the Chancellor of the Exchequer's view that a special emissary to Canberra would be an excessive response, an alternative possibility might be to send out the draft "thematic paper", which is now being revised in the light of discussion at last weekend's meeting of Personal Representatives, and to invite the British High Commissioner in Canberra to show it on a personal basis to Mr Hawke and invite his comments on it. That paper would give Mr Hawke a clear idea of the way in which preparations for the Summit would go and of the issues that were likely to predominate at the Summit; and seeing it would give him a chance to comment upon it and inject his own ideas and thoughts into the Prime Minister's mind before the Summit.

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

RTA

ROBERT ARMSTRONG

9 April 1984

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10 DOWNING STREET

Five Minutes.

Apoc attached message?  
(pl. up)

A.S.C. 1/3



Ref. A084/1086

MR COLES

---

London Economic Summit: Media Handbook

--- I should be grateful if the Prime Minister could approve  
the attached message to be reproduced on the first page of the  
media handbook, which will be given to journalists coming to  
London to cover the Summit. It would be appropriate for the  
press to be formally welcomed to London and the most effective  
way to do so would be such a message from the Prime Minister.  
--- Copies of what were done at Williamsburg and Versailles are  
attached.

ROBERT ARMSTRONG

6 April 1984

CONQUEROR



B

etc. ①



Prime Minister.

H. Hawke's letter is Foreign and Commonwealth Office  
attached. London SW1A 2AH

2. Do you agree that we should mollify  
him by sending Sir Robert Armstrong  
(or another suitable official) as a

personal emissary from you to  
Australia before the Summit?

A.S.C. 9/4.

No - you  
won't mollify  
him. [unclear]

Economic Summit: Australian Participation

The Foreign Secretary has seen David Peretz's letter of 3 April about arrangements for briefing the Australians in advance of the London Economic Summit. Sir Geoffrey Howe has also seen the recommendations from Sir John Mason following Mr Hawke's reply to the Prime Minister's message of 1 March. (Canberra telegram nos 225 and 226 refer).

Mr Hawke clearly remains frustrated at being denied access to Summits. He claims to have the support of others. He has ignored the Prime Minister's suggestion for an exchange of views and did not take up the Prime Minister's offer of a briefing both before and after the Summit. Instead he has reiterated his wish to attend Summits, demonstrating the strength of feeling he has on this issue.

Against this background, Sir John Mason has recommended the despatch of an emissary. Such a mission would of course be time-consuming at a period which is likely to be particularly busy, not only on preparations for the Economic Summit. But given the strength of feeling demonstrated by Mr Hawke, anything short of a personal emissary could damage relations with Australia. The Americans and Japanese made a considerable effort to keep the Australians informed about the Williamsburg Economic Summit. The Americans have already sent their Personal Representative to Australia this year. The Japanese will no doubt talk about the Summit during Mr Nakasone's visit to Australia in May.

The Foreign Secretary does not, therefore, believe that in practice a briefing by the Chancellor and himself during the OECD Ministerial Meeting in Paris on 17/18 May will be enough for the Australians. He thinks that Sir John Mason should have authority to propose a visit to Canberra by a senior official acting as a personal emissary from the Prime Minister. Sir Geoffrey Howe hopes that Sir Robert Armstrong

/could

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could himself take this on. Otherwise he hopes that either Mr Littler or Sir Crispin Tickell could do it.

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

*Yours ever,*

*Peter Ricketts*

(P F Ricketts)  
Private Secretary

A J Coles Esq  
10 Downing Street

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ECON POL : Summary : R-15



16 APR 1984





70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

A.J.C. 9/4.

h-a-

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

Sir Robert Armstrong GCB CVO

Ref. A084/1093

FOREIGN AND COMMONWEALTH SECRETARY

London Economic Summit: German Request for Additional Minister

You will remember that, in the interests of the smooth running of the Summit and the need to avoid discrimination between participants and general embarrassment, we have been trying to fend off the German request that Count Lambsdorff should attend Summit meetings and meals as well as Dr Stoltenberg. There is no problem in relation to plenary meetings: the Germans accept that the Federal Chancellor will be accompanied by Herr Genscher and Herr Stoltenberg. But Count Lambsdorff can be expected to press to attend meetings and meals of Finance Ministers. Herr Genscher made an approach to you about this recently in Brussels.

2. We have now, as you know, just had another meeting of Personal Representatives and their assistants at Leeds Castle. The Japanese Personal Representative made it very clear to me that they could keep their MITI Minister away only if Count Lambsdorff did not come to London. When I raised the matter with Herr Tietmeyer, the German Personal Representative, he took my point about the embarrassment and inconvenience, and the dubious precedent at Williamsburg. He said, however, that this was a problem of great political significance and delicacy in Germany, because of Count Lambsdorff's personal position, and it could be resolved only at Ministerial level. I urged Herr Tietmeyer to report our views to the Federal Chancellor, but he said it would also be important that you should speak to Herr Genscher.

3. I very much hope that you will be able to speak to Herr Genscher accordingly, and to hold the line against Count Lambsdorff attending meetings or meals of Finance Ministers, preferably in such a way that the Germans will agree to drop the matter. If we cannot hold the line, we shall find ourselves with an extra Japanese Minister as well as Count Lambsdorff. As you know, this view is shared by the Chancellor of the Exchequer. To reinforce it, Mr Geoffrey Littler gave me over the weekend a copy of a memorandum from the United States Treasury Secretary dated June 1983 after the Williamsburg meeting (copy attached), which makes the strongest recommendation that the Germans should be told that they can have only one Minister at meetings and meals of Finance Ministers during the Summit.

4. I am sending copies of this minute to the Prime Minister and the Chancellor of the Exchequer.

Robert Armstrong

9 April 1984



THE SECRETARY OF THE TREASURY  
WASHINGTON 20220

June 2, 1983

*Note for  
1st Sherpa  
meeting, plenary  
July 83  
BRK*

MEMORANDUM FOR BERYL SPRINKEL

SUBJECT: Economic Summit 1984

As you know, at the recently concluded 1983 Economic Summit at Williamsburg, there was an embarrassing episode involving the insistence by Germany that they should have two financial representatives at the Summit. Their claim was that they have "always" had two representatives at the Summit, the Finance Minister and Otto Lambsdorff. This year the Japanese, apparently following the German's lead, brought two ministers for the Finance Ministers' meeting; one for finance, the other for trade.

*Germany  
did in  
1984  
and*

Following a decision made at the White House prior to going to Williamsburg, I insisted only one representative could attend each meeting. However, Lambsdorff simply walked into the meeting following Finance Minister Stoltenberg. This led to a confrontation between Lambsdorff, Stoltenberg and me -- including some frank language. In an effort to prevent a last minute breakdown of the entire meeting, I finally asked the other Ministers if they would allow Germany to have two representatives. They agreed. An invitation was also extended to the Japanese, who asked if they too could have two ministers. It was quite apparent that the Japanese thought this might be the outcome because their other Minister was readily available. Whether or not there was a concerted effort on the part of both nations, I do not know.

Prior to going to the U.K. for the 1984 meeting, this matter should be settled. If they continue to want two people, there must be a firm agreement that only one can be present at each meeting or meal, whether it is a Plenary Session, or meeting of Finance Ministers. I do not believe just two nations should be favored. I hope you will make this memo available for next year's Personal Representative, or Sherpa, so that the problem can be made absolutely clear early on, or else the U.S. Treasury Secretary will have to lodge a very strong protest at the start of next year's meeting of Finance Ministers.

*DTR*

Donald T. Regan



Ref. A084/1051

MR COLES ✓ *h.a.*London Economic Summit

*PL-12*  
*PL-12*

The Prime Minister wrote to the six Heads of State or Government and to the President of the Commission of the European Community on 14 December formally to invite them to attend the London Economic Summit. In your minute of 10 January you said that you would prefer not to submit all the replies to the Prime Minister as they came in, but suggested that I should summarise any points of importance in a single minute.

2. No replies have been received from the President of the French Republic or from the Federal German Chancellor. The other replies all endorse the plans for the Summit which were set out in the Prime Minister's letter, both as to organisation and as to substance, and particularly endorse the intention broadly to follow the pattern of Williamsburg. There are no particular points that need to be drawn to the Prime Minister's attention.

*RA*

ROBERT ARMSTRONG

4 April 1984



*cc [signature]*  
 Await minute from  
 Cabinet Office.

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

*WJ 4/4*

3 April 1984

*f-a-*

A J Coles Esq  
 10 Downing Street  
 LONDON  
 SW1

*Dear John*

**ECONOMIC SUMMIT: AUSTRALIAN PARTICIPATION**

The Chancellor has seen the recent correspondence on this. It seems to him that the idea of sending out a special emissary all the way to Canberra, as suggested by our High Commissioner, would be an excessive response to the need for some courtesy.

An alternative possibility which might be well worth considering is that, at the helpful date of 17/18 May, just over three weeks before the Summit, the Chancellor and Foreign Secretary will be attending the OECD Ministerial meeting in Paris, to which their Australian opposite numbers are also invited. This could provide an opportunity for direct contact at Ministerial level about plans and prospects for the Summit.

I am copying this letter to Len Appleyard (FCO) and Richard Hatfield (Cabinet Office).

*Yours sincerely  
 David Peretz*

D L C PERETZ  
 Principal Private Secretary







File V6

10 DOWNING STREET

*From the Private Secretary*

2 April 1984

Thank you for your letter of 2 April containing the original letter from Mr. Hawke to Mrs. Thatcher on the subject of Australian participation in the London Economic Summit.

A JK

Ms Patricia Paton.



THE HIGH COMMISSIONER

AUSTRALIAN HIGH COMMISSION

AUSTRALIA HOUSE  
STRAND  
LONDON WC2B 4LA  
01-438 8000

2 April 1984

Dear Mr Coles,

The attached envelope contains the original letter from Mr Hawke to Mrs Thatcher on the subject of Australian participation in the London Economic Summit, the text of which was conveyed in a letter from the High Commissioner dated 29 March 1984.

Yours sincerely,

(Patricia Paton)  
Secretary to the High Commissioner

Mr A.J. Coles  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON SW1

Ref.A084/1026

MR COLES

London Economic Summit: Meeting with Mr Trudeau

Roger Bone wrote to you on 29 March about the Canadian request for a bilateral meeting between the Prime Minister and Mr Trudeau at the time of the London Economic Summit. When a Canadian advance team was in London earlier this week they made it clear that they hoped the Prime Minister would be able to see Mr Trudeau sometime around 3 June and that Mr Trudeau would then go to France for the D-Day celebrations and stay over there until 7 June, when he would fly into Gatwick along with the other Summit participants, except for President Reagan and Mr Nakasone.

2. From the point of view of the smooth operation of these greetings ceremonies, therefore, it would be a considerable advantage if the Prime Minister could see Mr Trudeau on 3 or 4 June - lunch on 4 June would certainly suit the Canadians if the Prime Minister was prepared to offer it. This preliminary informal visit would be sufficiently in advance of Mr Trudeau's subsequent return for the Summit on 7 June to the formal greeting ceremony at Kensington Palace Gardens to be delayed until then.

3. A fall-back position would, of course, be to set aside time during the Summit for a bilateral meeting with Mr Trudeau, but this would obviously be less satisfactory for both sides. What we want to avoid is Mr Trudeau coming in early for the Summit after the D-Day ceremonies, so that a separate arrival ceremony would have to be staged for him. So far the Canadians have not suggested this.

*Carol Bowdery*  
PP. R P HATFIELD

30 March 1984

CE PC



Foreign and Commonwealth Office

London SW1A 2AH

29 March 1984

*John Thurman, PM's International Commitments*  
 (London Economic Summit: Meeting with Mr Trudeau)

You may have already seen Ottawa telegram 185 of 23 March (copy enclosed) reporting an approach to the High Commissioner at official level about a possible bilateral meeting between the Prime Minister and Mr Trudeau at the time of the London Economic Summit.

In your letter of 24 January to Peter Ricketts, you noted, in connection with a possible meeting with Mr Trudeau, that we might have to be rather sparing in arrangements for bilaterals during the Summit. While there will clearly be considerable demands on the Prime Minister at that time, the Foreign Secretary hopes that it may be possible to find an opportunity for a meeting with Mr Trudeau. You will recall that he was an attentive host during the Prime Minister's visit to Canada last September. The Summit will be his last major international engagement before the Liberal Party chooses a successor in mid-June. The Prime Minister has already invited President Reagan to talks and dinner on 5 June and Mr Nakasone to talks and lunch on 11 June. Mr Trudeau is the only other Summit participant whom the Prime Minister does not see frequently at the European Council or on other occasions. The Canadians might find it invidious if Mr Trudeau was not offered the possibility of separate talks with the Prime Minister at some point, before or during the Summit. Although I do not think they could object if the invitation did not extend to a meal, that additional gesture would obviously be much appreciated.

The Canadian Department of External Affairs have suggested that lunchtime on Sunday 3 June might suit Mr Trudeau's travel plans but they think he could fall in with any alternative which the Prime Minister might wish to suggest (bearing in mind that he apparently plans to be in France by 4 June in time for the D-Day ceremonies on 6 June).

/I am

CONFIDENTIAL



I am copying this letter to Richard Hatfield in  
the Cabinet Office.

*You are*  
*Richard Bone*

(R B Bone)  
Private Secretary

A J Coles Esq  
10 Downing Street

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GRS 250

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FM OTTAWA 232310Z MAR 84  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 185 OF 23 MARCH 84  
INFO PRIORITY TO PARIS

Amc 091/1	
RECEIVED	C. 72
26 MAR 1984	
INDEX	FILE
	Co6b

LONDON ECONOMIC SUMMIT

SUMMARY

1. DEPARTMENT OF EXTERNAL AFFAIRS (DEA) HAVE ENQUIRED ABOUT THE POSSIBILITY OF ARRANGING A BILATERAL BETWEEN MR TRUDEAU AND THE PRIME MINISTER DURING THE RUN-UP TO THE SUMMIT.

DETAIL

2. GHERSON, AUS EQUIVALENT IN THE DEA, SPOKE TO ME THIS AFTERNOON. HE SAID THAT HE BELIEVED SUMMIT HOSTS OFTEN MADE SPECIAL ARRANGEMENTS TO HAVE SEPARATE BILATERAL DISCUSSIONS WITH THEIR VISITORS. WHILE EMPHASISING THAT THIS WAS A VERY TENTATIVE ENQUIRY, AT OFFICIAL LEVEL, HE ALSO MADE IT CLEAR THAT THE DEA WERE CONFIDENT THAT MR TRUDEAU WOULD GREATLY WELCOME AN OPPORTUNITY FOR A BILATERAL DISCUSSION WITH MRS THATCHER.

3. GHERSON BELIEVED THAT TRUDEAU WOULD NEED TO BE IN FRANCE ON MONDAY 4 JUNE IN PREPARATION FOR THE START OF THE D-DAY COMMEMORATION CEREMONIES. OFFICIALS' CURRENT THINKING WAS THAT HE MIGHT ARRIVE IN PARIS EARLIER, TO SPEND THE NIGHT OF SUNDAY 3 JUNE THERE. IF THERE WERE ANY CHANCE OF HIS BEING ABLE TO SEE MRS THATCHER FOR, FOR EXAMPLE LUNCH ON THAT DAY, OFFICIALS THOUGHT HE WOULD BE GLAD TO TRAVEL TO PARIS BY WAY OF LONDON.

4. I UNDERTOOK TO PASS ON THIS SUGGESTION. I WARNED HIM THAT MRS THATCHER'S DIARY HAD BEEN FILLING UP FAST, EVEN WITHOUT THE ADDED PRESSURE ON IT THAT HAS FLOWED FROM THE EC BUDGETARY PROBLEM.

CONFIDENTIAL

/ COMMENT

# CONFIDENTIAL

## COMMENT

5. GIVEN MRS THATCHER'S VISIT HERE LAST SEPTEMBER AS MR TRUDEAU'S GUEST AND MR TRUDEAU'S IMMINENT RETIREMENT, I HOPE VERY MUCH THAT WE CAN RESPOND POSITIVELY. IF IT WERE POSSIBLE TO ACCEPT THEIR SUGGESTION, THAT WOULD BE IDEAL. IF NOT, I HOPE THAT MRS THATCHER MIGHT BE ABLE TO OFFER SOME ALTERNATIVE POSSIBILITY FOR A BILATERAL, AND, IF POSSIBLE, A MEAL.

MORAN

LIMITED

ERD

NAD

PROTOCOL D

PS

PS/MR RIFKIND

PS/LADY YOUNG

PS/MR WHITNEY

PS/PUS

SIR W HARDING

SIR C TICKELL

MR J THOMAS

MR D THOMAS

<sup>2</sup>  
CONFIDENTIAL



29 MAR 1984





FILE

SH

cc: Sir P. Craddock.

10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG

Economic Summits: Australian Participation

I attach the text of a letter from the Prime Minister of Australia in reply to Mrs. Thatcher's recent letter to him about Australian participation in the London Economic Summit.

Mr. Hawke sets out the argument, on grounds of geographical balance, for Australian participation, but seems to envisage, in his final paragraph, that the question should be examined at another time, not now.

You will have seen Canberra telegrams numbers 225 and 226.

BF // I should be grateful for a draft reply to Mr. Hawke's letter.

I am copying this minute to Mr. Appleyard (Foreign and Commonwealth Office) and Mr. Peretz (H.M. Treasury).

A. J. COLES

29 March, 1984

VC



10 DOWNING STREET

*From the Private Secretary*

29 March, 1984

The Prime Minister has asked me to thank you for your letter of 29 March conveying to her the text of a letter from the Prime Minister of Australia about Australian participation in Economic Summits.

A. J. COLES

His Excellency Mr. A. R. Parsons

Subject

cc Maslow  
OPS



PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T49/84

PRIME MINISTER

CANBERRA

29 March 1984

Dear Margaret,

Thank you for letting me know the outcome of discussions on the question of Australian participation in the London Economic Summit.

I raised the question of participation with you in New Delhi mainly because of suggestions made over a period by some member countries that there would be merit in achieving more of a balance, in geographic terms, at Summit meetings; and in this context that Australia, as an industrialised country in the Asia-Pacific region, could contribute positively to Summit discussions.

The notion that if Australia were invited to attend Summit meetings, Summit membership would have to be opened also to other countries seems to me to overlook this idea of geographic balance, as much as it overlooks that in GDP terms for OECD countries Australia ranks next after member countries with the exception only of Spain. I would have thought that as Spain is an applicant to join the European Community, with its European interests already well represented by the present membership, justification could easily be found for any invitation to participate being confined to Australia. Australia's economic development, its importance in terms of resources and its commitment to Western political ideals and principles, would be added arguments for regarding Australian participation as a separate issue, not calling for an opening up of membership to other countries.

I hardly need add that Australia maintains very close contact with countries in its region, and any contribution from Australia to Economic Summit discussions would be founded in this wider perspective.

2.

I hope that the question of Australian participation at future meetings can be examined at another time; and that in this question, Australia can rely on Britain's continuing support.

Yours sincerely,

*Russell Howard*  
*Bob Hawke*

(R.J.L. Hawke)

The Rt Hon. Margaret Thatcher, MP,  
Prime Minister of Great Britain,  
LONDON. SW1.  
United Kingdom



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AUSTRALIAN HIGH COMMISSION

AUSTRALIA HOUSE  
STRAND  
LONDON WC2B 4LA  
01-438 8000

THE HIGH COMMISSIONER

PRIME MINISTER'S

PERSONAL MESSAGE

29 March 1984

SERIAL No: T49/84 cc MASTER  
ops.

*My dear Prime Minister,*

Mr Hawke has asked me to pass to you the following text of a letter concerning Australian participation in the London Economic Summit:

Begins:

Dear Margaret,

Thank you for letting me know the outcome of discussions on the question of Australian participation in the London Economic Summit.

I raised the question of participation with you in New Delhi mainly because of suggestions made over a period by some member countries that there would be merit in achieving more of a balance, in geographic terms, at Summit Meetings; and in this context that Australia, as an industrialised country in the Asia-Pacific region, could contribute positively to summit discussions.

The notion that if Australia were invited to attend Summit Meetings, summit membership would have to be opened also to other countries seems to me to overlook this idea of geographic balance, as much as it overlooks that in GDP terms for OECD countries Australia ranks next after member countries with the exception only of Spain. I would have thought that as Spain is an applicant to join the European Community, with its European interests already well represented by the present membership, justification could easily be found for any invitation to participate being confined to Australia. Australia's economic development, its importance in terms of resources and its commitment to western political ideals and principles, would be added arguments for regarding Australian participation as a separate issue, not calling for an opening up of membership to other countries.

.../2

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2.

I hardly need add that Australia maintains very close contact with countries in its region, and any contribution from Australia to Economic Summit discussions would be founded in this wider perspective.

I hope that the question of Australian participation at future meetings can be examined at another time; and that in this question, Australia can rely on Britain's continuing support.

Yours sincerely,

Kind regards,

(Sgd.) Bob Hawke

Ends.

The original copy of this letter will be sent on as soon as it is received.

*Yours sincerely,*

*Parsons*

A.R. PARSONS

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

SUBJECT FILED ON:

AEROSPACE: Space Policy  
June 80

Ref. A084/977

MR COLES

London Economic Summit

Thank you for your minute of 22 March with a copy of President Reagan's message of 20 March about the space shuttle mission.

2. The President's Personal Representative has already given notice that this is a subject which the President will want to raise at the Summit, and that was reflected in our draft thematic paper. The President will no doubt be looking for suitable words in the declaration of the Summit.

3. It is becoming increasingly clear that the President will also want the subject of state terrorism to be discussed at the Economic Summit, and no doubt to feature in some kind of statement from the Summit. One recent telegram from Washington suggested that the Americans felt that other allies in the Summit were resisting this. It has not in fact been raised as a possibility at any meeting of Personal Representatives, but there has been some discussion below that level. British representatives have not sought to resist the idea of a discussion at the Summit, though they have suggested that it might be unwise to contemplate a declaration unless it was fairly clear that there was something useful to say.

ROBERT ARMSTRONG

27 March 1984





bc PC

J

10 DOWNING STREET

*From the Private Secretary*

26 March 1984

SIR ROBERT ARMSTRONG

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LONDON ECONOMIC SUMMIT: GUILDHALL

In your minute of 15 March, you recommended that the Prime Minister should write to the Lord Mayor about arrangements for the reading at Guildhall of the Final Declaration of the Summit.

I now attach a copy of the Lord Mayor's reply.

A. J. COLES

26 March 1984



10 DOWNING STREET

Caroline

Economic Summit.

We shall need a meeting  
shortly after Easter with  
FCS, Chancellor, A.T.A and  
perhaps other Ministers.

At least 1 hour - could you  
pl. arrange.

A.F.C. <sup>23</sup>/<sub>3</sub>.

Monday 30 April

11.00 - 12.00

26  
3  
f.a.

CR. 26/3.

Subject



de r  
cc Master

10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG

London Economic Summit

The Prime Minister held a meeting this morning to consider the arrangements for the Economic Summit. The Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and you yourself attended.

There was some discussion of the consideration by the Summit of international political issues. It was noted that President Mitterrand had reservations about this. Our objective should be to make it clear that, depending on international developments, a political statement, separate from the economic statement, might have to be issued by the Summit. In any case Foreign Ministers would be bound to discuss a number of political issues. The Foreign and Commonwealth Secretary would prepare a list of such issues for circulation in May.

The Chancellor of the Exchequer said that he proposed to send to the Prime Minister before Easter a note on points on which the Summit could usefully focus from the point of view of British interests. Work was still being done on the note but it would probably cover subjects such as general economic policy, the US deficit, protectionism, Japan (especially liberalisation of the Japanese capital market) and the international debt situation.

It was agreed that work should be done on the possibility of British initiatives at the Summit. Possible candidates were the liberalisation of capital markets and services, the problem of the burden of expenditure on social services, the further de-regulation of air transport, the harmonisation of international standards and the lifting of export subsidies in the context of world trade revival.

Ministers would meet shortly after Easter to consider a paper on possible British initiatives. It may be necessary to envisage a wider meeting than that held today and I should be grateful for your recommendations as to participation in due course.

It was agreed that you would amend the thematic paper annexed to your minute of 21 March in order to provide pegs for possible British initiatives. The draft could then be circulated to other Personal Representatives.

/ The Prime Minister

NR

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- 2 -

The Prime Minister asked that the briefs for the Summit should include a note on the protectionist measures adopted by all states represented at the Summit.

I am copying this minute to Mr. Bone and Mr. Kerr.

23 March 1984

CONFIDENTIAL

Ref.A084/929

PRIME MINISTER  

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London Economic Summit

You are meeting the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer at 10.00 am tomorrow to take stock of Summit preparations.

(attended) 2. I sent you on 21 March the draft of the thematic paper which I would like if possible to circulate to Personal Representatives early next week for their meeting from 6 to 8 April. The paper tries to cover, in succinct fashion, all the issues which Personal Representatives have raised at their two previous meetings and which seem likely to form part of the Summit's deliberations. The analytical part in the first six paragraphs may give rise to discussion; for example, the references to tax increases in 4.5, to the prospects for interest rates in 5.7 and to interest rates and structural budget deficits in 6.2; but my impression is that other Personal Representatives will not make a great issue of the United States fiscal deficit unless they are provoked by the United States Representatives. Personal Representatives will need to concentrate on paragraph 7 (Immediate Measures) which would be the starting point for any declaration or communique from the Summit. It would therefore be particularly helpful therefore if your meeting was able to agree that the thrust of the section is on the right lines. Moreover, if you, the Foreign and Commonwealth Secretary or the Chancellor of the Exchequer have specific ideas for expanding that section, it would be helpful to have them now.

3. Apart from the thematic paper, it might be worth reviewing plans for political discussions at the Summit. As you know, it is traditional for Heads of State or Government to discuss political issues over meals. The subjects discussed are topical and are chosen only shortly before the Summit takes place. The French accept that political discussion over meals is useful but are adamant that this must do nothing to dilute or compromise

the economic character and purpose of the meeting. President Mitterrand is likely to be particularly sensitive about this in London, because he considers that he was bounced into signing the Williamsburg Statement on Defence and Disarmament last year. I have told Monsieur Attali, the French Personal Representative, that it is certainly your intention that discussion of political subjects should be reserved for meal times and that the formal sessions should be devoted to economic issues. He said that his President was particularly anxious that the first formal session should get down to the economic business and not be sidetracked into political matters. I said that the presumption was that that was how it would be, but that in the end the Heads of State or Government will decide for themselves.

4. On present plans, Political Directors (or equivalent representatives) will meet shortly before the final meeting of Personal Representatives on 20/21 May to discuss and send to Personal Representatives a list of subjects to be discussed by Heads of State or Government at their informal gatherings over meals. This would accord with previous practice. The Summit also provides an opportunity for Foreign Ministers to discuss political questions, and the Foreign and Commonwealth Secretary is keen to exploit this to the full in London. It is envisaged that the meeting of Political Directors in May will also draw up a list of subjects which Foreign Ministers might consider when they meet separately during the London Summit.

5. The practical arrangements for the Summit are on course, and there are no particular points calling for discussion at this stage.

*Re*

Approved by  
ROBERT ARMSTRONG  
*and signed in his absence*

22 March 1984

From The Right Honourable The Lord Mayor  
Dame Mary Donaldson, G.B.E.

Telephone 01-626 2500

The Mansion House,

London EC4N 8BH

LM/RU

21st March 1984

*Dear Prime Minister.*

*R26  
pps*

Thank you for your letter of 19th March, with your kind invitation for me and the Sheriffs to join you and your guests in Guildhall on Saturday 9th June for tea in the Old Library and subsequently in the Great Hall for the reading of the joint press statement, at the conclusion of the London Economic Summit, which I and the Sheriffs have much pleasure in accepting.

The Corporation is delighted that you have honoured the City by holding the reading of the final declaration of the London Economic Summit in Guildhall.

I confirm that the proposals which have been made for this most important event are entirely acceptable to the Corporation.

*Yours sincerely,*

*D. Donaldson.*

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

Econ Pol: London Econ Summit: PMS



020  
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Ref. A084/900

PRIME MINISTER

London Economic Summit: Thematic Paper

The preparations for the substantive discussions at the Economic Summit are following the same pattern as those for the Williamsburg Summit. Following a general discussion among Personal Representatives last month (reported in my minute of 20 February (A084/588)) we undertook to prepare the first draft of a thematic paper for discussion at the next meeting early in April. The draft would be revised in the light of that discussion, with a view to a further discussion in mid-May, at which a text would be agreed in detail for submission to Heads of State or Government as a framework for their discussion at the Summit.

2. I now attach, for your approval, a first draft of a thematic paper, which has been agreed in discussion with the Foreign and Commonwealth Office, the Treasury and the other Departments concerned. I should like to circulate this to other Personal Representatives early next week.

3. I would hope to produce, before the mid-May meeting, the first draft of a Summit declaration. We are not committed to circulating a draft declaration to other countries before the Summit itself; but equally we are not committed to not doing so, though the presumption is that we are following the Williamsburg precedents. I think that we should take no decision on whether to circulate a draft declaration to other countries for discussion before the Summit until after the April meeting of Personal Representatives and until we have a draft in our own hands.

4. I am sending copies of this minute and of the draft thematic paper to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer.

REA

ROBERT ARMSTRONG

21 March 1984

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DRAFT

LONDON ECONOMIC SUMMIT  
7-9 JUNE 1984

THEMATIC PAPER

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<u>Macroeconomic Background</u>	3 - 4
<u>Prospects</u>	5
<u>Medium Term Objectives and Policies</u>	6
<u>Immediate Measures</u>	7

Cabinet Office

21 March 1984

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Introduction

1. The London Summit forms part of a continuing process of consultation among the major economies. Through successive recent Summits, governments have worked to bring down levels of inflation, nationally and internationally, to promote soundly-based growth in their own countries and to spread the benefits more widely, and to promote greater stability in international monetary and exchange conditions. As we approach the mid 1980s, the London Summit provides a vantage-point from which to review and chart policies to guide the major industrialised economies successfully into the second half of the decade.

2. The main concerns in the years ahead are likely to be: to reinforce the basis for enduring growth, transcending the customary cyclical recovery phases without provoking a resurgence of inflationary pressures; to create the conditions for a sustained improvement in employment, especially for the young; to strengthen and liberalise the international trade system; to improve the prospects for managing the international debt problem, especially by restoring conditions for stable financial flows to non-industrialised countries; and to co-operate with the wide range of those countries in their efforts to place their economies on a more secure and self-reliant basis. The Summit countries share a profound commitment to the fundamental values of political liberty and the free market system, with justice and responsibility. They are convinced that these principles alone provide a sure foundation for long term economic development.

Macroeconomic Background

3. Over the past year the recovery in the industrialised nations, discerned at Williamsburg, has strengthened and deepened. In many respects the recovery is more soundly-based than in some previous cycles, founded as it is upon real and often painful structural changes against a background of firm fiscal and monetary policies in most countries. Nevertheless many countries, including relatively advanced economies with substantial debt burdens as well as endemically low income countries, are still encountering severe difficulties. In considering the contribution which the Summit countries can best make to help these countries, it is essential to recognise the wide diversity of their circumstances and requirements.

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4. The principal features of macroeconomic developments over the past year can be summarised as -

- 4.1 - growth has revived strongly in North America, the United Kingdom and Japan;
- 4.2 - the recovery has also strengthened in parts of continental Europe and the other industrialised nations but progress has been less strong and more uneven;
- 4.3 - recovery has been accompanied by productivity gains but has so far had only limited impact on employment. Experience on job creation has varied widely in the Summit countries;
- 4.4 - significant success has been achieved in lowering inflation rates, although they remain high in some individual countries;
- 4.5 - underlying structural budget deficits have tended to rise in North America but good progress has been made in other countries in bringing about a reduction, reflecting both strict control of public spending and, where necessary, increases in taxes;
- 4.6 - there has been a perceptible revival in world trade, with a marked rise in the imports of some Summit countries whose recovery has proceeded more rapidly;
- 4.7 - exchange rates were dominated until the turn of the year by pressure from a strong dollar, although this has recently fallen; further movements are possible between now and the Summit;
- 4.8 - nominal interest rates have shown little overall change since Williamsburg and real rates remain historically high in a number of countries;

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4.9 - the growth of monetary aggregates in Summit countries, despite some volatility, has on average slowed after the rapid rises early last year, and is now more nearly in line with the rise in nominal income;

4.10 - most industrial countries have seen an improvement in their current balance of payments, but the overall position of Summit countries has moved from broad balance in aggregate to a significant deficit, as a result of the very large United States deficit;

4.11 - most other countries have reduced their current account deficits, benefitting from a recovery in their export markets and rising commodity prices. Nevertheless many of the debtor countries among them still face the consequences of import reductions, substantial debt servicing costs, increased political and social strains and a level of bank lending which is low by the standards of a few years ago;

4.12 - the future confronting endemically low-income countries remains daunting. Levels of official aid are constrained by budgetary pressures in donor countries and the outcome of IDA 7 will disappoint many governments;

4.13 - in particular, the situation in parts of sub-Saharan Africa is profoundly worrying, compounded by natural disasters, and could prove to be a human catastrophe on a very large scale unless action is taken;

4.14 - the flexible strategy on debt evolved over the past eighteen months has so far coped successfully with the difficulties of the major debtor countries. The strategy has involved substantial, co-ordinated support measures by creditor governments, international financial institutions and private banks and severe adjustment by debtor countries. Nevertheless major problems and risks still remain in both the short and medium term;

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- 4.15 - some progress has been made in implementing the commitments on resisting and reversing protectionism made last year at the OECD Ministerial meeting and at Williamsburg. Most Summit countries have agreed steps to accelerate implementation of the Tokyo Round and to reduce still further quotas on imports from the poorest countries;
- 4.16 - nevertheless, protectionist pressures in the industrialised countries have not abated, and have been linked in some cases with a high exchange rate and growing trade deficit. There has been little movement among the newly industrialised countries and others in the course of industrialisation to dismantle their own trade barriers or to reduce internal constraints upon competition;
- 4.17 - oil prices have remained relatively stable but the market balance is still fragile, poised between the twin dangers of over-production or sharply reduced supplies due to political events.

Prospects

5. Most forecasters expect that on present policies the recovery in activity in the Summit countries should continue over the next year or so -
- 5.1 - output in North America may rise more slowly after the rapid recent increases but activity in Japan and the European economies should gradually strengthen. A phased recovery of this kind can be a helpful basis for sustained growth;
- 5.2 - unemployment seems likely to fall further in North America but the recovery may not be rapid enough to bring an early sharp reduction elsewhere;
- 5.3 - the moderate pace of recovery in activity should prevent an early resurgence of inflation but prices could be rising more rapidly in the US. Others may either manage to keep inflation close to present levels or achieve some reduction;

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- 5.4 - world trade seems likely to rise rather faster than the recovery in activity;
- 5.5 - the Summit group as a whole, and particularly the US, seems likely to remain in current deficit with the rest of the world - in contrast to their traditional surplus position;
- 5.6 - rising activity and firm fiscal policies should help curb budget deficits in most Summit countries, although in the US the structural deficit may remain at a high level;
- 5.7 - prospects for interest rates are uncertain. In the US, more moderate output growth could help check interest rate pressures but any recovery in inflation - particularly if allied to concern about financing the budget deficit - could work in the opposite direction. Elsewhere, further progress in curbing inflation and budget deficits should ease interest rate pressures;
- 5.8 - exchange rate prospects are also uncertain. The growing US current deficit, particularly if coupled with faster inflation, could put further downward pressure on the dollar although a continued high rate of return on assets in the US could be an offsetting factor;
- 5.9 - rising exports and commodity prices are likely to help poor non-oil countries to service their debts, increase imports and begin to rebuild their reserves;
- 5.10 - the prospect of only a modest increase in energy demand should help towards achieving stable nominal oil prices, though resulting limits on the revenues of oil producers will reduce the scope for import growth in oil producing countries;

**CONFIDENTIAL**

5.11 - in the medium-term, the prospects for sustained recovery depend on avoiding a resurgence of inflation or interest rates, achieving a strong recovery in investment and maintaining the growth of world trade on which the prospects for poor countries in particular depend.

Medium Term Objectives and Policies

6. Increased confidence and economic recovery offer the opportunity to move to a period of sustained growth. But if this is to be achieved, Summit countries need to set themselves a common range of medium-term objectives, entailing a wide range of interrelated policies, and to take account of the impact of their policies on each other and on the rest of the world. The objectives can be summarised as -

6.1 - to continue with prudent monetary and fiscal policies, including strict control of public expenditure, aimed at still lower rates of inflation, especially through firm action by countries with above-average rates;

6.2 - to reduce further both nominal and real interest rates. This mainly entails further progress to reduce inflationary expectations and resolute action to put structural budget deficits onto a sustainable basis;

6.3 - to devote greater attention to reducing the structural obstacles to higher employment by encouraging labour mobility and industrial adaptation and by discouraging short term sectoral support measures. As demand expands, it will be particularly important to ensure that wherever possible the unemployed are drawn into productive employment; this will also reduce the strains on public expenditure from high social security provisions;

6.4 - to promote the development of new technology and a more rapid and widespread acceptance of technological change, recognising its importance to long term growth;



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- 6.5 - to promote conditions conducive to productive investment and private enterprise, especially among innovative small businesses;
- 6.6 - to consolidate the basis for sustained non-inflationary growth and job creation by renewed practical efforts to liberalise trade and to consolidate the open trading system;
- 6.7 - with this aim in view, to complete current trade liberalisation programmes, in cooperation with the rest of the world, and to agree with them on the need for new multilateral trade negotiations in the second half of the decade;
- 6.8 - to maintain adequate flows of resources to the rest of the world, taking into account the diversity of their requirements, and in particular to stimulate the development and application of practical measures, useable by people on the ground, to improve their own environment in a fashion that conserves renewable resources for the future, enhances indigenous food and energy production, and creates conditions where populations move towards stability;
- 6.9 - to find ways of increasing the flow of private investment, through the removal of barriers to capital flows in industrial countries and by encouraging individual countries to create a climate of confidence for investment;
- 6.10 - to adapt and improve the operations of the international financial system. This entails creating a more stable medium term financial environment by prudent policies among the major reserve currency countries, providing a consistent flow of funding to the international financial institutions, and maintaining adjustment programmes for non-industrialised countries beyond the short term;

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- 6.11 - to take due account of the political and social capacity of debtor countries to sustain a long period of severe adjustment, while maintaining the necessary conditionality and discipline which will be the only long term way in which they will successfully surmount their problems;
- 6.12 - to pursue policies, wherever possible, best designed to avoid sharp movements in either direction in international oil markets;
- 6.13 - to enhance technological cooperation and to make greater efforts to secure an internationally accepted set of scientifically based conclusions about the effects of air and water pollution on the environment and about the necessary countermeasures.

Immediate Measures

7. In order to attain these objectives, Summit countries can agree on the following range of immediate measures -

- 7.1 - to reinforce present surveillance procedures and seek further progress where necessary on prudent fiscal and monetary policies with a view to achieving reduced levels of inflation and interest rates and greater exchange rate stability;
- 7.2 - to note, with approval, the progress report of Finance Ministers on their consideration of the operations of the international monetary system and the work of G10 Ministers on exchange rates, surveillance, international liquidity and the role of the IMF;
- 7.3 - to invite Finance Ministers to take forward these studies in the appropriate organisations and develop an assessment for wider discussion with industrialised and other nations, and to report to the next Economic Summit;

7.4 - to invite Finance Ministers or their representatives to review the success of the present debt strategy and to examine how this can best be placed on a secure and internationally acceptable medium term basis. These consultations could cover inter alia -

7.4.1 -the problems of debt bunching, maturity patterns, the availability of new bank lending and the pressures on official export credit agencies;

7.4.2 -the possibility of an increased role for the World Bank, for example some expansion of facilities and loan techniques, including co-financing and increased structural lending, and ways of ensuring adequate resources for IDA;

7.4.3 -encouragement to the governments of industrialised countries to remove the remaining barriers to outward direct investment to promote development and the creation of a climate of investment confidence by non-industrialised countries, studying the various experiences of these countries in promoting successful development;

7.4.4 -closer international co-operation between central bank supervisory authorities and the wider dissemination of information;

7.4.5 -the readiness of the major debtors to honour their debts and the implications for resource transfers of the heavy debt service burden which individual countries face;

7.5 - [to note [with approval] the decision taken at the meeting of OECD Ministers on 18 May 1984 concerning the initial phase of the OECD and Williamsburg commitments and the OECD Secretary General's initiative], and to urge all trading countries to resist continuing protectionist pressures and to seek opportunities to reduce barriers to trade;

- 7.6 - to invite Trade Ministers to promote at the GATT Contracting Parties meeting in November 1984 a successful outcome of the work programme laid down at the GATT Ministerial meeting in November 1982; and to broaden consultations with Contracting Parties and with the Director General with a view to working towards a high level meeting of GATT before the end of 1985 to consider launching a new round of multilateral trade negotiations, on the basis of clearly defined objectives and guidelines, early in the second half of the decade;
- 7.7 - to invite governments to examine further measures to reduce structural rigidities to sustained growth, in particular by encouraging industrial adaptation to technological change and greater labour mobility, and thus maximising job creation opportunities and by increasing public understanding and acceptance of the need for advanced technical development;
- 7.8 - to note, with approval, the second report of the Working Group on Technology, Growth and Employment, to endorse the progress made in the 18 areas of co-operation, and to invite the Group to pursue further work on technology and the environment, adaptation to technological change and the relationship between technology and trade, and to report to the next Economic Summit;
- 7.9 - to note the initiative of the Japan Foundation on Life Sciences and Mankind and the proposals of the US government for a manned space station and to pursue follow-up discussions as appropriate;
- 7.10 - to note, with approval, the continuing work on East/West economic relations in the appropriate organisations and to endorse the need to keep monitoring the process.

U. S. Policy

Deficit — constraining public expenditure

Protectionism

- Open - Capital markets

- Int. Trade

FileCHANCELLORFROM: J.G.LITTLER  
DATE: 20 MARCH, 1984Economic Secretary  
Sir P.Middleton  
Sir T.Burns  
Mr.Unwin  
Mr.Battishill  
Mr.Lavelle  
Mr.Mountfield  
Mr.Bottrill  
Mr.PeretzLONDON ECONOMIC SUMMIT

For the meeting which the Prime Minister is holding with you and the Foreign Secretary on Friday, you should have, probably under a short note to be circulated by Sir Robert Armstrong, the latest draft of the "Thematic Paper", reflecting the late February discussions among officials of the participating countries. Mr. Bottrill is preparing some notes on particular aspects of this, and we will put forward a brief of points to make in the light of the discussion you are to hold with some of us tomorrow morning.

..... 2. Meanwhile, I attach a copy of the latest (probably for this final) draft "Thematic Paper" and also, for convenience, a copy of the Williamsburg Communiqué.

3. The Thematic Paper is rather long and somewhat repetitive. It shows marks of its Committee origin and lacks highlights, but that is probably both inevitable and sensible at this stage, when we do not want to force the pace and try to impose a shape which does not command a consensus. I think it contains pegs on which to hang our particular interests, along with a good deal of material which will eventually be discarded.

General UK Objectives

4. We can expect a general desire among the Summit participants, which we would share, to take credit for and build upon the economic strategy developed at Versailles and Williamsburg.

5. As far as the public outcome is concerned, there are several audiences. Some of the main threads might be:

(a) All audiences:

- (i) Confident message on the progress of world recovery.
- (ii) Reaffirmation of basic strategy of sustainable, non-inflationary growth.
- (iii) Structural change, greater freedom and less rigidity: in labour, industry, trade, finance.

(b) UK domestic:

- (i) A competently managed and relevant Summit.
- (ii) To show UK relative performance in a favourable light.
- (iii) To show that we are trying to get others (especially the United States and Japan) to mend their ways; but the Prime Minister will presumably not want a publicly confrontational Summit, especially ahead of the US Election.

(c) World; much is included already above, but there is need also to show:

- (i) Recognition of third world problems.

Specific Objectives

6. I think the following are the main areas in which we would like to see something done. I cover them not in order of importance, but rather in diminishing order of clarity.

7. First, protectionism. It may well be that the most important single thing under this heading is to get President Reagan to recommit himself publicly to resisting the tide of protectionist pressures in the United States, which is building up - in some areas being deliberately orchestrated - for the last few months before the Election. As to details, the position of the UK Government itself will become clearer when the postponed Ministerial discussion in E(S) has taken place early next month. Meanwhile, the Summit will be taking place between two other actual or potential international moves:

- the OECD Ministerial Council in May will have the general subject on its agenda and may prove to be an opportunity for both a firming-up of the "standstill" and "rollback"

arrangements and an opportunity to take further steps to diminish the competition in export subsidies, especially in mixed aid and trade credit;

- after the Summit there could be further moves towards a new GATT round;

The Summit could applaud the first and give encouragement in appropriate terms to the second.

8. Secondly, Japan. It is important to keep up pressure on Japan because this is what, slowly and haltingly, they have been responding to in recent years. I have tried on both Sir Anthony Rawlinson and last week the OECD Secretary-General the idea that we could find more to go for in Japanese non-tariff barriers. The problem is to identify in sufficiently clear terms what we mean, in areas which the Japanese Government can do something about. Many of the problems are pervasive Japanese cultural and traditional ways of conducting business, which foreigners find it difficult to break into. My own judgment is that the single most important thing we could get from Japan is a stronger yen exchange rate, and that the best move to this end will be (and the United States are already pursuing this strongly in bilateral discussions) to get the Japanese to open their capital market much more to inflow of funds. I am inclined to recommend this as a better direct target than specific trade barriers.

9. Thirdly, international debt. I apologise for not reporting previously, as promised. I had been hoping to incorporate any wisdom from Sir Alan Walters, but have not yet had a response from him. Meanwhile, I reduced the bones of the long paper which you saw to a discussion .... document for my official Summit colleagues, of which I attach a copy. Their initial reaction was appreciative, but in the very short discussion we have had so far among G.5 Deputies, it became plain that the United States are likely to resist attempts to keep up, let alone increase, the scale of IBRD operations; and US and Germany both dislike the World Bank Bank idea. For the Summit, I think the question is whether, between now and then and making use of one or two G.5 and G.10 occasions which you will be attending, we can build on the "possible action" of the attached note something respectable for the communique. In any case, continuing work on this should lie with Finance Ministers.



10 Fourthly, international monetary reform. Progress among G.10 Deputies has been painfully slow under poor Italian chairmanship at official level. For the Summit, I think there are two points:

- interest of the Summit leaders in the question is a response to the attempt by President Mitterrand to launch steps towards a major international conference. The object of others is to stop that bandwagon, which has really never begun to roll. I think we have to be looking for a formula which notes that Finance Ministers of G.10 have the subject in hand;
- in substance, what tends to block progress of any kind and sour some of the discussion is the attitudes of Sprinkel and Reagan, in regarding the exchange rate as something which does not matter to them at all and - beyond that - failing to acknowledge that there is any sense in which United States policy on domestic matters is a legitimate matter of concern for others.

11. This is linked with the immediately following point.

12. Finally, United States domestic policies. It seems to me that the way in which this has to be handled, or the extent to which it figures, will depend on events between now and the Summit. We plainly have to accept that no further action on the US budget deficit is likely this side of the Election. Something has been done (not yet with complete agreement) to set in hand fairly modest expenditure reductions and marginal tax increases over the next three years. It may be that the Summit will have to applaud this indication of a move in the right direction. If, by the time of the Summit, US interest rates are troublesomely higher, it will be difficult to avoid some clashes, and they could even be desirable. Whether the value of the dollar has moved significantly will also be relevant. But our main difficulty remains that the United States authorities appear to believe genuinely, as well as for public consumption, that they do not face problems resulting from their own domestic policies which threaten their own continuing economic recovery. I see this subject as one for continuing battle in G.5, probably worth making an issue in private discussion at the Summit, but difficult to handle publicly with the US Election only six months ahead.

Points to Avoid

13. I would like to suggest one point to avoid. There is always a danger of the whole Summit process being bureaucratized. This happened during the era of President Carter. President Reagan tried to break the mould, and the Prime Minister has also expressed the desire for a workmanlike and unbureaucratic Summit. With this in mind, it can be helpful for the Summit occasionally to urge Finance Ministers, international institutions, or whomever appropriate, to get on with some particular task. But it is a pity to establish the practice that these groups or bodies then have to report back to the Summit. I have tried to argue this point - not with much success - among official colleagues. I think the Prime Minister might be more receptive.

(J. G. LITTLER)

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SECOND DRAFT

LONDON ECONOMIC SUMMIT  
7-9 JUNE 1984

THEMATIC PAPER

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Cabinet Office

16 March 1984

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Introduction

1. The London Summit forms part of a continuing process of consultation among the major economies. Through successive recent Summits, governments have worked to bring down levels of inflation, nationally and internationally, to promote soundly-based growth in their own countries and to spread the benefits more widely, and to promote greater stability in international monetary and exchange conditions. As we approach the mid 1980s, the London Summit provides a vantage-point from which to review and chart policies to guide the major industrialised economies successfully into the second half of the decade.

2. The main concerns in the years ahead are likely to be: to reinforce the basis for enduring growth, transcending the customary cyclical recovery phases without provoking a resurgence of inflationary pressures; to create the conditions for a sustained improvement in employment, especially for the young; to strengthen and liberalise the international trade system; to improve the prospects for managing the international debt problem, especially by restoring conditions for stable financial flows to developing countries; and to co-operate with the wide range of developing countries in their efforts to place their economies on a more secure and self-reliant basis. The Summit countries share a profound commitment to the fundamental values of political liberty, the free market system, justice and human dignity. They are convinced that these principles alone provide a sure foundation for long term economic development.

Macro-economic Background

3. Over the past year the recovery in the industrialised nations, discerned at Williamsburg, has strengthened and deepened. In many respects the recovery is more soundly-based than in some previous cycles, founded as it is upon real and often painful structural changes against a background of firm fiscal and monetary policies in most countries. Nevertheless many developing countries, varying from relatively advanced economies, with substantial debt burdens to endemically low income countries are still encountering severe difficulties. In considering the contribution which the Summit countries can best make to help these countries, it is essential to recognise the wide diversity of their circumstances and requirements.

The principal features of macroeconomic developments over the past year can be summarised as -

- 4.1 - growth has revived strongly in North America, the United Kingdom and Japan;
- 4.2 - the recovery has also strengthened in parts of continental Europe and the other industrialised nations but progress has been less strong and more uneven;
- 4.3 - recovery has been accompanied by productivity gains but has so far had only limited impact on employment. Experience on job creation has varied widely in the Summit countries;
- 4.4 - significant success has been achieved in lowering inflation rates, although it remains high in individual countries;
- 4.5 - underlying structural budget deficits have tended to rise in North America but good progress has been made in other countries to bring about a reduction, reflecting both strict control of public spending and, where necessary, increases in taxes;
- 4.6 - there has been a perceptible revival in world trade, with a marked rise in the imports of some Summit countries whose recovery has proceeded more rapidly;
- 4.7 - exchange rates were dominated until the turn of the year by pressure from a strong dollar, although this has recently fallen; further movements are possible between now and the Summit;
- 4.8 - nominal interest rates have shown little overall change since Williamsburg and real rates remain historically high in a number of countries;

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- 4.9 - the growth of monetary aggregates in Summit countries, despite some volatility, has on average slowed after the rapid rises early last year, and is now more closely in line with the rise in nominal income;
- 4.10 - most industrial countries have seen an improvement in their current balance of payments, but the overall position of Summit countries has moved from broad balance in aggregate to a significant deficit, as a result of the very large United States deficit;
- 4.11 - developing countries as a whole have reduced their current account deficits, benefitting from a recovery in their export markets and rising commodity prices. Nevertheless many of the debtor countries among them still face the consequences of import reductions, substantial debt servicing costs, increased political and social strains and a level of bank lending which is low by the standards of a few years ago;
- 4.12 - the future confronting endemically low-income countries remains daunting. Levels of official aid are constrained by budgetary pressures in donor countries and the outcome of IDA 7 will disappoint many governments;
- 4.13 - in particular, the situation in parts of sub-Saharan Africa is profoundly worrying, compounded by natural disasters, and could prove to be a human catastrophe on a very large scale unless action is taken;
- 4.14 - the flexible strategy on debt evolved over the past eighteen months has so far coped successfully with the difficulties of the major debtor countries. The strategy has involved substantial, coordinated support measures by creditor governments, international financial institutions and private banks and severe adjustment by debtor countries. Nevertheless major problems and risks still remain in both the short and medium term;

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- 4.15 - some progress has been made in implementing the commitments on resisting and reversing protectionism made last year at the OECD Ministerial meeting and at Williamsburg. Most Summit countries have agreed steps to accelerate implementation of the Tokyo Round and to reduce still further quotas on imports from least developed countries;
- 4.16 - nevertheless, protectionist pressures in the industrialised countries have not abated, and have been linked in some cases with a high exchange rate and growing trade deficit. There has been little movement among the newly industrialised countries and more advanced developing countries to dismantle their own trade barriers or to reduce internal constraints upon competition;
- 4.17 - oil prices have remained relatively stable but the market balance is still fragile, poised between the twin dangers of over-production or sharply reduced supplies due to political events.

Prospects

5. Most forecasters expect that on present policies the recovery in activity in the Summit countries should continue over the next year or so -
- 5.1 - output in North America may rise more slowly after the rapid recent increases but activity in Japan and the European economies should gradually strengthen. A phased recovery of this kind can be a helpful basis for sustained growth;
- 5.2 - unemployment seems likely to fall further in North America but the recovery elsewhere may not be rapid enough to bring an early sharp reduction;
- 5.3 - the moderate pace of recovery in activity should prevent an early resurgence of inflation but prices could be rising more rapidly in the US. Others may either manage to keep inflation close to present levels or achieve some reduction;

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- 5.4 - world trade seems likely to rise rather faster than the recovery in activity;
- 5.5 - the Summit group as a whole, and particularly the US, seems likely to remain in current deficit with the rest of the world - in contrast to their traditional surplus position;
- 5.6 - rising activity and firm fiscal policies should help curb budget deficits in most Summit countries, although in the US the structural deficit may remain at a high level;
- 5.7 - prospects for interest rates are uncertain. In the US, more moderate output growth could help check interest rate pressures but any recovery in inflation - particularly if allied to concern about financing the budget deficit - could work in the opposite direction. Elsewhere, further progress in curbing inflation and budget deficits should ease interest rate pressures;
- 5.8 - exchange rate prospects are also uncertain. The growing US current deficit, particularly if coupled with faster inflation, could put further downward pressure on the dollar although a continued high rate of return on assets in the US could be an offsetting factor;
- 5.9 - rising exports and commodity prices are likely to help non-oil developing countries to service their debts, increase imports and begin to rebuild their reserves;
- 5.10 - weak oil prices and the prospect of only a modest increase in energy demand will limit the revenues of oil producers who seem likely to need to continue to keep a firm check on their import growth;

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5.11 - in the medium-term, the prospects for sustained recovery depend on avoiding a resurgence of inflation or interest rates, achieving a strong recovery in investment and maintaining the growth of world trade on which the prospects for developing countries in particular depend.

Medium Term Objectives and Policies

6. Increased confidence and economic recovery offer the opportunity to move to a period of sustained growth. But if this is to be achieved, Summit countries need to set themselves a common range of medium-term objectives, entailing a wide range of interrelated policies, and to take account of the impact of their policies on each other and on the rest of the world. The objectives can be summarised as -

- 6.1 - to continue with prudent monetary and fiscal policies, including strict control of public expenditure, aimed at still lower rates of inflation, especially through firm action by countries with above-average rates;
- 6.2 - to reduce further both nominal and real interest rates. This mainly entails further progress to reduce inflationary expectations and resolute action to put structural budget deficits onto a sustainable basis;
- 6.3 - to devote greater attention to reducing the structural obstacles to higher employment by encouraging labour mobility and industrial adaptation and by discouraging short term sectoral support measures. As demand expands, it will be particularly important to ensure that wherever possible the unemployed are drawn into productive employment; this will also reduce the strains on public expenditure from high social security provisions;
- 6.4 - to promote the development of new technology and a more rapid and widespread acceptance of technological change, recognising its importance to long term growth;

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- 6.5 - to promote conditions conducive to productive investment and private enterprise, especially among innovative small businesses;
- 6.6 - to consolidate the basis for sustained non-inflationary growth and job creation by renewed practical efforts to liberalise trade and to consolidate the open trading system;
- 6.7 - with this aim in view, to complete current trade liberalisation programmes, in cooperation with the developing countries, and to agree with them on the need for new multilateral trade negotiations in the second half of the decade;
- 6.8 - to maintain adequate flows of resources to developing countries as a whole, taking into account the diversity of their requirements. The overwhelming requirement in the developing world is to stimulate the development and application of practical measures, useable by people on the ground to improve their own environment in a fashion that conserves renewable resources for the future, enhances food production, and creates conditions where populations move towards stability;
- 6.9 - in particular to find ways of increasing the flow of private investment, through the removal of barriers to capital flows in industrial countries and by encouraging individual developing countries to create a climate of confidence for investment;
- 6.10 - to adapt and improve the operations of the international financial system. This entails creating a more stable medium term financial environment by prudent policies among the major reserve currency countries, providing a consistent flow of funding to the international financial institutions, and maintaining adjustment programmes for developing countries beyond the short term;

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- 6.11 - to take due account of the political and social capacity of debtor countries to sustain a long period of severe adjustment, while maintaining the necessary conditionality and discipline which will be the only long term way in which they will successfully surmount their problems;
- 6.12 - to pursue policies, wherever possible, best designed to avoid sharp movements in either direction in international oil markets;
- 6.13 - to enhance technological cooperation and to make greater efforts to secure an internationally accepted set of scientifically based conclusions about the effects of air and water pollution on the environment, and about the necessary countermeasures.

Immediate Measures

7. In order to attain these objectives, Summit countries can agree on the following range of immediate measures -

- 7.1 - to reinforce present surveillance procedures and seek further progress where necessary on prudent fiscal and monetary policies with a view to achieving reduced levels of inflation and interest rates and greater exchange rate stability;
- 7.2 - to note, with approval, the progress report of Finance Ministers on their consideration of the operations of the international monetary system and the work of G10 Ministers on exchange rates, surveillance, international liquidity and the role of the IMF;
- 7.3 - to invite Finance Ministers to take forward these studies in the appropriate organisations and develop an assessment for wider discussion with other developed and developing nations, and to report to the next Economic Summit;

7.4 - to invite Finance Ministers or their representatives to review the success of the present debt strategy and to examine how this can best be placed on a secure and internationally acceptable medium term basis. These consultations could cover inter alia -

7.4.1 -the problems of debt bunching, maturity patterns, the availability of new bank lending and the pressures on official export credit agencies;

7.4.2 -the possibility of increased role for the World Bank, for example some expansion of facilities and loan techniques, including co-financing and increased structural lending, and ways of ensuring adequate resources for IDA;

7.4.3 -encouragement to the governments of industrialised countries to remove the remaining barriers to outward direct investment to promote development and the creation of a climate of investment confidence by developing countries, studying the various experiences of these countries in promoting successful development;

7.4.4 -closer international co-operation between central bank supervisory authorities and the wider dissemination of information;

7.4.5 -the readiness of the major debtors, as displayed at the Quito Conference, to honour their debts and the implications for resource transfers of the heavy debt service burden which individual countries face;

7.5 - to invite governments to examine further measures to reduce structural rigidities to sustained growth, in particular by encouraging industrial adaptation to technological change and greater labour mobility, and thus maximising job creation opportunities;

- 6 - [to note [with approval] the decision taken at the meeting of OECD Ministers on 18 May 1984 concerning the initial phase of the OECD and Williamsburg commitments and the OECD Secretary General's initiative], and to urge all trading countries to resist continuing protectionist pressures and to seek opportunities to reduce barriers to trade;
- 7.7 - to invite Trade Ministers to promote at the GATT Contracting Parties meeting in November 1984 a successful outcome of the work programme laid down at the GATT Ministerial meeting in November 1982; and to broaden consultations with Contracting Parties and with the Director General with a view to working towards a high level meeting of GATT before the end of 1985 to consider launching a new round of multilateral trade negotiations, on the basis of clearly defined objectives and guidelines, early in the second half of the decade;
- 7.8 - to note, with approval, the second report of the Working Group on Technology, Growth and Employment, to endorse the progress made in the 18 areas of co-operation, and to invite the Group to pursue further work on technology and the environment, adaptation to technological change and the relationship between technology and trade, and to report to the next Economic Summit;
- 7.9 - to note the initiative of the Japan Foundation on Life Sciences and Mankind and the proposals of the US government for a manned space station and to pursue follow-up discussions as appropriate;
- 7.10 - to note, with approval, the continuing work on East/West economic relations in the appropriate organisations and to endorse the need to keep monitoring the process.



# 1983 Summit of Industrialized Nations

Williamsburg, Virginia 23187  
May 28-31, 1983

FOR IMMEDIATE RELEASE

MAY 30, 1983

## WILLIAMSBURG DECLARATION ON ECONOMIC RECOVERY

Our nations are united in their dedication to democracy, individual freedom, creativity, moral purpose, human dignity, and personal and cultural development. It is to preserve, sustain, and extend these shared values that our prosperity is important.

The recession has put our societies through a severe test, but they have proved resilient. Significant success has been achieved in reducing inflation and interest rates; there have been improvements in productivity; and we now clearly see signs of recovery.

Nevertheless, the industrialized democracies continue to face the challenge of ensuring that the recovery materializes and endures, in order to reverse a decade of cumulative inflation and reduce unemployment. We must all focus on achieving and maintaining low inflation, and reducing interest rates from their present too-high levels. We renew our commitment to reduce structural budget deficits, in particular, by limiting the growth of expenditures.

We recognize that we must act together and that we must pursue a balanced set of policies that take into account and exploit relationships between growth, trade, and finance, in order that recovery may spread to all countries, developed and developing alike.

In pursuance of these objectives, we have agreed as follows:

(1) Our governments will pursue appropriate monetary and budgetary policies that will be conducive to low inflation, reduced interest rates, higher productive investment and greater employment opportunities, particularly for the young.

(2) The consultation process initiated at Versailles will be enhanced to promote convergence of economic performance in our economies and greater stability of exchange rates, on the lines indicated in an annex to this Declaration. We agree to pursue closer consultations on policies affecting exchange markets and on market conditions. While retaining our freedom to operate independently, we are willing to undertake coordinated intervention in exchange markets in instances where it is agreed that such intervention would be helpful.

(3) We commit ourselves to halt protectionism, and as recovery proceeds to reverse it by dismantling trade barriers. We intend to consult within appropriate existing fora on ways to implement and monitor this commitment. We shall give impetus to resolving current trade problems. We will actively pursue the current work programs in the General Agreement on Tariffs and Trade (GATT) and Organization for Economic Cooperation and Development, including trade in services and in high technology products. We should work to achieve further trade liberalization negotiations in the GATT, with particular emphasis on expanding trade with and among developing countries. We have agreed to continue consultations on proposals for a new negotiating round in the GATT.

(4) We view with concern the international financial situation, and especially the debt burdens of many developing nations. We agree to a strategy based on: effective adjustment and development policies by debtor nations; adequate private and official financing; more open markets; and worldwide economic recovery. We will seek early ratification of the increases in resources for the International Monetary Fund and the General Arrangements to Borrow. We encourage closer cooperation and timely sharing of information among countries and the international institutions, in particular between the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), and the GATT.

(5) We have invited Ministers of Finance, in consultation with the Managing Director of the IMF, to define the conditions for improving the international monetary system and to consider the part which might, in due course, be played in this process by a high-level international monetary conference.

(6) The weight of the recession has fallen very heavily on developing countries and we are deeply concerned about their recovery. Restoring sound economic growth while keeping our markets open is crucial. Special attention will be given to the flow of resources, in particular official development assistance, to poorer countries, and for food and energy production, both bilaterally and through appropriate international institutions. We reaffirm our commitments to provide agreed funding levels for the International Development Association. We welcome the openness to dialogue which the developing countries evinced at the recent conferences of the Non-Aligned Movement in New Delhi and the Group of 77 in Buenos Aires, and we share their commitment to engage with understanding and cooperation in the forthcoming meeting of the United Nations Conference on Trade and Development in Belgrade.

(7) We are agreed upon the need to encourage both the development of advanced technology and the public acceptance of its role in promoting growth, employment and trade. We have noted with approval the report of the Working Group on Technology, Growth and Employment which was set up at Versailles last year, and commend the progress made in the 18 cooperative projects discussed in that report. We will follow the implementation and coordination of work on these projects, and look forward to receiving a further report at our next meeting.

(8) We all share the view that more predictability and less volatility in oil prices would be helpful to world economic prospects. We agree that the fall in oil prices in no way diminishes the importance and urgency of efforts to conserve energy, to develop economic alternative energy sources, to maintain and, where possible, improve contacts between oil-exporting and importing countries, and to encourage the growth of indigenous energy production in developing countries which at present lack it.

(9) East-West economic relations should be compatible with our security interests. We take note with approval of the work of the multilateral organizations which have in recent months analyzed and drawn conclusions regarding the key aspects of East-West economic relations. We encourage continuing work by these organizations, as appropriate.

(10) We have agreed to strengthen cooperation in protection of the environment, in better use of natural resources, and in health research.

Our discussions here at Williamsburg give us new confidence in the prospects for a recovery. We have strengthened our resolve to deal cooperatively with continuing problems so as to promote a sound and sustainable recovery, bringing new jobs and a better life for the people of our own countries and of the world.

We have agreed to meet again next year, and have accepted the British Prime Minister's invitation to meet in the United Kingdom.



STRENGTHENING ECONOMIC COOPERATION FOR GROWTH AND STABILITY

I. We have examined in the light of our experience the procedures outlined in the undertakings agreed at Versailles last year which seek to ensure greater monetary stability in the interest of balanced growth and progress of the world economy.

II. We reaffirm the objectives of achieving non-inflationary growth of income and employment, and promoting exchange market stability through policies designed to bring about greater convergence of economic performance in this direction.

III. We are reinforcing our multilateral cooperation with the International Monetary Fund in its surveillance activities, according to the procedures agreed at Versailles, through the following approach:

A. We are focusing on near-term policy actions leading to convergence of economic conditions in the medium term. The overall medium-term perspective remains essential, both to ensure that short-term policy innovations do not lead to divergence and to reassure business and financial markets.

B. In accordance with the agreement reached at Versailles, we are focusing our attention on issues in the monetary and financial fields including interaction with policies in other areas. We shall take fully into account the international implications of our own policy decisions. Policies and objectives that will be kept under review include:

(1) Monetary Policy. Disciplined non-inflationary growth of monetary aggregates, and appropriate interest rates, to avoid subsequent resurgence of inflation and rebound in interest rates, thus allowing room for sustainable growth.

(2) Fiscal Policy. We will aim, preferably through discipline over government expenditures, to reduce structural budget deficits and bear in mind the consequences of fiscal policy for interest rates and growth.

(3) Exchange Rate Policy. We will improve consultations, policy convergence and international cooperation to help stabilize exchange markets, bearing in mind our conclusions on the Exchange Market Intervention Study.

(4) Policies Toward Productivity and Employment. While relying on market signals as a guide to efficient economic decisions, we will take measures to improve training and mobility of our labor forces, with particular concern for the problems of youth unemployment, and promote continued structural adjustment, especially by:

-- Enhancing flexibility and openness of economies and financial markets.

-- Encouraging research and development as well as profitability and productive investment.

-- Continued efforts in each country, and improved international cooperation, where appropriate, on structural adjustment measures (e.g., regional, sectoral, energy policies).

IV. We shall continue to assess together regularly in this framework the progress we are making, consider any corrective action which may be necessary from time-to-time, and react promptly to significant changes.

INTERNATIONAL DEBTIn Retrospect

1. The strategy already developed in the autumn of 1982 has been broadly maintained. It comprises five points:

- insistence on the need for satisfactory economic adjustment by debtors;
- central role for the IMF in agreement and monitoring of adjustment programmes;
- encouragement of commercial banks, within prudent limits, to maintain a flow of financing during the period of adjustment;
- agreement to mobilise official bridging finance where necessary;
- recognition that the strategy depended on achievement of a sustainable world economic recovery.

2. The growing world economic recovery since 1982 has indeed played a vital role. Partial reversal of the decline in commodity prices and a marginal growth in export opportunities for debtor countries have played an important part.

3. Management of a succession of individual problems has been extremely difficult, requiring intensive cooperation between leading creditor countries and international institutions. The record so far is on the whole successful, but:

- there remain acute problems with some countries, generally characterised by political inability/unwillingness to implement adjustment policies;
- although immediate country problems have been temporarily eased, they are still far from having been resolved;
- the position of the commercial banking system can be expected to remain under considerable strain.
- supervisory authorities are likely to be seeking to strengthen commercial banks' balance sheets in the period ahead; this may constrain banks' ability and willingness to lend.

Prospects1. Short-term:

- the threats of global disaster foreseen by some - to world economic activity and the international financial system - have receded;
- the prospects for continued world recovery for the next year or so, although still at a modest level, are reasonably good;
- the biggest worry is the ability or otherwise of a handful of countries to implement necessary adjustment policies (Argentina, Nigeria, Philippines, Brazil) given limited amounts of new money likely to be available;

- failure of debt service in Brazil, or a combination of other important countries, could still create widespread difficulties for commercial banks;
- the cost to debtors of present dollar interest rates remains troublesomely high in nominal and real terms.

## 2. Medium-term:

- refinancing and rescheduling has created a hump of debt falling due in a few years;
- if debtors are to earn their way out of trouble, they will need to expand both imports and exports and find markets for the latter;
- adjustment will need to continue for some years and means of securing this may be needed;
- funds available from existing sources may become more constrained;
- special remedial action may become necessary if downside risks materialise.

## 3. Longer-term:

- some hope of sustaining a more stable world economic environment;
- developing countries, even the more advanced among them, will continue to need net inflow of capital;
- commercial bank lending is unlikely to be resumed on the scale of the last decade; and it is undesirable that it should; more appropriate alternatives will be needed.

## Possible Action

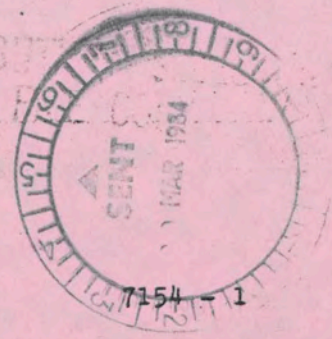
1. Reaffirm existing strategy.
2. Reject global schemes to relieve debt, assist banks or increase world liquidity (at least as long as prospects for continuing world economic recovery are good).
3. Continue to work on prudential supervision of commercial banks, particularly the strengthening of capital ratios and adequate provisioning against country risk.
4. Need to complement existing strategy with some ideas for longer-term future development. Examples:
  - maintaining IMF authority and monitoring of adjustment when the IMF itself is no longer offering substantial finance;
  - encourage cases where debtors are willing and able to attract inward investment in existing assets, on an equity basis, and use the receipts to reduce foreign borrowing;

- where adjustment is being successfully undertaken, a case for debtor countries and their bankers seeking longer-term restructuring of debt;
- develop IBRD conditionality, to complement and extend IMF conditionality; in this context increased "structural adjustment lending" by the IBRD might be attractive in particular cases if satisfactory conditionality could be attached to it;
- possible scope for development of IBRD "co-financing", again particularly valuable if linked with adequate conditionality;
- general scale of prospective IBRD operations: prospective sharp decline in net lending points to the need for capital increase;
- private direct investment: obviously desirable, list possibly helpful measures by lending and borrowing countries, and by IMF and IBRD, and lines of argument to persuade borrowing countries.

#### Conclusion

4. The essential objective is to maintain and extend the present strategy, recognising that careful management will be needed for some years to come, both in order to resolve current problems and in order to avoid as far as possible re-emergence of the same, or worse, problems in future.

DISPATCH



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PP WASHINGTON

GRS 154

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FM FCO 191615Z MARCH 84

TO PRIORITY WASHINGTON

TELEGRAM NUMBER 542 OF 20 MARCH

FCO TEL NO 518: VISIT OF PRESIDENT REAGAN FOR THE LONDON ECONOMIC SUMMIT

*Mr 2/3  
h.a.*

1. THE PRIME MINISTER HAS BEEN CONSULTED ABOUT ARRANGEMENTS FOR THE EVENING OF 5 JUNE. SHE ENVISAGES TETE-A-TETE TALKS BUT PREFER TO LEAVE OPEN FOR DECISION NEARER THE TIME, THE QUESTION OF WHETHER A NOTE-TAKER FROM EACH SIDE SHOULD BE PRESENT.

2. WITH RESPECT TO THE DINNER, THE PRIME MINISTER WOULD LIKE THE PRESIDENT'S OWN WISHES TO BE ESTABLISHED AND WOULD BE HAPPY TO FIT IN WITH THESE. SHE WOULD BE CONTENT TO HAVE A VERY SMALL DINNER FOR 5 OR 6 PEOPLE, OR A LARGER ONE FOR 12, 48 OR 66 PEOPLE. (A DINNER FOR 48 WOULD BE AT 6 TABLES OF 8 PEOPLE EACH. DINNER FOR 66 WOULD BE A FORMAL MEAL AT A HORSE SHOE TABLE.) COULD YOU FIND OUT FROM THE WHITE HOUSE WHAT THE PRESIDENT'S PREFERENCE WOULD BE? WE CAN THEN CONSIDER TIMINGS IN THE LIGHT OF THEIR REPLY.

HOWE

NNNN

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*MR D THOMAS*

1

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GRS 80  
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FM WASHINGTON 200019Z MAR 84  
TO PRIORITY FCO  
TELEGRAM NUMBER 936 OF 19 MARCH  
INFO SAVING PARIS

YOUR TELNO 518: PRESIDENT REAGAN AND THE LONDON SUMMIT.

1. THE WHITE HOUSE WERE NOT AWARE THAT HM THE QUEEN'S INVITATION TO LUNCH ON 5 JUNE WAS FIRM. THEY NOW CONFIRM THAT THE INVITATION IS GRATEFULLY ACCEPTED.

2.

CLOSED UNDER THE  
FREEDOM OF INFORMATION  
ACT 2000

FCO PLEASE PASS SAVING PARIS.

WRIGHT

[REPEATED AS REQUESTED]

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SIR R ARMSTRONG  
CABINET OFFICE

THIS TELEGRAM  
WAS NOT  
ADVANCED

CONFIDENTIAL

FILE RM

CC: CO



10 DOWNING STREET

THE PRIME MINISTER

19 March, 1984

My dear Lord Mayor,

I am delighted that the Corporation of the City have agreed that the main public event of the London Economic Summit, the reading of the final declaration, should take place at the Guildhall on Saturday 9 June. It seems to me wholly appropriate that the City should thus be associated with the Economic Summit; and the grandeur of the setting will certainly match the importance of the occasion.

I should very much like to receive the Heads of visiting delegations and accompanying Ministers for tea in the Old Library before proceeding to the Great Hall to read the joint press statement. Would it be possible for you and the Sheriffs to join me and my guests for tea and to attend the reading of the press statement? The exact timing of the reading of the statement has yet to be decided, but we are working on the basis that it will be at 4.00 p.m.; the proceedings are likely to take about one hour from 3.30 p.m.

Those responsible for making the detailed arrangements are in touch with the Remembrancer about protocol arrangements and timings. I hope that these proposals will be acceptable to you.

Yours sincerely  
Margaret Thatcher

The Right Honourable the Lord Mayor of London.

SH



520



Ref. A084/850

MR COLLES ✓

*Type letter pl.*

*A.S.C. 16/3.*

c Mr Barrington

London Economic Summit: Guildhall

As you know, arrangements have been made for the final declaration of the Summit to be read at Guildhall.

2. We need to approach the Lord Mayor now about her attendance and that of the two Sheriffs. I think that the invitation would come best from the Prime Minister herself, and I attach a draft herewith.

---

ROBERT ARMSTRONG

15 March 1984



DRAFT LETTER FROM THE PRIME MINISTER TO

The Rt Hon the Lord Mayor  
Dame Mary Donaldson GBE  
The Mansion House  
London EC4

I am delighted that the Corporation of the City have agreed that the main public event of the London Economic Summit, the reading of the final declaration, should take place at the Guildhall on Saturday 9 June. It seems to me wholly appropriate that the City should thus be <sup>associated</sup> with the Economic Summit; and the grandeur of the setting will certainly match the importance of the occasion.

I should <sup>very much</sup> like, ~~with my colleagues, the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer,~~ to receive the Heads of visiting delegations and accompanying Ministers for tea in the Old Library before proceeding to the Great Hall to read the joint press statement. <sup>Would it be possible to</sup> ~~I very much hope~~ that you and the Sheriffs ~~will be able~~ to join me and my guests for tea and to attend the reading of the press statement. The exact timing of the reading of the statement has yet to be decided, but we are working on the basis that it will be at 4.00 pm; the proceedings are likely to take about one hour from 3.30 pm.

Those responsible for making the detailed arrangements are in touch with the Remembrancer about protocol arrangements and timings. I hope that these proposals will be acceptable to you.

A.S.C.  $\frac{16.}{3}$

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70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

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

Sir Robert Armstrong GCB CVO

Ref. A084/721

6 March 1984

*My dear Julian,*

A. J. C.  $\frac{7}{3}$ .

f.a.

London Economic Summit 1984: Political Discussion

At the meeting of Personal Representatives last month I raised the matter of political discussion at the London Economic Summit and our preparation for it on the lines that we had agreed. The discussion took place on an occasion when France was represented by Jean-Claude Paye, but I subsequently had an opportunity of a word with Jacques Attali, and what follows reflects what he had to say.

There was general agreement that there should be a meeting of Political Directors (or equivalent representatives) shortly before the last meeting of Personal Representatives, to discuss and report to Personal Representatives upon a list of subjects to be discussed by Heads of State or Government at their informal gatherings over meals, and a list of subjects to be considered by Foreign Ministers when they met separately. This was on the understanding that we were really suggesting no more than had happened at previous Summits.

Attali subsequently said that President Mitterrand would be happy, provided that political preparation stopped at that. He would not, however, be prepared to contemplate any kind of political declaration from the Economic Summit, unless political circumstances at the time were generally agreed to make such a declaration imperative. President Mitterrand also attached great importance to confining political discussion to meals. It had been extremely unwelcome to him when the first formal meeting of Heads of State or Government at Williamsburg had gone into discussion of political subjects; in London, he would wish to be sure that the first meeting of Heads of State or Government on the morning of Friday 8 June took the economic agenda and did not address itself to political subjects.

/ I said

Sir Julian Bullard KCMG

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I said that it was certainly the Prime Minister's intention that the discussion of political subjects should be reserved for meal times, and that the formal sessions should be devoted to the economic issues. Nonetheless, neither Jacques Attali nor I could in the end tell Heads of State or Government what they should do; if they decided together on the evening of Thursday 7 June that they wanted to discuss political subjects on the Friday morning, they would do so and there would be nothing that we could or should do about it. Jacques Attali entirely accepted that that was so, though he said that it would remain the President's view that the Friday morning meeting of Heads of State or Government should go straight into the economic issues.

I am sending copies of this letter to John Coles and Nicholas Barrington.

*Yours ever*

*Robert Armstrong*

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Foreign Post ~~Personal Representatives~~ Jan 80



File

10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG

ECONOMIC SUMMIT:  
RECEPTION AT ST. JAMES'S PALACE

Thank you for your minute of 5 March.

The Prime Minister has noted the protocol arrangements for the Reception at St. James's Palace.

A. J. COLES

6 March 1984

ls



N. B. P. R.

Ref. A084/703

MR COLES

MR 5  
/3.

London Economic Summit 1984

I sent you a minute on 31 January (Ref. A084/351) about the possibility of terrorism being raised at the Economic Summit.

2. In the event this subject was not raised by anybody at the meeting of Personal Representatives last month; nor did it come up, I understand, during Vice-President Bush's visit. So this dog still lies asleep.

3. The Americans may of course raise the issue at the next meeting of Personal Representatives, in early April; or possibly at a meeting of experts to review the implementation of the Bonn and Venice declaration on hijacking and kidnapping which is due to take place on 12 and 13 April.

4. There remains outstanding the letter which President Reagan sent to the Prime Minister on 25 January, in the last paragraph of which he sought the Prime Minister's support for a multilateral approach to the critical issue of international and state-sponsored terrorist activity. The President's letter was itself a response to a letter which the Prime Minister sent him on 7 February, and I daresay that the Prime Minister will be content to send no further reply, at any rate for the time being.

SECURITY  
5179 TERRORISM

RA

ROBERT ARMSTRONG

5 March 1984



Prime Minister.

Agree arrangements in attached note?

A.D.C. 5/3

Ref. A084/699

MR COLINS

London Economic Summit 1984

The Prime Minister has agreed that a reception should be given for the visiting Ministers and senior Officials at St James's Palace on Thursday 7 June at 6.30 pm. The Duke of Kent has agreed to attend.

--- 2. I attach a note about the protocol arrangements for this reception. These have been agreed with the Foreign and Commonwealth Secretary, and I hope that the Prime Minister will be content with them.

3. They do not include any formal role for the Chancellor of the Exchequer, though of course he would be invited to the reception; but I think that this is right, and the guests should be formally received by the Foreign and Commonwealth Secretary and (in the case of Heads of State or Government) by the Prime Minister herself.

RA

ROBERT ARMSTRONG

ms

5 March 1984





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GRS 12D  
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FM WASHINGTON 030048Z MAR 84  
TO PRIORITY FCO  
TELEGRAM NUMBER 736 OF 2 MARCH

*attached*

*Please may I have X/  
RBRB*

YOUR TELNO ~~375~~ PRESIDENT REAGAN AND THE LONDON ECONOMIC SUMMIT.

1. I SPOKE TO DEEVER AT THE WHITE HOUSE EARLIER THIS WEEK ABOUT THE PRIME MINISTER'S INVITATION TO THE PRESIDENT TO HAVE DINNER AND BILATERAL TALKS ON 5 JUNE.
2. THE WHITE HOUSE HAVE NOW TOLD US THAT THE PRESIDENT WOULD LIKE TO ACCEPT THE PRIME MINISTER'S INVITATION, BUT HOPED THAT THE TALKS/DINNER COULD BE IN THE EARLY EVENING. THE PRESIDENT HAS AN EARLY START FOR NORMANDY ON 6 JUNE. THE WHITE HOUSE THEREFORE SUGGEST SUPPER FROM 1800 TO 19.30 HOURS ON 5 JUNE: THEY ENVISAGE THIS PROVIDING THE OPPORTUNITY FOR BILATERAL TALKS.
3. WOULD THIS BE ACCEPTABLE? IF SO, THE DETAILS AND EXACT TIMING CAN BEST BE DISCUSSED WITH MR DEEVER AND HIS COLLEAGUES DURING THEIR RECONNAISSANCE VISIT ON 12-13 MARCH.

WRIGHT

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~~WED.~~  
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 ERD  
 NEWS D  
 PROTOCOL D  
 PS  
 PS/LADY YOUNG  
 PS/MR WHITNEY  
 PS/PUS  
 SIR W HARDING  
 MR D THOMAS  
 MR N BARRINGTON

SIR P MOORE BUCKINGHAM PALACE

~~MR BUTLER~~ NO 10 DOWNING ST.

SIR ROBERT ARMSTRONG  
CABINET OFFICE

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FIC SA

BF

10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG

Economic Summit

Thank you for your minute of 27 February.

① The Prime Minister has considered the outline programme for the Summit. She has asked whether the fact that there is a rehearsal for the Trooping of the Colour on the morning of Sunday, 9 June will cause difficulties for the Summit arrangements and, if so, how it is proposed that these difficulties be surmounted.

② We are also a little concerned that the closing press conference does not take place until 5.00 p.m. on 9 June, with the Prime Minister's own press conference taking place at 5.45. Mr. Ingham has pointed out that these timings are rather late for the Sunday press. Would it be possible to envisage holding the closing press conference at 3.30 p.m. or, at the latest, 4.00 p.m?

We have noted the requirement to offer bilateral meetings between the Prime Minister and the Summit participants. We shall consider how these can be fitted into the Prime Minister's diary and I shall let you have a further minute.

AJC

SH

2 March, 1984

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file

DG

10 DOWNING STREET

*From the Private Secretary*

2 March 1984

LONDON ECONOMIC SUMMIT: COMMEMORATIVE STAMP

Thank you for your letter of 29 February to Tim Flesher.

The Prime Minister is content with the design selected by the Post Office.

A. J. COLES

Andrew Lansley Esq  
Department of Trade and Industry.

The original of the stamp design  
returned to P.O. DTI 5/3/84

NR



Stamps  
gone to RTA  
2/3

10 DOWNING STREET

*From the Private Secretary.*

John.

Re: Commemorative stamps for  
London Economic Summit.

- ① Lindsay has asked whether Sir Robert Armstrong may see them after they have come out of Prime Minister's Box. OK with you?  
*to M  $\frac{2}{2}$*
- ② Nicholas Barrington phoned to say the denomination of 31p seems to be fair and would suit most users of the stamp attending the Summit. If you wish to speak to him further his number is 273-4326. *✓ AM 3/3*  
SUE 2/3/84.

PART 12. ends:-

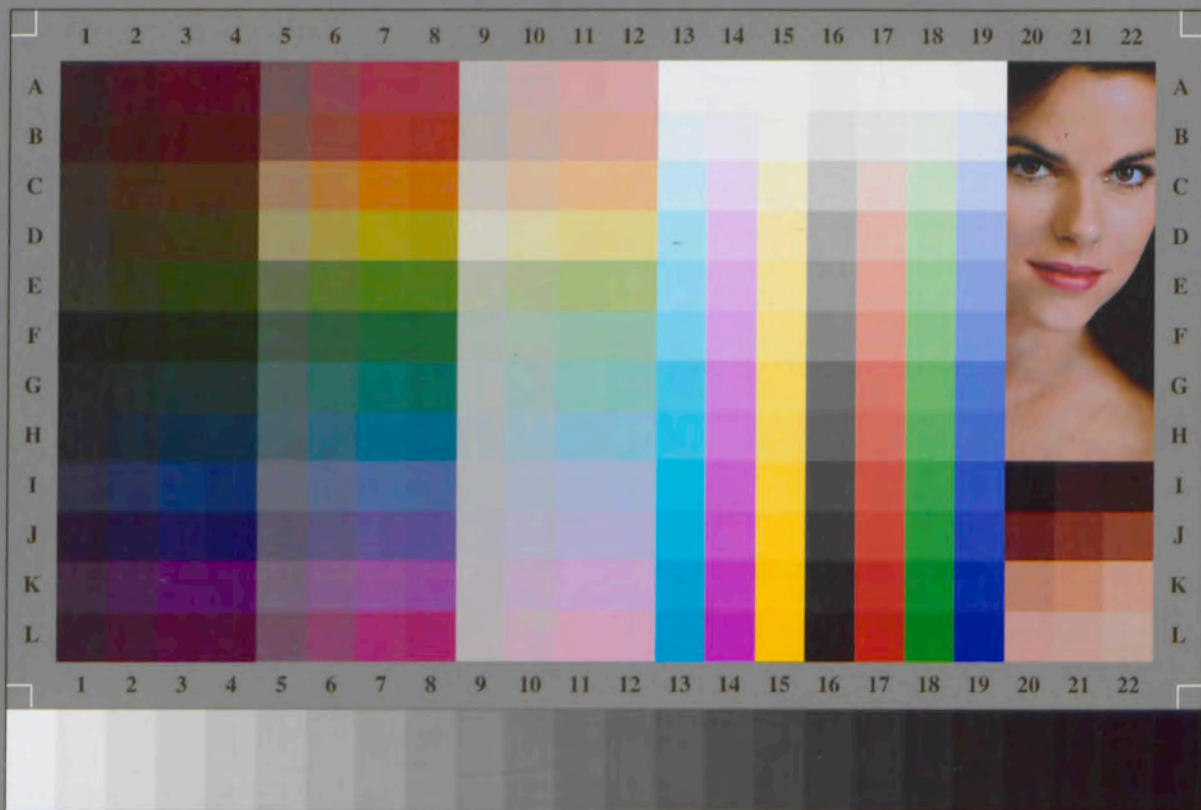
DTI to TF 29.2.84

PART 15 begins:-

DUTY CLERK TO ATC 2/3/84

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